FINANCIAL REPORT

GEBERIT GROUP

2019

CONSOLIDATED BALANCE SHEETS

	Note	31.12.2019 MCHF	31.12.2018 MCHF
Assets			
Current assets			
Cash and cash equivalents		408.1	282.2
Marketable securities and other short-term investments		20.0	0.0
Trade accounts receivable	**6**	193.4	197.5
Other current assets and current financial assets	**7**	117.2	107.3
Inventories	**8**	306.9	304.9
Total current assets		**1,045.6**	**891.9**
Non-current assets			
Property, plant and equipment	**9/26**	920.0	828.9
Deferred tax assets	**18**	124.8	91.9
Other non-current assets and non-current financial assets	**10**	38.2	37.4
Goodwill and intangible assets	**11**	1,596.7	1,651.7
Total non-current assets		**2,679.7**	**2,609.9**
Total assets		**3,725.3**	**3,501.8**

Liabilities and equity			
Current liabilities			
Short-term debt	**12**	26.2	154.3
Trade accounts payable		97.2	94.8
Tax liabilities		105.4	104.0
Other current liabilities	**13**	305.1	281.7
Current provisions	**13**	12.3	26.4
Total current liabilities		**546.2**	**661.2**
Non-current liabilities			
Long-term debt	**14/15**	810.7	683.1
Accrued pension obligations	**16**	331.3	291.5
Deferred tax liabilities	**18**	81.3	67.9
Other non-current liabilities	**19**	11.8	8.3
Non-current provisions	**19**	45.0	44.4
Total non-current liabilities		**1,280.1**	**1,095.2**
Equity			
Capital stock	**21**	3.7	3.7
Reserves		2,366.4	2,163.7
Cumulative translation adjustments		-471.1	-422.0
Total equity		**1,899.0**	**1,745.4**
Total liabilities and equity		**3,725.3**	**3,501.8**

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

CONSOLIDATED INCOME STATEMENTS

1.1. – 31.12.

	Note	2019	2018
		MCHF	MCHF
Net sales	**29**	**3,082.9**	**3,080.5**
Cost of materials		859.9	893.2
Personnel expenses		752.1	744.0
Depreciation	**9**	127.4	105.0
Amortisation of intangible assets	**11**	19.9	55.2
Other operating expenses, net	**23**	567.0	575.5
Total operating expenses, net		2,326.3	2,372.9
Operating profit (EBIT)		**756.6**	**707.6**
Financial expenses	**24**	-12.5	-17.7
Financial income	**24**	1.8	2.3
Foreign exchange loss (-)/gain	**24**	-3.1	-5.0
Financial result, net		-13.8	-20.4
Profit before income tax expenses		**742.8**	**687.2**
Income tax expenses	**25**	95.9	90.0
Net income		**646.9**	**597.2**
EPS (CHF)	**22**	17.97	16.40
EPS diluted (CHF)	**22**	17.93	16.39

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1.1. – 31.12.

	Note	2019 MCHF	2018 MCHF
Net income according to the income statement		**646.9**	**597.2**
Cumulative translation adjustments		-49.1	-60.8
Income tax expenses		0.0	0.0
Cumulative translation adjustments, net of tax		**-49.1**	**-60.8**
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		**-49.1**	**-60.8**
Remeasurements of pension plans	**16**	-49.6	17.7
Income tax expenses		11.1	-2.9
Remeasurements of pension plans, net of tax		**-38.5**	**14.8**
Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax		**-38.5**	**14.8**
Total other comprehensive income, net of tax		**-87.6**	**-46.0**
Total comprehensive income		**559.3**	**551.2**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Reserves	Treasury shares	Pension plans	Cum. translation adjustments	Total equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2017	**3.7**	**2,506.2**	**-156.4**	**-155.1**	**-361.2**	**1,837.2**
Net income		597.2				597.2
Other comprehensive income				14.8	-60.8	-46.0
Distribution[1]		-380.8				-380.8
Share buyback programme			-184.7			-184.7
Purchase (-)/sale of treasury shares		5.3	-76.6			-71.3
Management option plans		-6.2				-6.2
Balance at 31.12.2018	**3.7**	**2,721.7**	**-417.7**	**-140.3**	**-422.0**	**1,745.4**
Net income		646.9				646.9
Other comprehensive income				-38.5	-49.1	-87.6
Distribution[1]		-389.0				-389.0
Share buyback programme			-46.9			-46.9
Purchase (-)/sale of treasury shares		5.6	31.2			36.8
Management option plans		-6.6				-6.6
Balance at 31.12.2019	**3.7**	**2,978.6**	**-433.4**	**-178.8**	**-471.1**	**1,899.0**

[1] The dividend (ex2018) was CHF 10.80 per share (PY: CHF 10.40).
The accompanying → **Notes** are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASHFLOWS

1.1. – 31.12.

	Note	2019 MCHF	2018 MCHF
Cash provided by operating activities			
Net income		646.9	597.2
Depreciation and amortisation	**9/11**	147.3	160.2
Financial result, net	**24**	13.8	20.4
Income tax expenses	**25**	95.9	90.0
Other non-cash income and expenses		6.8	-6.5
Operating cashflow before changes in net working capital and income taxes		910.7	861.3
Income taxes paid		-89.3	-102.7
Changes in trade accounts receivable		7.3	12.8
Changes in inventories		-10.6	-4.9
Changes in trade accounts payable		4.7	-27.1
Changes in other positions of net working capital		11.2	8.1
Net cash from/used in (-) operating activities		**834.0**	**747.5**
Cash from/used in (-) investing activities			
Purchase of property, plant & equipment and intangible assets	**9/11**	-166.9	-162.4
Sale of property, plant & equipment and intangible assets		3.3	8.6
Interest received		1.7	0.0
Purchase (-)/sale of marketable securities and other short-term investments		-20.0	0.0
Other, net		-3.1	-2.8
Net cash from/used in (-) investing activities		**-185.0**	**-156.6**
Cash from/used in (-) financing activities			
Proceeds from borrowings	**14/15**	634.7	691.8
Repayments of borrowings	**14/15**	-695.6	-737.1
Repayments of lease liabilities	**26**	-16.2	0.0
Interest paid		-7.8	-6.0
Distribution		-389.0	-380.8
Share buyback programme	**21**	-51.4	-183.6
Purchase (-)/sale of treasury shares		9.9	-92.2
Other, net		-2.4	-6.2
Net cash from/used in (-) financing activities		**-517.8**	**-714.1**
Effects of exchange rates on cash and cash equivalents		-5.3	-7.3
Net increase/decrease (-) in cash and cash equivalents		**125.9**	**-130.5**
Cash and cash equivalents at beginning of year		282.2	412.7
Cash and cash equivalents at end of year		**408.1**	**282.2**

The accompanying → **Notes** are an integral part of the consolidated financial statements.
For further cashflow figures see → **Note 28**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC INFORMATION AND PRINCIPLES OF THE REPORT

The Geberit Group is an international company that focuses on the sanitary industry and, specifically, the areas of sanitary technology and bathroom ceramics. The Group's product range consists of the Installation and Flushing Systems, Piping Systems and Bathroom Systems product areas. Worldwide, the vast majority of its products are sold through the wholesale channel. Geberit sells its products in 120 countries. The Group is present in 50 countries with its own sales employees.

The consolidated financial statements include Geberit AG and all companies under its control ("the Group" or "Geberit"). The Group eliminates all intra-group transactions as part of the Group consolidation process. A company is consolidated for the first time or deconsolidated from the date on which the Group exercises or loses control over the company.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The term "MCHF" in these consolidated financial statements refers to millions of Swiss francs, "MEUR" refers to millions of euros, "MGBP" refers to millions of British pounds sterling and "MUSD" refers to millions of US dollars. The term "shareholders" refers to the shareholders of Geberit AG.

MAIN SOURCES OF ESTIMATION UNCERTAINTY
The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates. Estimates and assumptions are continually reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Important estimates and assumptions (with the related uncertainties) were primarily made in the following areas:

- Impairment tests for goodwill and intangible assets with an indefinite useful life (see → **Note 11**)
- Capitalisation of development costs (see → **Note 27**)
- Assumptions for the recognition of defined benefit pension plans (see → **Note 16**)
- Valuation of deferred tax assets and liabilities (see → **Note 18**)
- Valuation of provisions (see → **Note 13**, → **Note 19**)

2. CHANGES IN GROUP STRUCTURE

No significant changes in the Group structure took place in 2019 and 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IFRS

New or revised IFRS standards and interpretations 2019 and their adoption by the Group

Standard/ Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 16 – Leases	1.1.2019	The standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB included an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Adoption of this standard had an impact on the consolidated financial statements. This is disclosed in → **Note 26**.	1.1.2019
IFRIC 23 – Uncertainty over income tax treatments	1.1.2019	This IFRIC clarifies the accounting treatment when there is uncertainty over whether a tax treatment will be accepted by tax authorities and defines that it is in the scope of IAS 12 and not IAS 37. It is to be assumed that tax authorities will examine those treatments and have full knowledge of all related information. Both current and deferred income taxes are accounted based on the probabilities that certain treatments will be accepted, determined by the most likely amount method or the expected value method. The amendment had no material impact on the consolidated financial statements.	1.1.2019
Amendments to IFRS 9 – Financial instruments	1.1.2019	The amendment allows measuring particular pre-payable financial assets with so-called "negative compensation" (i.e. when, for example, a party terminating the contract may receive reasonable compensation for the early termination rather than having to make a payment) at amortised cost or at fair value through other comprehensive income (depending on the business model assessment) instead of at fair value through profit or loss. This amendment had no impact on the consolidated financial statements.	1.1.2019
Amendments to IAS 28 – Investments in associates and joint ventures	1.1.2019	The amendment clarifies that the requirements of IFRS 9 are applied for long-term interests in an associate or joint venture to which the equity method is not applied. These interests include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. This amendment had no impact on the consolidated financial statements.	1.1.2019
Amendments to IAS 19 – Employee benefits	1.1.2019	The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan takes place, the updated assumptions from this remeasurement must be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. This will change the amounts that would otherwise have been charged to profit or loss in the period after the change, and may lead to a more frequent remeasurement of the net liability. This amendment had no material impact on the consolidated financial statements.	1.1.2019
Annual improvements of IFRS 2015–2017	various	The ordinary annual clarifications and minor amendments of various standards have no material impact on the consolidated financial statements.	various

New or revised IFRS standards and interpretations as from 2020 and their adoption by the Group

Standard/ Interpretation	Enactment	Relevance for Geberit	Adoption
Amendments to IFRS 3 – Business combinations	1.1.2020	The amendments provide additional guidance as to when a transaction would result in a business combination. The new guidance clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The standard will be applied for future transactions.	1.1.2020

SUMMARY OF SIGNIFICANT ACCOUNTING AND VALUATION RULES

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 to the actual rate at the date of the transaction. At the end of the accounting period, receivables and liabilities in foreign currency are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to the income statement. Exchange rate differences related to loans that are part of the net investment in foreign entities are recorded in → **"Other comprehensive income"** and disclosed as cumulative translation adjustments.

For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates (weighted sales) for the period. Translation gains or losses are recorded in → **"Other comprehensive income"** and disclosed as cumulative translation adjustments.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of cash on hand, balances with banks and short-term, highly liquid financial investments with maturities of three months or less at their acquisition date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The carrying amount of cash and cash equivalents approximates to their fair value due to the short-term maturities of these instruments.

SECURITIES AND OTHER SHORT-TERM INVESTMENTS
Securities are marketable instruments that can be readily liquidated and have a remaining term of between 4 and 12 months. Other short-term investments primarily comprise fixed-term deposits and money-market investments with a remaining term of between 4 and 12 months. Both are either recognised at fair value through profit and loss or at amortised cost.

INVENTORIES
Inventories are stated at the lower of historical or manufacturing costs, or net realisable value. The manufacturing costs comprise all directly attributable costs of material and manufacture and other costs incurred in bringing the inventories to their present location and condition. Historical cost is determined using the weighted average cost formula, while the manufacturing cost is determined using the standard cost formula. Net realisable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling costs. Allowances are made for obsolete and slow-moving inventories.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are carried at historical or manufacturing costs less accumulated depreciation. Betterment that increases the useful lives of the assets, substantially improves the quality of the output, or enables a substantial reduction in operating costs is capitalised and depreciated over the remaining useful lives. Depreciation of property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (15–50 years), production machinery and assembly lines (8–25 years), moulds (4–6 years), equipment and furnishings (4–25 years) and vehicles (5–10 years). Properties are not regularly depreciated. Repair and maintenance related to investments in property, plant and equipment are charged to the income statement as incurred.

Borrowing costs of all material qualifying assets are capitalised during the construction phase in accordance with IAS 23. A qualified asset is an asset for which an extensive period (generally more than a year) is required to transform it to its planned usable condition. If funds are specifically borrowed, the costs that can be capitalised are the actual costs incurred less any investment income earned on the temporary investment of these borrowings. If the borrowed funds are part of a general pool, the amount that can be capitalised must be determined by applying a capitalisation rate to the expenses related to this asset.

If there is any indication for impairment, the actual carrying amount of the asset is compared to its recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced accordingly and the difference is charged to the income statement.

GOODWILL AND INTANGIBLE ASSETS
The Group records goodwill as the difference between the purchase price and the net assets of the company acquired, both measured at fair value. If the value of net assets is higher than the purchase price, this gain is credited immediately to the income statement.

Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill, trademarks and other intangible assets with an indefinite useful life are not regularly amortised but tested for impairment on an annual basis. Impairments are recorded immediately as expenses in the consolidated income statements and, in the case of goodwill, not reversed in subsequent periods. The amortisation of intangible assets with a definite useful life is calculated using the straight-line method based on the following useful lives: patents and technology (4–10 years), trademarks (5–12 years), software (4–6 years) and capitalised development costs (6 years).

Intangible assets with an indefinite useful life and goodwill are tested for impairment at each reporting date, at least. In this process, the actual carrying amount of the asset is compared with the recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced correspondingly. The Group records the difference between recoverable amount and carrying amount as expense. The valuation is based on single assets or, if such valuation is not possible, on the level of the group of assets for which separately identifiable cashflows exist.

For the impairment tests of intangible assets with an indefinite useful life and goodwill, the Group applies the most recent business plans (period of four years) and the assumptions therein concerning development of prices, markets and the Group's market shares. To discount future cashflows, the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in → **Note 11**.

LEASING
Leases for property, plant and equipment mostly comprise the buildings of the sales companies and vehicles. Until 2018, leases for property, plant and equipment were classified as either finance leases or operating leases. Property, plant and equipment acquired on a finance lease, deemed to be owned in respect of their risks and rewards, were classified as finance leases. These leased property, plant and equipment were capitalised and depreciated over their estimated useful life. The corresponding lease obligations were recognised as liabilities. Payments under operating leases were reported as operating expenses on a straight-line basis and charged directly to the income statement accordingly.

From 1 January 2019, leases are reported as a right-of-use asset, while a corresponding liability is recognised on the date on which the leased asset becomes available for use by the Group. IFRS 16 (Leases) envisages a single accounting model for the lessee. Geberit has made use of the option to refrain from accounting for leases that have a term of no more than 12 months as well as minor-value assets with a value of less than CHF 5,000. As before, the expenses from these agreements are directly recognised in other operating expenses.

According to IFRS 16, the lessee capitalises the right-of-use asset and recognises all future lease payments from the lease as a financial liability. This sum corresponds to the present value of all future lease payments. The lessee defines the agreement term and the interest rate used to discount the payments. If this discount rate is specified in the leasing agreement, this is applied (implicit interest rate). If this is not the case, the incremental borrowing rate (IBR) is applied. The term generally corresponds to the irrevocable lease term taking into account any termination, renewal and purchasing options, as long as their exercise is sufficiently secure. The leased asset is depreciated on the basis of the agreed term.

The Group applies the modified retrospective method. According to this method, assets and liabilities are only recognised according to the new standard as of 1 January 2019. The comparative information from the previous year has therefore not been adjusted and continues to be reported in accordance with IAS 17 and IFRIC 4. More information concerning leasing is disclosed in → **Note 26**.

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

NET SALES
The Group focuses on sanitary technology and bathroom ceramics in the sanitary industry. The products are primarily sold through the wholesale channel. Net sales correspond to the amount of consideration to be expected from contracts with customers for the sale of products and do not include any amounts recovered on behalf of third parties.

Sales per transaction are recorded at a single point in time at which the customer obtains effective control over the products that have been delivered. This single point in time depends on the different terms of delivery.

Net sales include the invoiced amounts after deduction of rebates, cash discounts and customer bonuses. Customer bonuses are sales deductions linked to the achievement of predefined targets (e.g. level of sales). Payments to third parties for which Geberit receives no directly linked services are also deducted from sales.

MARKETING EXPENSES
All expenses associated with advertising and promoting products are recorded in the financial period during which they are incurred.

INCOME TAX EXPENSES
The consolidated financial statements include current income taxes based on the taxable earnings of the Group companies and are calculated according to national tax rules. Uncertain tax positions are determined on the basis of the most likely amount method. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated either using the current tax rate or the tax rate expected to be applicable in the period in which these differences will reverse. If the realisation of future tax savings related to tax loss carryforwards and other deferred tax assets is not or no longer probable, the deferred tax assets are reduced accordingly.

A liability for deferred taxes for non-refundable taxes at source and other earning distribution-related taxes is recognised only for subsidiaries for which available earnings are intended to be remitted and of which the parent company controls the dividend policy (see → **Note 18**).

RESEARCH AND DEVELOPMENT COST (R&D)
The majority of the expenses are incurred in relation to basic research, product and product range management, customer software development and R&D support/overheads, and these are charged directly to the income statement. The residual expenses relate to development costs for new products. If these concern major development projects, they are reviewed at each balance sheet date in order to verify whether the capitalisation criteria of IAS 38.57 are fulfilled. In the case that all criteria are fulfilled, the expenses are capitalised and amortised over a period of six years (see → **Note 27**).

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

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

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

PARTICIPATION PLANS
Rebates granted to employees when buying Geberit shares under share purchase plans are charged to the income statement in the year the programmes are offered.

The fair value of the options allocated as part of the management long-term incentive and the management share purchase plan is determined at the grant date and charged on a straight-line basis to personnel expenses over the vesting period. The values are determined using the binomial model.

EARNINGS PER SHARE
The number of ordinary shares for the calculation of the earnings per share is determined on the basis of the weighted average of the issued ordinary shares less the weighted average number of the treasury shares. For the calculation of diluted earnings per share, an adjusted number of shares is calculated as the sum of the total of the ordinary shares used to calculate the earnings per share and the potentially dilutive shares from option programmes. The dilution from option programmes is determined on the basis of the number of ordinary shares that could have been bought for the amount of the accumulated difference between the market price and exercise price of the options. The relevant market price used is the average Geberit share price for the financial year.

Earnings per share and diluted earnings per share are defined as the ratio of the attributable net income to the relevant number of ordinary shares.

FINANCIAL INSTRUMENTS
Financial assets are mainly carried at amortised cost less allowances for expected credit losses. It is not necessary for a loss event to occur before an impairment loss is recognised. Impairment is determined based on expected credit losses, which is the present value of the cash shortfalls over the expected life of the financial assets. Geberit incorporates forward-looking information into its historical customer default rates, grouping receivables by customer sector, rating and geography taking into account the existence of collateral, if any.

Debts are initially recorded at fair value, net of transaction costs, and subsequently measured at amortised cost according to the effective interest rate method. The Group classifies debts as non-current when, at the balance sheet date, it has the unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The recognition of derivatives in the Group's balance sheet is based on internal valuations or on the valuation of the respective financial institution. See → **Note 15** for an allocation of the balance sheet items to the classification by categories**.**

HEDGE ACCOUNTING
Geberit purchases derivative financial instruments for the purpose of economically hedging specific commitments (see → **Note 4** and→ **Note 15**).

4. RISK ASSESSMENT AND MANAGEMENT

GENERAL
The Group runs a risk-management system approved by the Board of Directors.

The policy defines a structured process by which the business risks are systematically managed. In this process, risks are identified, analysed and evaluated concerning the likelihood of occurrence and magnitude, and risk-control measurements are determined. Each member of management is responsible for the implementation of the risk-management measures in his area of responsibility. The Board of Directors is periodically informed about the major changes in risk assessment and about risk-management actions taken. The permanent observation and control of the risks is a management objective. For risks concerning accounting and financial reporting, a special assessment is carried out as part of the risk control process. The Geberit internal control system for financial reporting defines in this regard control measures that reduce the related risks.

Financial risks are monitored by the treasury department of the Geberit Group, which acts in line with the directives of the treasury policy issued by the Group. Risk management focuses on recognising, analysing and hedging foreign exchange rate, interest rate, liquidity and counterparty risks, with the aim of limiting their effect on cashflow and net income. The Group measures the foreign exchange rate risks and interest rate risks with the cashflow-at-risk method.

MANAGEMENT OF COUNTERPARTY RISKS FROM TREASURY ACTIVITIES
Financial contracts are agreed only with third parties that have at least an A (S&P) or A2 (Moody's) rating or are considered as relevant to the financial system. Management believes that the risk of losses from the existing contracts is remote.

In general, liquid funds are invested for a period of less than three months. Part of the liquid funds may be invested in government bonds (maximum MCHF 70 per country and usually with terms of less than 12 months). The residual liquid funds are generally held at banks on a short-term basis. To avoid cluster risks, the value of an investment per third party may not exceed a certain limit that is determined on the basis of clearly defined creditworthiness criteria such as rating, system relevance and state guarantees (e.g. for Swiss cantonal banks). In addition, investments with the same counterparty may not exceed half of the Group's total deposits. The Group has not suffered any losses on such transactions to date.

MANAGEMENT OF FOREIGN EXCHANGE RATE RISK
The Group generates sales and costs in Switzerland and abroad in foreign currencies. Therefore, exchange rate changes have an impact on the consolidated results. To limit such risks, the concept of “natural hedging” is considered as the primary hedging strategy. Hereby, the foreign exchange rate risk of cash inflows in a certain currency is neutralised with cash outflows of the same currency. Therefore, currency fluctuations influence the profit margin of the Group only to a marginal extent; i.e. the Group is exposed to a relatively small transaction risk. However, the translation risk that results from the translation of profits generated abroad can still substantially influence the consolidated results depending on the level of currency fluctuation, despite the effective “natural hedging”. The Group does not hedge translation risks.

The currency risk over a period of 12 months is measured via the cashflow-at-risk (CfaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the financial result of the Group is evaluated. As at 31 December 2019, the Group’s CfaR amounted to MCHF 24.2 (PY: MCHF 26.5), hence there was a 95% likelihood that any loss resulting from currency risk would not exceed MCHF 24.2.

The following parameters have been used for the calculation of the cashflow-at-risk (CfaR):

Model	Method	Confidence level	Holding period
J. P. Morgan	Variance-covariance approach	95%	12 months

MANAGEMENT OF INTEREST RATE RISK
Basically, two types of interest rate risk exist:

a) the fair market value risk for financial positions bearing fixed interest rates
b) the interest rate risk for financial positions bearing variable interest rates

The fair market value risk does not have a direct impact on the cashflows and results of the Group. Therefore, it is not measured. The refinancing risk of positions with fixed interest rates is considered with the integration of financial positions bearing fixed interest rates with a maturity under 12 months in the measurement of the interest rate risk.

The interest rate risk is measured using the cashflow-at-risk (CfaR) method for the interest balance (including financial positions bearing fixed interest rates with a maturity under 12 months). By using statistical methods, the effect of probable interest rate changes on the cashflow of a financial position is evaluated.

The Group’s risk is controlled with the key figure EBITDA/(financial result, net, for the coming 12 months + CfaR). Based on internal limits, it is decided whether any hedging measures have to be taken. The limit is reviewed annually and amounts to a minimum of 20 for the reporting period (PY: 20).

Interest rate risk as at 31 December:

	2019 MCHF	2018 MCHF
EBITDA[1]	903.9	867.8
Financial result, net + CfaR	9.9	9.4
EBITDA/(Financial result, net + CfaR)	**91x**	**92x**

[1] **EBITDA = operating profit (EBIT) before depreciation and amortisation.**

MANAGEMENT OF LIQUIDITY RISK
Liquid funds, including the committed unused credit lines, must be available to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortisation payments and capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 624.7 (PY: MCHF 193.4).

MANAGEMENT OF CREDIT RISK
Major credit risks to the Group mainly result from the sale of its products (debtor risk). Products are sold throughout the world, but primarily within continental Europe. Ongoing evaluations of the customers’ financial situation are performed and, generally, no further collateral is required. The Group records allowances for potential credit losses based on an expected credit loss (ECL) model in accordance with IFRS 9 (see → **Note 6**). Actual losses have not exceeded management’s expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of trade receivables at year-end is not representative because of the low sales volume in December. In 2019, the average balance of trade receivables is about 139% (PY: 139%) of the amount at year-end.

SUMMARY

The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed to make sure that they meet the requirements of financial markets, changes in the Group organisation and regulatory obligations. Management is informed on a regular basis with key figures and reports about compliance with the defined limits. At the balance sheet date, the relevant risks, controlled with statistical and other methods, and the corresponding key figures are as follows:

Type of risk	Key figure	2019	2018
Foreign exchange rate risk	Cashflow-at-Risk (CfaR)	MCHF 24.2	MCHF 26.5
Interest rate risk	EBITDA/(financial result, net + CfaR)	91x	92x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 624.7	MCHF 193.4

5. MANAGEMENT OF CAPITAL

The objectives of the Group regarding the management of the capital structure are as follows:

- ensure sufficient liquidity to cover all liabilities
- ensure an attractive return on equity (ROE) and return on invested capital (ROIC)
- ensure a sufficient debt capacity and credit rating
- ensure an attractive distribution policy

In order to maintain or change the capital structure, the following measures can be taken:

- adjustment of the distribution policy
- share buyback programmes
- capital increases
- raise or repay debt

Further measures to guarantee an efficient use of the invested capital and therefore also to achieve attractive returns are:

- active management of net working capital
- demanding objectives regarding the profitability of investments
- clearly structured innovation process

The invested capital is composed of net working capital, property, plant and equipment, goodwill, and intangible assets.

The periodic calculation and reporting of the following key figures to the management ensure the necessary measures in connection with the capital structure can be taken in a timely manner.

The relevant values as at 31 December are outlined below:

	2019	2018
	MCHF	MCHF
Gearing		
Debt	836.9	837.4
Liquid funds, marketable securities and other short-term investments	428.1	282.2
Net debt	408.8	555.2
Equity	1,899.0	1,745.4
Net debt/equity	**21.5%**	**31.8%**
Return on equity (ROE)		
Equity (rolling)	1,806.8	1,817.4
Net income	646.9	597.2
ROE	**35.8%**	**32.9%**
Return on invested capital (ROIC) [1]		
Invested capital (rolling)	2,810.0	2,823.3
Net operating profit after taxes (NOPAT)	648.4	609.3
ROIC	**23.1%**	**21.6%**

[1] ROIC = Return on invested capital (Net operating profit after taxes / invested capital). Net operating profit after taxes = EBIT less income taxes on EBIT. Invested capital = Net working capital + PPE + goodwill and intangible assets. Invested capital corresponds with the rolling 5-quarter-average amount of the underlying balance sheet items

6. TRADE ACCOUNTS RECEIVABLE

	2019 MCHF	2018 MCHF
Trade accounts receivable	205.4	208.5
Allowances	-12.0	-11.0
Total trade accounts receivable	**193.4**	**197.5**

As at 31 December 2019, of the total trade accounts receivable, MCHF 8.1 were denominated in CHF, MCHF 65.8 in EUR, MCHF 22.0 in USD, MCHF 17.9 in GBP, MCHF 15.2 in SEK, MCHF 15.2 in DKK, MCHF 12.4 in NOK and MCHF 6.8 in PLN.

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

	2019 MCHF	2018 MCHF
Allowances for trade accounts receivable		
1 January	**11.0**	**10.9**
Additions	5.0	3.9
Used	-2.9	-2.2
Reversed	-0.8	-1.1
Translation differences	-0.3	-0.5
31 December	**12.0**	**11.0**

	2019 MCHF	2018 MCHF
Maturity analysis of trade accounts receivable		
Not due	141.1	137.7
Past due < 30 days	45.1	44.2
Past due < 60 days	6.0	10.3
Past due < 90 days	1.9	2.8
Past due < 120 days	2.1	1.1
Past due > 120 days	9.2	12.4
Allowances	-12.0	-11.0
Total trade accounts receivable	**193.4**	**197.5**

The agreed payment terms range from 30 to 120 days.

7. OTHER CURRENT ASSETS AND CURRENT FINANCIAL ASSETS

	2019 MCHF	2018 MCHF
Value added tax receivables	77.4	61.7
Income tax refunds receivable	12.8	17.9
Short-term derivative financial instruments[1] (see → **Note 15**)	1.1	0.4
Prepaid expenses	11.8	10.5
Other current assets	14.1	16.8
Total other current assets and current financial assets	**117.2**	**107.3**

[1] Not part of the calculation of net working capital

As at 31 December 2019, the position "Other current assets" included other receivables from governments of MCHF 3.0 (PY: MCHF 5.9).

8. INVENTORIES

	2019 MCHF	2018 MCHF
Raw materials, supplies and other inventories	97.2	101.7
Work in progress	52.2	49.5
Finished goods	130.7	129.7
Merchandise	26.7	23.9
Prepayments to suppliers	0.1	0.1
Total inventories	**306.9**	**304.9**

As at 31 December 2019, inventories included allowances for slow-moving and obsolete items of MCHF 48.8 (PY: MCHF 46.2).

9. PROPERTY, PLANT AND EQUIPMENT

The following statement of changes in assets includes the Group's own as well as leased property, plant and equipment:

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2019					
Cost at beginning of year	2,260.3	639.5	1,414.1	65.6	141.1
Adoption IFRS 16	86.7	76.2	10.4	0.1	
Additions	153.9	11.9	53.1	8.5	80.4
Disposals	-62.1	-6.3	-49.9	-5.9	
Transfers	-1.3	43.3	51.0	2.4	-98.0
Translation differences	-57.0	-16.0	-35.9	-2.7	-2.4
Cost at end of year	**2,380.5**	**748.6**	**1,442.8**	**68.0**	**121.1**
Accumulated depreciation at beginning of year	1,431.4	339.4	1,050.2	41.8	0.0
Depreciation	127.4	32.4	86.0	9.0	
Disposals	-60.9	-5.7	-49.3	-5.9	
Transfers	-1.3	-3.7	2.4		
Translation differences	-36.1	-7.1	-26.9	-2.1	
Accumulated depreciation at end of year	**1,460.5**	**355.3**	**1,062.4**	**42.8**	**0.0**
Carrying amounts at end of year	**920.0**	**393.3**	**380.4**	**25.2**	**121.1**
2018					
Cost at beginning of year	2,267.0	656.2	1,445.2	65.4	100.2
Additions	151.4	11.2	39.6	8.6	92.0
Disposals	-88.7	-19.0	-63.2	-6.5	
Transfers	2.0	9.6	37.8	1.7	-47.1
Translation differences	-71.4	-18.5	-45.3	-3.6	-4.0
Cost at end of year	**2,260.3**	**639.5**	**1,414.1**	**65.6**	**141.1**
Accumulated depreciation at beginning of year	1,454.2	345.0	1,067.0	42.2	0.0
Depreciation	105.0	16.5	79.7	8.8	
Disposals	-82.5	-13.9	-62.1	-6.5	
Translation differences	-45.3	-8.2	-34.4	-2.7	
Accumulated depreciation at end of year	**1,431.4**	**339.4**	**1,050.2**	**41.8**	**0.0**
Carrying amounts at end of year	**828.9**	**300.1**	**363.9**	**23.8**	**141.1**

As at 31 December 2019, there were no qualified assets for which borrowing costs were capitalised during the production phase. As at 31 December 2019, the Group had entered into firm commitments for capital expenditures of MCHF 11.6 (PY: MCHF 14.5).

The following table breaks down the carrying amount of property, plant and equipment by items that are owned by the Group and items that are leased:

	2019 MCHF	2018 MCHF
Property, plant and equipment owned	851.8	828.9
Right-of-use of property, plant and equipment	68.2	0.0
Carrying amounts at end of year	**920.0**	**828.9**

RIGHT-OF-USE OF PROPERTY, PLANT AND EQUIPMENT

	Total MCHF	Land and buildings MCHF	Machinery and equipment MCHF	Office equipment MCHF
2019				
Initial recognition IFRS 16	74.8	67.8	6.9	0.1
Additions	11.9	8.4	3.5	0.0
Depreciation	-17.2	-13.7	-3.4	-0.1
Translation differences	-1.3	-1.2	-0.1	0.0
Carrying amounts at end of year	**68.2**	**61.3**	**6.9**	**0.0**

10. OTHER NON-CURRENT ASSETS AND NON-CURRENT FINANCIAL ASSETS

	2019 MCHF	2018 MCHF
Reinsurance policies for pension obligations (see → **Note 16**)	25.1	23.8
Assets from defined benefit plans (see → **Note 16**)	0.8	1.7
Deposits	3.9	2.7
Capitalised financing costs	0.7	0.9
Other	7.7	8.3
Total other non-current assets and non-current financial assets	**38.2**	**37.4**

As at 31 December 2019 and 2018, the position “Other” mainly includes long-term receivables in connection with the sale of the Varicor Group which was executed in 2017.

11. GOODWILL AND INTANGIBLE ASSETS

	Total	Goodwill	Patents and technology	Trademarks	Other intangible assets[1]
	MCHF	MCHF	MCHF	MCHF	MCHF
2019					
Cost at beginning of year	2,285.6	1,517.1	266.5	379.4	122.6
Additions	13.0				13.0
Disposals	-182.7		-182.3		-0.4
Transfers	2.1				2.1
Translation differences	-52.9	-48.5		-3.8	-0.6
Cost at end of year	**2,065.1**	**1,468.6**	**84.2**	**375.6**	**136.7**
Accumulated amortisation at beginning of year	633.9	217.7	266.4	69.9	79.9
Amortisation	19.9			8.0	11.9
Disposals	-182.6		-182.3		-0.3
Transfer	2.1				2.1
Translation differences	-4.9	-4.4			-0.5
Accumulated amortisation at end of year	**468.4**	**213.3**	**84.1**	**77.9**	**93.1**
Carrying amounts at end of year	**1,596.7**	**1,255.3**	**0.1**	**297.7**	**43.6**
2018					
Cost at beginning of year	2,341.9	1,568.3	271.8	385.4	116.4
Additions	11.0				11.0
Disposals	-4.3				-4.3
Transfers	0.4				0.4
Translation differences	-63.4	-51.2	-5.3	-6.0	-0.9
Cost at end of year	**2,285.6**	**1,517.1**	**266.5**	**379.4**	**122.6**
Accumulated amortisation at beginning of year	593.0	222.2	234.8	61.8	74.2
Amortisation	55.2		36.5	8.1	10.6
Disposals	-4.2				-4.2
Translation differences	-10.1	-4.5	-4.9		-0.7
Accumulated amortisation at end of year	**633.9**	**217.7**	**266.4**	**69.9**	**79.9**
Carrying amounts at end of year	**1,651.7**	**1,299.4**	**0.1**	**309.5**	**42.7**

[1] Other intangible assets: mainly software and capitalised product development costs (see → **Note 27**)

Goodwill and intangible assets from acquisitions with an indefinite useful life are tested for impairment on an annual basis. No impairment arose on 31 December 2019. The following table lists the carrying amounts and parameters of the items that are material for the Group.

	Carrying amount	Carrying amount	Calculation of recoverable amount (PY numbers in brackets)			
	31.12.2019	31.12.2018	Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate pretax	Discount rate posttax
	MCHF	MCHF		%	%	%
Goodwill	1,255.3	1,299.4	U	2.0 (2.8)	6.2 (6.3)	5.4 (5.6)
Geberit trademark	84.6	84.6	U	2.0 (2.8)	6.1 (6.2)	5.4 (5.6)
Various other trademarks	213.1	224.9	U	1.9 - 2.0 (2.8)	5.6 -6.4 (5.9 - 6.9)	5.5 - 6.2 (5.8 - 6.7)

GOODWILL
The discounted cashflow method is applied to test the goodwill for impairment. The Group bases the impairment test on the results from the current business plan (for a four-year period) and the assumptions in this plan regarding price, market and market share developments. Growth rates after the end of the planning period are based on Euroconstruct forecasts and the Group's own assumptions drawn from past experience regarding price and market share trends. A discount rate based on the Group's weighted cost of capital is used to calculate the discounted future cashflows. Management regards the discount rate, growth rates and development of the operating margin as the key factors in calculating the recoverable amount.

TRADEMARKS
The item "Various other trademarks" includes the trademarks Ifö, Keramag, Kolo, IDO, Twyford, Allia and Sphinx.

The relief from royalty method is used to test the trademarks with an indefinite useful life (Ifö, Kolo, IDO and Twyford) for impairment. Impairment is tested against the Group's estimated net sales attributable to the trademarks according to the current business plan (four-year period). Growth rates after the end of the planning period are based on Euroconstruct forecasts and the Group's own assumptions drawn from past experience regarding price and market share trends. Discounted future cashflows are calculated using discount rates based on the Group's weighted cost of capital taking into account country- and currency-specific risks.

On 7 March 2018, the Board of Directors approved the new brand strategy. This strategy foresees that some of the Bath & Shower Systems brands will be gradually integrated into the Geberit brand in the respective markets. Consequently, the affected brands (Keramag, Allia and Sphinx) now have a definite useful life causing total annual amortisation of around MCHF 8.0 over their remaining useful life.

SENSITIVITY ANALYSIS
The sensitivity analysis shows that changes to the key assumptions (discount rate +1.0 percentage points or growth rate -1.0 percentage points) that are realistically possible from today's perspective would not result in any need to impair the goodwill. In terms of trademarks, this would lead to an impairment loss of around MCHF 4.0.

12. SHORT-TERM DEBT

	2019 MCHF	2018 MCHF
Other short-term debt	5.0	4.6
Short-term portion of long-term lease liabilities (see → **Note 26**)	21.2	0.0
Short-term portion of long-term debt (excl. leases)	0.0	149.7
Total short-term debt	**26.2**	**154.3**

SHORT-TERM CREDIT LINES
The Group maintained credit lines of MCHF 90.7 (PY: MCHF 41.3) from various lenders, which can be cancelled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. As at 31 December 2019 and 2018, the Group did not have any outstanding drawings on the above-mentioned credit lines.

OTHER SHORT-TERM DEBT
As at 31 December 2019, the Group had MCHF 5.0 in other short-term debt (PY: MCHF 4.6). This debt incurred an effective interest rate of 5.5% (PY: 5.4%).

CURRENCY MIX
Of the total short-term debt outstanding as at 31 December 2019, MCHF 11.0 was denominated in EUR (PY: MCHF 4.6) and MCHF 8.8 in CHF (PY: MCHF 149.7).

13. OTHER CURRENT LIABILITIES AND PROVISIONS

	2019 MCHF	2018 MCHF
Compensation-related liabilities	98.2	83.5
Customer-related liabilities	125.4	121.7
Value added tax payables	34.7	31.2
Short-term derivative financial instruments (see → **Note 15**)	0.1	0.0
Short-term interest payables	2.8	2.5
Other current liabilities	43.9	42.8
Total other current liabilities	**305.1**	**281.7**

The outstanding customer bonuses are offset against the outstanding trade accounts receivable (→ **Note 6**). If the balance of outstanding trade receivables as at 31 December is smaller than the outstanding customer bonuses, these are reported under "Customer-related liabilities". The position “Other current liabilities” mainly included accruals for services and deliveries not invoiced.

	2019 MCHF	2018 MCHF
Other current provisions	7.6	5.8
Provisions for restructuring	4.7	20.6
Total current provisions	**12.3**	**26.4**

The movements of other current provisions for 2019 and 2018 are shown in the following table:

	2019 MCHF	2018 MCHF
Other current provisions		
1 January	**5.8**	**16.4**
Additions	5.2	3.9
Transfers	0.0	0.0
Used	-3.1	-3.6
Reversed	-0.2	-10.2
Translation differences	-0.1	-0.7
31 December	**7.6**	**5.8**

The movements of provisions for restructuring for 2019 and 2018 are shown in the following table:

	2019 MCHF	2018 MCHF
Provisions for restructuring		
1 January	**20.6**	**36.3**
Additions	0.4	0.4
Transfers	1.0	6.0
Used	-13.9	-17.4
Reversed	-3.1	-3.7
Translation differences	-0.3	-1.0
31 December	**4.7**	**20.6**

In 2017, ceramic production at the plant in Digoin (F) was discontinued and the plant in La Villeneuve-au-Chêne (F) was completely closed. As at 30 June 2017, a restructuring provision was recognised to cover the cost of these measures (MCHF 44.0). The cashout (“Used”) from this provision in 2017 amounted to MCHF 12.5, in 2018 to MCHF 15.7 and in 2019 to MCHF 10.6 (see also → **Note 19**).

14. LONG-TERM DEBT

	2019	2018
	MCHF	MCHF
Bonds	750.7	663.5
Credit facility	0.0	157.6
Lease liabilities (see → **Note 26**)	69.2	0.0
Other long-term debt	12.0	11.7
Total long-term debt before reclassification	**831.9**	**832.8**
Short-term portion of long-term debt	-21.2	-149.7
Total long-term debt	**810.7**	**683.1**

BONDS

A bond of MCHF 150 became due in April 2019. To refinance this, two new bonds of MCHF 125 each were issued in April 2019.

As at the end of 2019, the four outstanding bonds are as follows: a bond for MCHF 150 (fair value as at 31 December 2019: MCHF 153.0) with a term of eight years and a coupon of 0.3% due 2023, a bond for MCHF 125 (fair value as at 31 December 2019: MCHF 128.2) with a term of 5.5 years and a coupon of 0.1% due 2024, a bond for MCHF 125 (fair value as at 31 December 2019: MCHF 131.6) with a term of 9.5 years and a coupon of 0.6% due 2028, and a bond for MEUR 325 (fair value as at 31 December 2019: MEUR 327.6) with a term of six years and a coupon of 0.688% due 2021.

REVOLVING CREDIT FACILITY

A firmly committed credit line of MCHF 500 has been available to the Group since November 2017. The credit line has a term of five years (due in 2022) as well as two renewal options of one additional year each. The interest rate is variable and based on the LIBOR plus a fixed margin. An additional fee is charged if this credit line is drawn down. The credit facility had not been drawn down by the end of 2019. A commitment fee – recorded as financial expenses – was charged in respect of the undrawn portion.

The MEUR 325 bond and the MCHF 500 credit facility are secured by guarantees from Geberit AG. The credit facility contains conditions typical for syndicated financing.

OTHER LONG-TERM DEBT

As at 31 December 2019, the Group had MCHF 12.0 of other long-term debt (PY: MCHF 11.7). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

CURRENCY MIX

Of the total long-term debt outstanding as at 31 December 2019, MCHF 397.2 was denominated in EUR (PY: MCHF 533.4) and MCHF 400.5 in CHF (PY: MCHF 149.7).

15. FINANCIAL INSTRUMENTS

DERIVATIVE FINANCIAL INSTRUMENTS

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments in accordance with the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in → **Note 3** and → **Note 4**. As at 31 December 2019 and 2018, the following derivative financial instruments were outstanding:

FORWARD FOREIGN EXCHANGE CONTRACTS

	Contract values									Fair value 31.12.	Calculation method
2019	MCZK	MEUR	MDKK	MPLN	MNOK	MGBP	MHUF	MRON	MUSD	MCHF	
Foreign exchange contracts	-12.0	-102.5	-42.0	-68.0	-54.5	-0.7	-100.0	-2.0	-3.3	1.0	Mark-to-Market

2018	MCZK	MEUR	MDKK	MPLN	MNOK	MGBP	MHUF	MRON	MUSD	MCHF	
Foreign exchange contracts	-10.0	-78.0	-7.0	-60.0	-5.0	0.0	0.0	0.0	0.0	0.4	Mark-to-Market

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

HEDGE ACCOUNTING

No hedge accounting was applied in 2019 or 2018.

MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORIES IN ACCORDANCE WITH IFRS 9
Based on the relevant balance sheet item of financial instruments, the following table shows an allocation of the balance sheet items to the classification by categories in accordance with IFRS 9. In addition, a fair value measurement hierarchy was introduced for assets and liabilities that are measured at fair value in accordance with IFRS 13. Level 1 contains all financial instruments with quoted prices in active markets. Level 2 contains all financial instruments with inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 contains all financial instruments with inputs for determining the assets and liabilities that are not based on observable market data.

	Carrying amount as at 31.12.2019	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	408.1	408.1	0.0	
Marketable securities and other short-term investments	20.0	20.0	0.0	
Trade accounts receivable	193.4	193.4	0.0	
Other current assets (see → **Note 7**)	116.1	116.1	0.0	
Other non-current assets	11.2	11.0	0.2	Level 2
Derivative financial instruments (see → **Note 7**)	1.1	0.0	1.1	Level 2
Total	**749.9**	**748.6**	**1.3**	

	Carrying amount as at 31.12.2019	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt	26.2	26.2	0.0	
Trade accounts payable	97.2	97.2	0.0	
Bonds	750.7	750.7	0.0	
Credit facility	0.0	0.0	0.0	
Long-term lease liabilities	48.0	48.0	0.0	
Other long-term debt	12.0	12.0	0.0	
Derivative financial instruments	0.1	0.0	0.1	Level 2
Total	**934.2**	**934.1**	**0.1**	

	Carrying amount as at 31.12.2018	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	282.2	282.2	0.0	
Trade accounts receivable	197.5	197.5	0.0	
Other current assets (see → **Note 7**)	106.9	106.9	0.0	
Other non-current assets	10.5	10.3	0.2	Level 2
Derivative financial instruments (see → **Note 7**)	0.4	0.0	0.4	Level 2
Total	**597.5**	**596.9**	**0.6**	

	Carrying amount as at 31.12.2018	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt (CHF bond: MCHF 149.7)	154.3	154.3	0.0	
Trade accounts payable	94.8	94.8	0.0	
Bonds	513.8	513.8	0.0	
Credit facility	157.6	157.6	0.0	
Other long-term debt	11.7	11.7	0.0	
Derivative financial instruments	0.0	0.0	0.0	Level 2
Total	**932.2**	**932.2**	**0.0**	

FAIR VALUE MEASUREMENT HIERARCHY:
Level 1: quoted prices in active markets for identical assets
Level 2: observable prices, either directly or indirectly
Level 3: input factors that are not based on observable market data

MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS
The following table shows the carrying amount of all contractually defined future (not discounted) interest and amortisation payments of derivative and non-derivative financial instruments as at the balance sheet date:

	Carrying amount	Maturity				
	31.12.2019	2020	2021	2022	2023	2024 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	26.2	26.9	0.0	0.0	0.0	0.0
Trade accounts payable	97.2	97.2	0.0	0.0	0.0	0.0
Bonds	750.7	3.7	356.3	1.3	151.3	253.8
Credit facility	0.0	0.0	0.0	0.0	0.0	0.0
Long-term lease liabilities	48.0	1.8	11.4	9.0	6.4	30.3
Other long-term debt	12.0	0.7	4.7	3.6	2.6	2.6
Total non-derivative financial liabilities	**934.1**	**130.3**	**372.4**	**13.9**	**160.3**	**286.7**
Derivative financial assets/liabilities, net	-1.0	146.0	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-1.0**	**146.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**933.1**	**276.3**	**372.4**	**13.9**	**160.3**	**286.7**

	Carrying amount	Maturity				
	31.12.2018	2019	2020	2021	2022	2023 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt (incl. CHF bond)	154.3	154.9	0.0	0.0	0.0	0.0
Trade accounts payable	94.8	94.8	0.0	0.0	0.0	0.0
Bonds	513.8	3.0	3.0	368.7	0.5	150.5
Credit facility	157.6	0.1	158.0	0.0	0.0	0.0
Other long-term debt	11.7	0.7	3.8	3.5	2.8	3.3
Total non-derivative financial liabilities	**932.2**	**253.5**	**164.8**	**372.2**	**3.3**	**153.8**
Derivative financial assets/liabilities, net	-0.4	105.6	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-0.4**	**105.6**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**931.8**	**359.1**	**164.8**	**372.2**	**3.3**	**153.8**

ADDITIONAL INFORMATION TO THE CASHFLOW STATEMENT

The following table shows the reconciliation of the items for which cashflows were or in future will be generated and that are reported as net cash from financing activities in the consolidated statements of cashflows:

	2019		Non-cash movements		2018
	Total	Cashflows	Translation differences	Others	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Long-term debt (excl. leases)	762.7	89.4	-15.2	5.4	683.1
Short-term debt (excl. leases)	5.0	-150.3	-0.1	1.1	154.3
Lease liabilities (incl. payables and prepayments)	69.4	-16.2	-1.1	86.7	0.0
Interest liabilities	2.8	-7.8	-0.1	8.2	2.5
Total	**839.9**	**-84.9**	**-16.5**	**101.4**	**839.9**

In 2019, the position “Others” of lease liabilities contained the non-cash addition of new lease contracts due to the application of IFRS 16.

	2018		Non-cash movements		2017
	Total	Cashflows	Translation differences	Others	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Long-term debt	683.1	-44.8	-20.9	-141.9	890.7
Short-term debt	154.3	-0.5	-0.2	150.5	4.5
Interest liabilities	2.5	-6.0	-0.1	4.8	3.8
Total	**839.9**	**-51.3**	**-21.2**	**13.4**	**899.0**

In 2018, the position “Others” mainly contained the transfer of pension liabilities to long-term debt, the reclassification of long-term debt (due within the next twelve months) to short-term debt and the interest and financing costs booked according to the effective interest rate method to “financial result, net”.

16. RETIREMENT BENEFIT PLANS

The Group manages defined benefit plans for its employees in various countries. The most relevant defined benefit plans exist in Switzerland and in Germany and account together for 92% (PY: 92%) of the total benefit obligations.

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

	2019	2018
	MCHF	MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	633.8	578.2
Plan assets at fair value	609.1	563.6
Funded status	**-24.7**	**-14.6**
Germany		
Benefit obligation (for unfunded retirement benefit plans)	269.9	241.9
Plan assets at fair value	0.0	0.0
Funded status	**-269.9**	**-241.9**
Reimbursement rights	17.4	16.3
Other plans		
Benefit obligation (for funded retirement benefit plans)	43.0	37.8
Benefit obligation (for unfunded retirement benefit plans)	35.6	34.0
Plan assets at fair value	42.7	38.5
Funded status	**-35.9**	**-33.3**
Reimbursement rights	7.7	7.5
Total		
Benefit obligation (for all retirement benefit plans)	982.3	891.9
Plan assets at fair value	651.8	602.1
Funded status	**-330.5**	**-289.8**
Reimbursement rights	25.1	23.8

SWISS RETIREMENT BENEFIT PLANS

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

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

If the pension fund is underfunded in accordance with the BVG, the Board of Trustees is obliged by law to initiate measures to rectify the situation, such as reducing the interest paid on retirement assets, reducing the benefit entitlement, or collecting remedial contributions. Legally accrued benefits may not be reduced. With remedial contributions, the risk is shared between the employer and employees and the employer is not legally obliged to pay more than 50% of the additional contributions. The technical funding ratio of this Foundation in accordance with the BVG was 116.2% as at 31 December 2019 (PY: 111.3%).

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

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

The funded plans also include the "Wohlfahrtsfonds" of the Geberit Group, which provides non-compulsory benefits only. This fund for managerial employees supplements the insurance cover granted by the "Gemeinschaftsstiftung". This fund is being replaced by a 1e pension plan and reclassified as a defined-contribution plan as at 1 January 2020. This new plan will allow beneficiaries to participate directly in the performance of the investment. The 1e assets can be drawn in a lump sum upon retirement.

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

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

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

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

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

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

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

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

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

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

In respect of Geberit Keramik GmbH, Ratingen, a benefit obligation arose from certain pension commitments made and there is also a benefit obligation with reinsurance assets.

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

	2019 MCHF	2018 MCHF
Current service cost	35.9	38.1
Past service cost	-3.6	-3.6
(Gain) / loss on settlement	-3.2	0.0
Contributions of employees	-11.0	-10.0
Net interest cost for retirement benefit plans	4.0	3.7
Net periodic pension cost	**22.1**	**28.2**

The current service cost for the Swiss retirement benefit plans was MCHF 23.1 in 2019 (PY: MCHF 25.0) and for the German retirement benefit plans MCHF 11.4 (PY: MCHF 11.9). The past service cost for the Swiss retirement benefit plan (Gemeinschaftsstiftung) was MCHF -3.6 which is a technical effect related to plan changes according to IAS 19. The future pension benefits of the active members were reduced due to the steadily increasing life expectancy and low interest rates environment. The position "(Gain) / loss on settlement" mainly includes a non-recurring positive effect of MCHF -2.2 for the replacement of the Wohlfahrtsfonds with the 1e pension. The net interest cost for the Swiss retirement benefit plans was MCHF 0.0 in 2019 (PY: MCHF 0.1) and for the German retirement benefit plans MCHF 3.7 (PY: MCHF 3.3).

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

	2019 MCHF	2018 MCHF
Actuarial gains (-) / losses:	110.6	-35.9
- of which from changes in demographic assumptions	0.0	0.3
- of which from changes in financial assumptions	110.1	-36.0
- of which from experience adjustments	0.5	-0.2
Return on plan assets (excluding interest based on discount rate)	-61.0	18.4
Return on reimbursement rights (excluding interest based on discount rate)	0.0	-0.2
Asset ceiling adjustment	0.0	0.0
Total pre-tax remeasurements recognised in other comprehensive income	**49.6**	**-17.7**

The remeasurements recognised in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2019 for the Swiss retirement benefit plans amounted to MCHF 14.4 (PY: MCHF -11.6) and for the German retirement benefit plans to MCHF 30.0 (PY: MCHF -6.5).

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

	2019 MCHF	2018 MCHF
Benefit obligation		
At beginning of year	891.9	926.1
Current service cost	35.9	38.1
Past service cost	-3.6	-3.6
(Gain) / loss on settlement	-27.6	0.0
Interest cost	10.4	8.9
Actuarial gains (-) / losses	110.6	-35.9
New plans / plan adjustments	-0.1	0.0
Benefits paid	-25.1	-28.0
Translation differences	-10.1	-13.7
Benefit obligation at end of year	**982.3**	**891.9**

	2019 MCHF	2018 MCHF
Plan assets at fair value		
At beginning of year	602.1	617.8
Interest income (based on discount rate)	5.7	4.6
Return on plan assets (excluding interest based on discount rate)	61.0	-18.4
Contributions of employees	10.4	9.3
Contributions of employers	10.8	9.7
(Gain) / loss on settlement	-24.4	0.0
Benefits paid	-14.6	-18.6
Translation differences	0.8	-2.3
Plan assets at fair value at end of year	**651.8**	**602.1**
Funded status at end of year	**-330.5**	**-289.8**
Asset ceiling adjustment	0.0	0.0
Assets from defined benefit plans (→ **Note 10**)	-0.8	-1.7
Net funded status at end of year	**-331.3**	**-291.5**

	2019 MCHF	2018 MCHF
Fair value of reimbursement rights		
At beginning of year	23.8	22.3
Interest income (based on discount rate)	0.7	0.6
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.2
Contributions of employers	1.3	1.4
Contributions of employees	0.6	0.7
Benefits paid	-0.4	-0.9
Translation differences	-0.9	-0.5
Fair value of reimbursement rights at end of year	**25.1**	**23.8**

As at 31 December 2019, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 17.4 (PY: MCHF 16.3).

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

	2019			2018		
	Listed on an active market MCHF	Other MCHF	Total MCHF	Listed on an active market MCHF	Other MCHF	Total MCHF
Equity instruments	222.7	16.0	238.7	198.1	17.0	215.1
Bonds and other debt instruments	119.3	46.6	165.9	110.4	43.6	154.0
Real estate property	46.0	133.3	179.3	47.9	130.2	178.1
Cash and cash equivalents	64.1	0.0	64.1	46.1	0.0	46.1
Other	3.4	0.4	3.8	2.7	6.1	8.8
Total	**455.5**	**196.3**	**651.8**	**405.2**	**196.9**	**602.1**

The plan asset of the Swiss retirement benefit plans was MCHF 609.1 as at 31 December 2019 and the effective income on the plan assets was +10.7% in 2019 and -2.05% in 2018. As at the end of 2019, the plan assets included MCHF 7.2 (PY: MCHF 6.1) in equity instruments of Geberit AG and MCHF 5.8 (PY: MCHF 6.0) in real estate used by the Group.

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

				2019				2018
	Active members	Deferred members	Pensioners	Total	Active members	Deferred members	Pensioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,303		544	1,847	1,299		528	1,827
German retirement benefit plans	5,220	766	330	6,316	5,155	675	341	6,171
Total plan members	**6,523**	**766**	**874**	**8,163**	**6,454**	**675**	**869**	**7,998**
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	369.5		264.3	633.8	345.8		232.4	578.2
German retirement benefit plans	198.0	33.7	38.2	269.9	178.3	26.0	37.6	241.9
Total benefit obligation	**567.5**	**33.7**	**302.5**	**903.7**	**524.1**	**26.0**	**270.0**	**820.1**
Share in %	62.8	3.7	33.5	100.0	63.9	3.2	32.9	100.0

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 17 years (PY: approx. 17 years) and for the German retirement benefit plans approx. 12 years (PY: approx. 12 years).

Employer contributions of MCHF 10.0 are expected for the Swiss retirement benefit plans in 2020. In Switzerland, an employer contribution reserve of MCHF 19.5 may be used for future contribution payments.

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

		2019		2018
	CH	DE	CH	DE
Discount rate	0.2	0.7	0.8	1.7
Salary increase rate	1.2	2 - 2.5	1.2	2 - 2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2015 generations table	Heubeck 2018G	BVG 2015 generations table	Heubeck 2018G

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

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

	Swiss retirement benefit plans: increase (+)/reduction (-) in present value of benefit obligation	German retirement benefit plans: increase (+)/reduction (-) in present value of benefit obligation
Discount rate		
Increased by 50 basis points	-7.8%	-5.7%
Reduced by 50 basis points	+9.0%	+6.4%
Salaries		
Increased by 25 basis points	+0.4%	+0.0%
Reduced by 25 basis points	-0.4%	-0.0%

In addition, the Group's consolidated income statement for 2019 included expenses for defined contribution plans of MCHF 9.2 (PY: MCHF 8.0).

17. PARTICIPATION PLANS

SHARE PLANS

In 2019, employees were able to purchase a defined number of shares at a discount of 35% (PY: 35%) compared to the market price ("Employee share purchase plan"). Geberit management was entitled to draw the previous year's variable remuneration partly or entirely in shares valued at market price ("Management share purchase plan"). For each of these shares, management participants received 1.5 options (see part 2: "Option plans"). The members of the Board of Directors received a significant part of their compensation for 2018 in shares of Geberit AG (measured at current market value). All share plans are subject to blocking periods valid beyond the period of employment.

The share plans introduced in 2019 are summarised below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan (ESPP)	2021	2,424	18,903	264.40
Management share purchase plan (MSPP)	2022	99	10,278	406.75
Board of Directors compensation	2023	6	3,398	406.75
Total			**32,579**	

The 32,579 shares required for these plans were taken from the stock of treasury shares.

As at 31 December 2019, the Board of Directors, the Group Executive Board and the employees owned a combined total of 372,600 (PY: 386,381) shares, i.e. 1.0% (PY: 1.0%) of the share capital of Geberit AG under these plans.

OPTION PLANS

The management has the opportunity to invest part or all of their variable remuneration in shares of Geberit AG through the management share purchase plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable remuneration to be invested in shares. In order to encourage management to participate in the programme, 1.5 free options are provided for each share purchased through the programme. These options are subject to a vesting period of three years.

In connection with an additional option plan (MSOP), the members of the Group Executive Board and managing directors are entitled to additional options. The options are subject to a vesting period of three years.

The exercise price of the options corresponds to the fair market value of the Geberit shares at the time of granting. The options have a term of nine years (MSPP & MSOP). They can be exercised between the vesting date and the maturity date. The vesting of share options is subject to the achievement of a performance criterion – the average Return on Invested Capital (ROIC) – over the respective vesting period.

The following numbers of options out of the 2019 grant are expected to be allocated with final effect at the end of the vesting period[1]:

	Vesting period	Maturity	Number of participants	Number of options expected to be allocated	Exercise price CHF
Management share purchase plan (MSPP)	2019 - 2022	2028	99	10,278	406.75
Option plan (MSOP)	2019 - 2022	2028	92	114,435	406.75
Total				**124,713**	

The fair value of the options granted in 2019 as at March 2019 amounted on average to CHF 39.39 (PY: CHF 36.61) for MSPP and CHF 39.39 (PY: CHF 39.29) for MSOP at the respective granting date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price [2]	Expected Ø volatility	Expected Ø dividend yield	Contractual period	Riskfree Ø interest rate
	CHF	%	%	Years	%
Management share purchase plan (MSPP)	406.75	16.51	2.55	9	-0.27
Option plan (MSOP)	406.75	16.51	2.55	9	-0.27

[1] The number of options expected to be allocated with final effect at the end of the vesting period depends on target achievement (average ROIC) and has been calculated on the basis of expected target achievement.
[2] The exercise price corresponds to the average price of Geberit shares for the period from 5. – 18.3.2019.

The following table summarises all option plans in place as at 31 December 2019[1]:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2020 - 2026	117,637	311.78	117,637	311.78
2020	2023 - 2027	76,187	398.75	76,187	398.75
2021	2024 - 2028	139,186	416.12	139,186	416.12
2022	2025 - 2028	160,422	412.59	160,422	412.59
2023	2028	34,420	432.20	34,420	432.20
Total		**527,852**	**390.33**	**527,852**	**390.33**

This table also includes options under participation plans from earlier years that have different terms and vesting conditions.

The following movements took place in 2019 and 2018[1]:

	MSOP		MSPP		Total 2019		Total 2018	
	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 1 January	**461,881**	**373.39**	**46,063**	**382.21**	**507,944**	**374.19**	**473,375**	**351.52**
Granted options	114,435	406.75	10,278	406.75	124,713	406.75	116,779	432.20
Forfeited options	7,012	534.74	246	416.61	7,258	530.74	25,390	398.31
Expired options	0	0	0	0	0	0	0	0
Exercised options	85,752	324.36	11,795	331.75	97,547	325.25	56,820	293.37
Outstanding 31 December	**483,552**	**389.35**	**44,300**	**401.06**	**527,852**	**390.33**	**507,944**	**374.19**
Exercisable at 31 December	99,437	299.76	18,200	377.43	117,637	311.78	143,895	293.39

This table also includes options under participation plans from earlier years that have different terms and vesting conditions.

The 527,852 options outstanding represent 1.4% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

The options outstanding as at 31 December 2019 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 6.4 years (PY: 5.5 years).

Costs resulting from share plans amounted to MCHF 2.9 in 2019 (PY: MCHF 3.0); those for option plans totalled MCHF 4.7 (PY: MCHF 3.8).

[1] The number of options expected to be allocated with final effect at the end of the vesting period depends on target achievement (average ROIC) and has been calculated on the basis of expected target achievement.

18. DEFERRED TAX ASSETS AND LIABILITIES

	2019	Movements 2019				2018
	Total	Charged (-) / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	27.3	3.7	0.0	0.0	-1.0	24.6
Accrued pension obligations	37.4	-0.5	0.0	11.1	-1.4	28.2
Property, plant and equipment	6.2	1.0	0.0	0.0	-0.3	5.5
Short/long-term lease liabilities	8.7	8.7	0.0	0.0	0.0	0.0
Other short/long-term liabilities (excl. lease liabilities)	18.6	1.5	0.2	0.0	-0.4	17.3
Intangible assets	14.6	6.7	0.0	0.0	0.0	7.9
Other	12.0	2.1	1.8	0.0	-0.3	8.4
Total deferred tax assets	**124.8**	**23.2**	**2.0**	**11.1**	**-3.4**	**91.9**
Deferred tax liabilities						
Inventories	-3.2	0.3	0.0	0.0	0.0	-3.5
Property, plant and equipment (excl. right-of-use assets)	-26.4	0.0	0.0	0.0	0.9	-27.3
Right-of-use assets	-9.4	-9.4	0.0	0.0	0.0	0.0
Intangible assets	-30.5	-1.4	0.0	0.0	0.8	-29.9
Assets from defined benefit plans	-0.6	0.2	0.0	0.0	0.0	-0.8
Other	-11.2	-4.9	0.0	0.0	0.1	-6.4
Total deferred tax liabilities	**-81.3**	**-15.2**	**0.0**	**0.0**	**1.8**	**-67.9**

[1] Recorded in other comprehensive income

	2018	Movements 2018				2017
	Total	Charged (-) / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	24.6	13.3	0.0	0.0	-0.9	12.2
Accrued pension obligations	28.2	0.2	0.0	-2.9	-1.3	32.2
Property, plant and equipment	5.5	-3.2	0.0	0.0	-1.9	10.6
Short/long-term liabilities	17.3	2.5	0.0	0.0	-0.3	15.1
Intangible assets	7.9	-5.0	0.0	0.0	-0.5	13.4
Other	8.4	-2.8	-2.2	0.0	0.8	12.6
Total deferred tax assets	**91.9**	**5.0**	**-2.2**	**-2.9**	**-4.1**	**96.1**
Deferred tax liabilities						
Inventories	-3.5	0.1	0.0	0.0	0.0	-3.6
Property, plant and equipment	-27.3	-0.4	0.0	0.0	2.4	-29.3
Intangible assets	-29.9	6.3	0.0	0.0	1.3	-37.5
Assets from defined benefit plans	-0.8	-0.5	0.0	0.0	0.0	-0.3
Other	-6.4	0.7	0.0	0.0	-1.3	-5.8
Total deferred tax liabilities	**-67.9**	**6.2**	**0.0**	**0.0**	**2.4**	**-76.5**

[1] Recorded in other comprehensive income

In general, deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings in Group companies if earnings are planned to be remitted. As at 31 December 2019 and 2018, there were no such earnings, except for the Chinese subsidiaries. On the unremitted earnings from China, no deferred tax liabilities were recorded, as no plan exists to remit these earnings. Such a transfer of earnings would lead to income taxes of MCHF 0.4.

The Group recognises deferred tax assets from loss carryforwards if they comply with the requirements of IAS 12. The following loss carryforwards (listed by maturity) were used for the calculation of deferred tax assets:

	2019	Without deferred tax asset	With deferred tax asset	2018	Without deferred tax asset	With deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Maturity						
1 year	2.2	0.0	2.2	6.5	6.5	0.0
2 years	1.9	0.0	1.9	3.7	0.0	3.7
3 years	20.8	18.1	2.7	2.1	2.1	0.0
4 years	8.0	0.0	8.0	25.1	21.0	4.1
5 years	19.4	0.7	18.7	8.6	1.5	7.1
6 years	0.0	0.0	0.0	23.7	4.2	19.5
> 6 years	159.1	91.5	67.6	166.9	113.3	53.6
Total loss carryforwards	**211.4**	**110.3**	**101.1**	**236.6**	**148.6**	**88.0**

19. OTHER NON-CURRENT LIABILITIES AND PROVISIONS

	2019 MCHF	2018 MCHF
Accrued investment grants	1.7	2.4
Other non-current liabilities	10.1	5.9
Total other non-current liabilities	**11.8**	**8.3**
Provisions for operating risks	37.1	35.8
Other non-current provisions	7.9	8.6
Total non-current provisions	**45.0**	**44.4**
Total other non-current liabilities and provisions	**56.8**	**52.7**

Movements of the provisions for operating risks in 2019 and 2018 are shown in the following table.

	2019 MCHF	2018 MCHF
Provisions for operating risks		
1 January	**35.8**	**35.1**
Additions	8.8	27.4
Transfers	-0.2	0.0
Used	-6.1	-24.8
Reversed	-0.1	-0.5
Translation differences	-1.1	-1.4
31 December	**37.1**	**35.8**

Provisions for operating risks mainly include provisions for warranties. The payments for the warranty claims delay on average 4.0 years (PY: 3.7 years). In 2018, the item "Used" includes payments for a claim that is almost completely covered by insurance.

	2019 MCHF	2018 MCHF
Other non-current provisions		
1 January	**8.6**	**13.0**
Additions	1.0	2.7
Transfers	-0.1	-6.3
Used	-0.5	-0.5
Reversed	-0.8	0.0
Translation differences	-0.3	-0.3
31 December	**7.9**	**8.6**

In 2019, this position includes the non-current portion of the restructuring provision of MCHF 0.5 (PY: MCHF 2.6) for the French restructuring measures in 2017. For a detailed explanation, see → **Note 13**.

20. CONTINGENCIES

Guarantees and sureties are valued at MCHF 70.1 for 2019 (PY: MCHF 65.2). Guarantees and sureties are only recognised as a provision if an outflow of resources is likely.

The Group is involved in several legal proceedings arising from the ordinary course of business. The Group believes that none of these proceedings either individually or in the aggregate is likely to have a material impact on the Group's financial position or operating results. The Group has established insurance policies to cover product liabilities and it makes provisions for potential product warranty claims.

The Group operates in many countries, most of which have sophisticated tax regimes. The nature of its operations and ongoing significant reorganisations result in complex legal structures for the Group and its subsidiaries. The Group believes that it performs its business in accordance with the local tax laws. However, it is possible that there are areas where potential disputes with the various tax authorities could arise. The Group is not aware of any dispute that either individually or in the aggregate is likely to have a material impact on the Group's financial position or operating results.

21. CAPITAL STOCK AND TREASURY SHARES

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

Geberit AG launched a share buyback programme on 6 June 2017. Shares in an aggregate amount of up to MCHF 450.0 will be repurchased over a maximum period of three years. The shares will be repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2019, 764,551 shares had been repurchased for a total value of MCHF 323.3. This corresponds to 2.1% of the share capital currently entered in the Commercial Register.

	2019	2018
	pcs.	pcs.
Stock of treasury shares		
From share buyback programme	764,551	650,801
Other treasury shares	269,572	348,381
Total treasury shares	**1,034,123**	**999,182**

The entire stock of treasury shares on 31 December 2019 amounted to 1,034,123 (PY: 999,182) with a carrying amount of MCHF 433.4 (PY: MCHF 417.7). Treasury shares are deducted from equity at historical cost.

For transactions in connection with the participation plans, see → **Note 17**.

22. EARNINGS PER SHARE

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

	2019	2018
Attributable net income according to income statement (MCHF)	646.9	597.2
Weighted average number of ordinary shares (thousands)	36,008	36,408
Total earnings per share (CHF)	**17.97**	**16.40**

For diluted earnings per share, the weighted average number of ordinary shares issued is adjusted to assume conversion of all potentially dilutive ordinary shares (see → **Note 3**). The Group has considered the share options granted to the management to calculate the potentially dilutive ordinary shares.

	2019	2018
Attributable net income according to income statement (MCHF)	646.9	597.2
Weighted average number of ordinary shares (thousands)	36,008	36,408
Adjustments for share options (thousands)	71	34
Weighted average number of ordinary shares (thousands)	36,079	36,442
Total diluted earnings per share (CHF)	**17.93**	**16.39**

23. OTHER OPERATING EXPENSES, NET

	2019 MCHF	2018 MCHF
Outbound freight cost and duties	111.3	111.2
Energy and maintenance expenses	130.5	132.7
Marketing expenses	118.2	112.1
Administration expenses	75.4	73.2
Other operating expenses[1]	149.5	179.5
Other operating income	-17.9	-33.2
Total other operating expenses, net	**567.0**	**575.5**

[1] This item includes expenses for short-term leases of MCHF 5.2 and expenses for minor-value assets of MCHF 0.8 for 2019. For information regarding lease expenses 2018 see → **Note 26**.

“Other operating expenses” includes, among other items, commissions, expenses for short-term leases and leases for minor-value assets, consulting expenses as well as warranty cost. “Other operating income” includes, among other items, insurance benefits received, rental income, gains from sales of fixed assets and subsidiaries and catering revenues.

In 2018, “Other operating expenses” included the costs of a warranty claim that is almost completely covered by insurance. The corresponding insurance benefit was included in “Other operating income”.

In 2019, costs of MCHF 17.5 (PY: MCHF 14.7) were capitalised as property, plant and equipment or intangible assets. This includes, in particular, tools, mould and assembly lines that are part of the production process, as well as capitalised product development cost. The amount was deducted pro-rata from “Personnel expenses”, “Cost of materials” and “Other operating expenses, net”.

24. FINANCIAL RESULT, NET

	2019 MCHF	2018 MCHF
Interest expenses[1]	-9.8	-10.3
Amortisation of deferred financing fees	-0.7	-1.1
Other financial expenses	-2.0	-6.3
Total financial expenses	**-12.5**	**-17.7**
Interest income and other	1.8	2.3
Total financial income	**1.8**	**2.3**
Foreign exchange loss (-)/gain	-3.1	-5.0
Total financial result, net	**-13.8**	**-20.4**

[1] This item includes interest expenses of MCHF 2.0 on lease liabilities for 2019.

“Interest expenses” mainly includes the interest for the bonds. In 2018, apart from commitment and other fees, the position “Other financial expenses” mainly included the call premium of the tender offer related to the MEUR 500 bond.

25. INCOME TAX EXPENSES

	2019	2018
	MCHF	MCHF
Current taxes	103.9	101.2
Deferred taxes	-8.0	-11.2
Total income tax expenses	**95.9**	**90.0**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 15.1% (PY: 13.9%) and the effective income tax expenses were as follows:

	2019	2018
	MCHF	MCHF
Income tax expenses, at applicable rate	112.1	95.7
Operating losses with no current tax benefit	0.0	0.1
Offsetting of current profits against loss carryforwards without tax assets	-1.6	-4.8
Changes in future tax rates [1]	-3.4	0.1
Non-deductible expenses and non-taxable income, net	2.5	2.5
Other	-13.7	-3.6
Total income tax expenses	**95.9**	**90.0**

[1] This item mainly includes adjustments due to the Swiss tax reform (TRAF)

The increase in "Income tax expenses, at applicable rate" is driven by a higher profit before tax in 2019 and the change in the composition of the Group's taxable income. The tax reduction in "Other" is caused by reversal of several tax provisions, which were no longer used, and capitalised loss carryforwards.

SWISS TAX REFORM

On 19 May 2019, the Swiss electorate passed the Federal Act on Tax Reform and AHV Financing (TRAF). With this vote, the new tax law in the Canton of St. Gallen also entered into force. This reform comprises the abolishment of the tax regimes for holding companies, domiciliary companies and mixed companies, which are no longer accepted internationally. Some Swiss Geberit companies are also affected by this. In return, the cantons are reducing the ordinary corporate tax rates and are introducing internationally acceptable tax benefits. The ordinary tax rate for the Group companies domiciled in the Canton of St. Gallen will be reduced from 17.4% to 14.5% as of 1 January 2020. The deferred taxes of these companies were adjusted accordingly as at 31 December 2019. The adjustment had an immaterial impact on the consolidated financial statements as of 31 December 2019.

26. LEASES

The impact of the introduction of the new standard is illustrated in the following tables:

	1.1.2019	Thereof IFRS 16	Description
	MCHF	MCHF	
Positions in the consolidated balance sheet			
Property, plant and equipment	903.7	74.8	Capitalisation of the right-of-use of property, plant and equipment
Short-term debt	168.5	14.2	Short-term portion of long-term lease liabilities
Long-term debt	743.7	60.6	Long-term lease liabilities

The weighted average interest rate applied to calculate the lease liabilities was around 3.0% as at 1 January 2019.

	1.1.-31.12.2019	Impact from IFRS 16	Description
	MCHF	MCHF	
Positions in the consolidated income statement			
Depreciation	127.4	17.2	Depreciation of the right-of-use of property, plant and equipment
Other operating expenses, net	567.0	-18.4	Discontinuing operating leasing expenses
Financial expenses	12.5	2.0	Interest expenses on lease liabilities

	1.1.-31.12.2019	Impact from IFRS 16	Description
	MCHF	MCHF	
Positions in the consolidated statements of cashflows			
Net cash from/used in (-) operating activities	834.0	18.4	Discontinuing operating leasing expenses
Repayments of lease liabilities	-16.2	-16.2	Payments of lease liabilities
Interest paid	-7.8	-2.0	Interest paid on lease liabilities

The following table reconciles the liabilities under operating leases as at 31 December 2018 with the lease liabilities as at 1 January 2019:

	2019
	MCHF
Lease liabilities	
Liabilities under operating leases as at 31 December 2018 (not discounted)	**100.4**
- Lease expenses under short-term leases	-16.2
- Lease expenses for minor-value assets	-1.2
+/- Adjustments due to differences in the treatment of extension and termination options	1.7
Lease liabilities as at 1 January 2019 (not discounted)	**84.7**
Discounting effect	-9.9
Lease liabilities as at 1 January 2019 (discounted)	**74.8**
of which:	
Short-term portion of long-term lease liabilities	14.2
Long-term lease liabilities	60.6
Lease liabilities as at 1 January 2019	**74.8**

27. RESEARCH AND DEVELOPMENT COST

	2019 MCHF	2018 MCHF
Research and development expenses	76.6	77.6
Capitalised development expenses	-4.3	-5.6
Amortisation of capitalised development expenses	5.0	4.1
Research and development cost	**77.3**	**76.1**

In 2019, research and development expenses totalling MCHF 76.6 (PY: MCHF 77.6) were included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net". This represents 2.5% of net sales (PY: 2.5%). For four major development projects, the capitalisation criteria according to IAS 38.57 were met and expenses of MCHF 4.3 (PY: MCHF 5.6) were capitalised.

28. FREE CASHFLOW

Free cashflow is calculated as follows:

	2019 MCHF	2018 MCHF
Net cash from/used in (-) operating activities [1]	834.0	747.5
Purchase of property, plant and equipment and intangible assets, net [1]	-163.6	-153.8
Repayments of lease liabilities [1]	-16.2	0.0
Interest and other financing cost paid, net	-10.2	-12.2
Free cashflow	**644.0**	**581.5**

[1] See consolidated statements of cashflows

"Free cashflow" is no substitute for figures shown in the consolidated income statements and the consolidated statements of cashflows, but it may give an indication of the Group's capability to generate cash, to pay back debt, to finance acquisitions, to buy back shares and to pay dividends.

29. SEGMENT REPORTING

The Geberit Group consists of one single business unit, the purpose of which is to develop, produce and distribute sanitary products and systems for the residential and commercial construction industry. The major part of the products is distributed through the wholesale channel in general to plumbers, who resell the products to the end users. Products are produced by plants that specialise in particular production processes. As a general rule, one specific article is produced at only one location. Distribution is carried out by country or regional distribution subsidiaries, which sell to wholesalers. A distribution subsidiary is always responsible for the distribution of the whole range of products in its sales area. The main task of the distribution companies is local market development, which contains as a main focus the support of installers, sanitary planners, architects, wholesalers and other distributors. Research and development of the whole range of products is carried out centrally by Geberit International AG. All corporate tasks are also centralised at Geberit International AG.

Due to the unity and focus of the business, the top management (Group Executive Board) and the management structure of the Geberit Group are organised by function (Overall Management, Sales Europe, Sales International, Marketing & Brands, Operations, Product Management & Innovation, Finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on net sales by markets and product areas and on the consolidated income statements, balance sheets and statements of cashflows.

Segment reporting is therefore prepared according to IFRS 8.31 et seq. (one single reportable segment), and the valuation is made according to the same principles as the consolidated financial statements. The basis for revenue recognition is the same for all markets and product areas. The geographical allocation of net sales is based on the domicile of the customers.

The information is as follows:

	2019 MCHF	2018 MCHF
Net sales by product areas		
Installation and Flushing Systems	1,144.6	1,132.5
Piping Systems	949.1	928.3
Bathroom Systems	989.2	1,019.7
Total net sales	**3,082.9**	**3,080.5**

	2019 MCHF	2018 MCHF
Net sales by markets		
Germany	928.3	934.1
Nordic Countries	303.2	311.6
Switzerland	293.8	282.7
Eastern Europe	304.9	307.2
Benelux	261.2	252.4
Italy	210.9	216.2
France	179.6	187.1
Austria	172.8	170.6
United Kingdom/Ireland	114.2	111.6
Iberian Peninsula	24.7	24.5
Other markets	289.3	282.5
Total net sales	**3,082.9**	**3,080.5**

	2019 MCHF	2018 MCHF
Share of net sales by customers		
Customers with more than 10% of net sales: customer A	486.7	482.1
Total > 10%	**486.7**	**482.1**
Remaining customers with less than 10% of net sales	2,596.2	2,598.4
Total net sales	**3,082.9**	**3,080.5**

	2019 [1] MCHF	2018 MCHF
Property, plant and equipment by markets		
Germany	336.4	310.1
Nordic Countries	44.5	40.3
Switzerland	183.7	161.6
Eastern Europe	147.8	135.6
Benelux	14.5	6.4
Italy	62.4	58.1
France	15.5	11.2
Austria	42.4	38.9
United Kingdom/Ireland	7.9	2.3
Iberian Peninsula	13.0	13.1
Other markets	51.9	51.3
Total property, plant and equipment	**920.0**	**828.9**

[1] 2019 includes the Group's own as well as leased property, plant and equipment

30. RELATED PARTY TRANSACTIONS

In 2019 and 2018, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

	2019 MCHF	2018 MCHF
Remuneration and salary fixed	5.5	5.4
Remuneration and salary variable	3.0	1.7
Options	2.6	2.5
Expenditure on pensions	1.3	1.0
Other	0.1	0.1
Total	**12.5**	**10.7**

Further information regarding compensation and investments of the Group Executive Board and the Board of Directors is disclosed in the Remuneration Report.

In 2019 and 2018, there were no further material related party transactions.

31. FOREIGN EXCHANGE RATES

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

			2019		2018	
	Currency		Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.0847	1.1142	1.1255	1.1564
United Kingdom	GBP	1	1.2690	1.2686	1.2489	1.3050
USA	USD	1	0.9677	0.9938	0.9848	0.9782
Poland	PLN	100	25.5000	25.9050	26.2000	27.1550
China	CNY	100	13.8810	14.3830	14.3110	14.8090
Denmark	DKK	100	14.5150	14.9200	15.0700	15.5090
Australia	AUD	1	0.6783	0.6909	0.6955	0.7328
Czech Republic	CZK	100	4.2600	4.3360	4.3700	4.5190
Hungary	HUF	100	0.3274	0.3430	0.3500	0.3640
Norway	NOK	100	10.9700	11.3000	11.3300	12.0290
Sweden	SEK	100	10.3400	10.5130	10.9700	11.2610
Singapore	SGD	1	0.7185	0.7269	0.7216	0.7253
South Africa	ZAR	100	6.8600	6.8640	6.8400	7.4330
Turkey	TRY	100	16.2600	17.3850	18.5800	20.4560
Russia	RUB	100	1.5620	1.5380	1.4130	1.5630
Ukraine	UAH	100	4.1201	3.8720	3.5401	3.6030
India	INR	100	1.3570	1.4110	1.4100	1.4270
Nigeria	NGN	100	0.2670	0.2740	0.2710	0.2710
Romania	RON	100	22.6400	23.4160	24.1300	24.8030

32. SUBSEQUENT EVENTS

The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on 9 March 2020.

Given the sound financial foundation, the Board of Directors has decided to initiate a new share buyback programme of up to MCHF 500 with a maximum duration of two years. The programme is expected to start in the second or the third quarter of 2020.

33. GROUP COMPANIES AS OF 31 DECEMBER 2019

Switzerland	Currency	Share capital ('000)	Ownership in %
Geberit AG, Rapperswil-Jona	CHF	3,704	
Geberit Holding AG, Rapperswil-Jona	CHF	39,350	100
Geberit International AG, Rapperswil-Jona	CHF	1,000	100
Geberit International Sales AG, Rapperswil-Jona	CHF	1,000	100
Geberit Verwaltungs AG, Rapperswil-Jona	CHF	1,000	100
Geberit Vertriebs AG, Rapperswil-Jona	CHF	1,000	100
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	EUR	821	100
Geberit Produktions AG, Rapperswil-Jona	CHF	4,000	100
Geberit Apparate AG, Rapperswil-Jona	CHF	1,000	100
Geberit Fabrication SA, Givisiez	CHF	7,000	100
Geberit Finanz AG, Rapperswil-Jona	EUR	832	100
Australia			
Geberit Pty Ltd., North Ryde NSW	AUD	2,060	100
Austria			
Geberit Vertriebs GmbH & Co KG, Pottenbrunn / St. Pölten	EUR	728	100
Geberit Produktions GmbH & Co KG, Pottenbrunn / St. Pölten	EUR	7,995	100
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn / St. Pölten	EUR	35	100
Geberit Huter GmbH, Matrei	EUR	37	100
Belgium			
Geberit N.V., Machelen	EUR	62	100
Channel Islands			
Geberit Reinsurance Ltd., Guernsey	EUR	2	100
China			
Geberit Flushing Technology Co. Ltd., Daishan	CNY	63,376	100
Geberit Plumbing Technology Co. Ltd., Shanghai	CNY	268,386	100
Geberit Shanghai Trading Co. Ltd., Shanghai	CNY	5,000	100
Geberit Shanghai Investment Administration Co. Ltd., Shanghai	CNY	13,638	100
Czech Republic			
Geberit spol. s.r.o., Prague	CZK	6,000	100
Denmark			
Geberit A/S, Lystrup	DKK	10,000	100
Finland			
Geberit Oy, Helsinki	EUR	50	100
Geberit Service Oy, Tammisaari	EUR	3	100
Geberit Production Oy, Tammisaari	EUR	2,813	100
France			
Geberit S.a.r.l., Samoreau	EUR	1,686	100
Geberit Holding France S.A., Samoreau	EUR	10,388	100
Geberit Services S.A.S., Samoreau	EUR	1,931	100
Geberit Production S.A.S., Limoges	EUR	4,577	100

Germany	Currency	Share capital ('000)	Ownership in %
Geberit Verwaltungs GmbH, Pfullendorf	EUR	50	100
Geberit Service GmbH & Co. KG, Pfullendorf	EUR	50	100
Geberit Vertriebs GmbH, Pfullendorf	EUR	1,000	100
Geberit Produktions GmbH, Pfullendorf	EUR	7,500	100
Geberit Logistik GmbH, Pfullendorf	EUR	500	100
Geberit Mapress GmbH, Langenfeld	EUR	2,701	100
Geberit RLS Beteiligungs GmbH, Langenfeld	EUR	50	100
Geberit Lichtenstein GmbH, Lichtenstein	EUR	1,025	100
Allia Holding GmbH, Pfullendorf	EUR	65	100
Geberit Keramik Service GmbH & Co. KG, Pfullendorf	EUR	100	100
Geberit Keramik GmbH, Ratingen	EUR	12,500	100
Ceravid GmbH, Essen	EUR	26	100
Hungary			
Geberit Kft, Budapest	HUF	49,900	100
India			
Geberit Plumbing Technology India Pvt. Ltd., Bangalore	INR	12,861	100
Geberit India Manufacturing Pvt. Ltd., Bangalore	INR	56,875	100
Italy			
Geberit Produzione S.p.a., Villadose	EUR	4,200	100
Geberit Service S.p.a., Spilimbergo	EUR	120	100
Pozzi Ginori S.p.a., Milan	EUR	10,000	100
Lithuania			
Geberit UAB, Vilnius	EUR	1,250	100
Netherlands			
Geberit B.V., Nieuwegein	EUR	18	100
Geberit International B.V., Nieuwegein	EUR	51	100
Nigeria			
Geberit Nigeria Ltd., Ikoyi, Lagos	NGN	10,000	100
Norway			
Geberit AS, Lorenskog	NOK	4,400	100
Geberit Service AS, Porsgrunn	NOK	282	100
Poland			
Geberit Sp. z o.o., Warsaw	PLN	10,638	100
Geberit Service Sp. z o.o., Lodz	PLN	1,800	100
Geberit Ozorków Sp.z o.o., Ozorkow	PLN	32,400	100
Geberit Produkcja Sp.z o.o., Kolo	PLN	100,000	100
Portugal			
Geberit Tecnologia Sanitária S.A., Lisbon	EUR	275	100
Geberit Produção S.A., Carregado	EUR	2,750	100
Romania			
Geberit SRL, Bucharest	RON	13,500	100
Russia			
Geberit RUS LLC, Moscow	RUB	150,010	100

Singapore	Currency	Share capital ('000)	Ownership in %
Geberit South East Asia Pte. Ltd., Singapore	SGD	100	100
Slovakia			
Geberit Slovensko s.r.o., Bratislava	EUR	200	100
Slovenia			
Geberit proizvodnja d.o.o., Ruše	EUR	104	100
Geberit prodaja d.o.o., Ruše	EUR	42	100
South Africa			
Geberit Southern Africa (Pty.) Ltd., Johannesburg	ZAR	4	100
Spain			
Geberit S.A.U., Barcelona	EUR	3,823	100
Sweden			
Geberit AB, Bromölla	SEK	700	100
Geberit Service AB, Bromölla	SEK	50	100
Geberit Production AB, Bromölla	SEK	20,000	100
Turkey			
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	TRY	26,422	100
Ukraine			
Slavuta Holdings LLC, Kiev	UAH	65,654	100
Geberit Ceramic Production PrJSC, Slavuta	UAH	57,400	100
TOV Geberit Plastics Production LLC, Kiev	UAH	16,860	100
Geberit Trading LLC, Kiev	UAH	9,000	100
United Kingdom			
Geberit Sales Ltd., Warwick	GBP	3,520	100
Geberit Service, Alsager	GBP	0.4	100
Twyford Ltd., Alsager	GBP	1,000	100
Twyfords Ltd., Alsager	GBP	2,528	100
USA			
Duffin Manufacturing Co., Elyria	USD	69	100
The Chicago Faucet Company, Des Plaines	USD	100	100

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 CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Geberit AG and its subsidiaries (Geberit Group), which comprise the → **consolidated balance sheet** as at 31 December 2019 and the → **consolidated income statement**, → **consolidated statement of comprehensive income**, → **consolidated statement of changes in equity** and → **consolidated statement of cash flows** for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

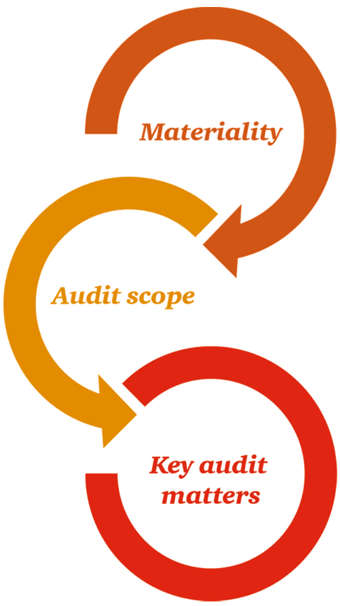
BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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



Overall Group materiality: CHF 37,000,000

We concluded full scope audit work at 22 Group companies in 11 countries. These Group companies contributed 65% to the Group’s revenue. The selection of companies is renewed each year.

In addition, specified audit procedures were performed on one Group company in one country. The remaining companies were addressed by analytical reviews.

As key audit matter the following area of focus has been identified:

Impairment testing of goodwill and of trademarks

MATERIALITY

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated 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 consolidated financial statements as a whole.

Overall Group materiality	CHF 37,000,000
How we determined it	5% of the profit before income tax expenses
Rationale for the materiality benchmark applied	We chose profit before income tax expenses as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 3,700,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The approach for the audit of the consolidated financial statements was determined taking into account the work performed by the component auditors in the PwC network. The Group auditor performed the audit of the consolidation, disclosures and presentation of the consolidated financial statements. We were sufficiently involved in the audit to ensure sufficient appropriate audit evidence was obtained to provide a basis for our opinion on the consolidated financial statements. Our involvement comprised communicating the risks identified at Group level, evaluating the materiality limits, specifying the materiality thresholds, participating in closing meetings, examining the reporting and conducting conference calls with the component auditors during the interim audit and the year-end audit.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 GOODWILL AND OF TRADEMARKS

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and of trademarks was deemed a key audit matter for the following two reasons: Goodwill and trademarks represent a significant amount on the balance sheet (goodwill totalling CHF 1,255.3 million and trademarks totalling CHF 297.7 million). A useful life is defined for trademarks that are integrated progressively into the Geberit trademarks. Goodwill and trademarks with an indefinite useful life are not regularly amortised but tested for impairment at least annually. Further, in calculating the value-in-use for these tests, the Board of Directors and Management have significant scope for judgement in determining revenue and margin growth assumptions and the discount rates to be applied to the expected cash flows and in determining the cash-generating units (CGUs). With regard to the accounting policies and information on goodwill and trademarks, please refer to the notes to the consolidated financial statements: → **1. 'Basic information and principles of the report – Main sources of estimation uncertainty'**, → **3. 'Summary of significant accounting policies – Intangible assets and goodwill'** and → **11. 'Goodwill and intangible assets' (tables)**.	Impairment testing of goodwill and trademarks with an indefinite useful life is based on a process defined by the Board of Directors. This process uses the business plans approved by the Board of Directors. As part of the process, Management estimates the cash flows for the cash-generating units concerned. We assessed the determination of the CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and governance of the Geberit Group. We compared the business results of the year under review with the forecasts prepared in the prior year in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows. The business results of the year under review were in line with the budget. As in previous years, Management based its forecasts this year on the growth rates and margins according to the current business plan of the Geberit Group. We compared Management's assumptions concerning long-term revenue growth and margin growth with industry growth figures and historical margin data, respectively. We compared the discount rate with the cost of capital of the Group and of analogous firms. In addition, we performed a plausibility check on the forecast change in net working capital. The assumptions used were consistent and in line with our expectations. We also assessed the useful life accorded to trademarks with a finite useful life. We tested the sensitivity analyses of the key assumptions. These analyses enabled us to assess any potential impairment of goodwill or of trademarks.

On the basis of the evidence obtained from our audit, we consider the valuation method and the assumptions used to be an appropriate and adequate basis for the impairment testing of goodwill and of trademarks.

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Geberit AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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, ISAs 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 consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, 9 March 2020