

EDITORIAL

Dear shareholders,

We look back on a very good business and financial year – despite the COVID-19 crisis. The currency-adjusted sales growth was due to our strong market position, successful crisis management, the conscious decision to not furlough employees in order to also maintain the levels of contact with customers during the lockdown periods, and a rapid transition to a digital customer service approach. Thanks to further improved, high profitability, we succeeded in further consolidating our position as leading supplier of sanitary products and gained further market shares.

SALES GROWTH DESPITE CRISIS

In 2020, net sales in Swiss francs fell by 3.1% to CHF 2,986 million. This development includes negative currency effects of CHF 136 million. In local currencies, this resulted in an increase of 1.3%. This currency-adjusted growth was achieved despite the significant sales decrease seen in the second quarter as a result of COVID-19. Operating profit (EBIT) rose by 2.0% to CHF 772 million, and the EBIT margin reached 25.8% (previous year 24.5%). This increase in the margin was mainly due to the COVID-19-related cost savings (particularly marketing and travel expenses), the high levels of flexibility in production and logistics, lower raw material prices, the natural currency hedging, and price increases. Thanks to these measures, it was also possible to compensate for the significant tariff-related increases in personnel expenses and additional investments in digitalisation initiatives. Net income dropped slightly by 0.7% to CHF 642 million due to a higher tax rate and a lower financial result, with a return on net sales of 21.5% (previous year 21.0%). While earnings per share fell by 0.1% to CHF 17.95, an increase was seen in local currencies. The higher operating cashflow, successful management of net working capital during the crisis and lower investments in property, plant and equipment due to COVID-19 had a positive impact on cashflow. Despite negative currency effects, free cashflow increased by 11.4% to a new record high of CHF 717 million, corresponding to 24.0% of net sales (previous year 20.9%).

GEBERIT AND COVID-19

From mid-March to mid-May, the construction industry in Europe was massively impacted by the COVID-19 pandemic. In several countries – Italy, France, the United Kingdom and Spain – most construction sites remained closed for extended periods. Meanwhile, in the other countries the restrictions enforced as a result of the pandemic led to a slowing of construction activities. Moreover, the showrooms for sanitary products across Europe remained largely closed for around two months. Outside Europe, construction activities were also massively affected in some regions.

The decline in net sales at Geberit during this period was unprecedented in the scale, speed and simultaneity of events. Net sales fell by 29% in April and by 15% in May – the biggest monthly declines in sales seen for decades and also significantly greater than those seen in 2008/2009, for example. In these two months, volumes decreased by 23%.

Despite the restrictions enforced due to COVID-19, the supply chain at Geberit remained intact during 2020. Although five small plants were closed by the authorities for a few weeks, the regional supply chain setup and the high share of in-house production ensured stability.

The following decisions were made at the end of March 2020 and allowed us to focus on dealing with the crisis:

No restructuring

- **Think long term – anti-cyclical investing**
- **No change of strategic agenda**

Emerge stronger from the crisis

- **Undiminished presence with customers**
- **Short-time work only as an absolute last resort**
- **“Housekeeping” and strengthening of competences**
- **Gain market shares – both short- and long-term**
- **Accelerate share buyback**

Ongoing adaptation to the current situation

- **Maximise flexibility**
 - **Targeted cost-saving programme**
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As part of a cost-saving programme – which was driven bottom up and implemented within just a few days – managers of all levels determined the short- and medium-term savings potential in the respective areas, and aligned the organisation with activities to be stopped or to be continued. This also made it possible to prevent negative impacts on long-term potential.

Due to high levels of cost flexibility as part of the aforementioned cost-saving programme and active price management, we were largely able to offset the margin losses seen in the most critical months April and May. Thanks to the high flexibility of our employees – particularly in the production plants and in logistics – it was possible to largely avoid short-time work and thus financial support from the state. Across the Group, COVID-19 did not result in any dismissals, nor did it result in any salary reductions for the employees.

MOST IMPORTANT INSIGHTS FOR GEBERIT RESULTING FROM THE COVID-19 CRISIS

As a company, we were able to gain the following insights from this crisis:

Three key success factors

- **Availability – liquidity, products, customer presence**
- **Flexibility – no short-time work**
- **No overreactions – stay calm, act prudently**

Proven crisis resistance

- **Resilient business model**
- **Undiminished pricing power**
- **Robust supply chain**
- **Value creation also during a crisis**

Enlarged capabilities

- **Significant progress in digitalisation – leveraged beyond the crisis**
 - **Increased sales and marketing effectiveness**
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INCREASE IN LEVELS OF CONTACT WITH CUSTOMERS DESPITE THE DIFFICULT SITUATION

In all markets, it was difficult to carry out face-to-face customer visits in the reporting year as a result of the lockdowns and restrictions enforced due to COVID-19. Despite a reduction in face-to-face meetings, the overall number of customer contacts increased by 9% in 2020 thanks to a significant increase in virtual contacts of over 200%. 52,000 customers also took part in online training, with the total number of courses carried out across the entire Group seeing an increase of 79% as a result – despite the significant reduction in physical training activities. Furthermore, virtual showrooms were quickly established and virtual trade fairs held, which were visited by over 30,000 customers across 2020 as a whole.

Finally, we also invested in the further training of our employees through eLearning, podcasts and webcasts. 20 newly created modules in a wide range of areas meant the number of completed in-house virtual training courses increased by 154% to 127,000.

BRAND HARMONISATION COMPLETED

Following the replacement of the Keramag brand with Geberit in the key markets Germany, Austria, Switzerland and Belgium as well as in several Eastern European countries in the previous year, we continued with the brand harmonisation in three further markets in 2020. In more than 2,000 showrooms, over 25,000 ceramic sanitary appliances from the brands Allia (France), Pozzi-Ginori (Italy) and Sphinx (the Netherlands) were replaced with Geberit products. Thanks to strong partnerships with wholesalers and intensive preparations, we were able to complete this brand harmonisation in 2020. The associated streamlining of the brand portfolio affected almost all areas of the company – including production, logistics, master data management, marketing and the sales organisations. Focusing on the strong Geberit brand – a brand that is firmly established in the sanitary industry – has numerous advantages. Foremost among these are the concentration of our marketing activities, the simplification of production and logistics, and the consolidation of product information.

NEW PRODUCTS FOR SOPHISTICATED MARKETS

In 2020, we once again expanded our product range, launching numerous new products on the market. The most important ones were high-quality models of the successful → **CleanLine 80 shower channel** and the → **Sigma50 and Sigma21 actuator plates**, a further developed → **Geberit Pluvia roof drainage system** and the → **Selnova and Renova bathroom series**, which are regularly used in project business and bathroom renovations.

EFFICIENCY OF PRODUCTION PROCESSES FURTHER OPTIMISED

We again initiated, promoted or brought to a conclusion numerous measures in the reporting year, with the aim of optimising the efficiency of production processes, increasing capacities, and improving energy and material efficiency. The → **"FlowFit" project in Rapperswil-Jona (CH)**, → **"Progress 2023" project in Pfullendorf (DE)**, → **mould building centre in Ekenäs (FI)** and → **expansion of high-pressure casting capacities in ceramic production** are just some examples of the many major and minor improvements made in the production processes.

SUPPORT FOR THE CIRCULAR ECONOMY

Thanks to first-class materials and strict quality requirements, our products have a service life spanning several decades. Furthermore, they are usually backwards-compatible and can be cleaned, maintained and repaired easily. A significant proportion of the product range also has a guaranteed spare parts availability of up to 25 years. In production, the goal is to close internal material cycles, and to minimise waste and recycle it where appropriate. Additionally, plastics processing plants are also working towards constantly increasing the share of bought-in plastic regrulate used (post-consumer waste).

FURTHER IMPROVEMENT OF ENVIRONMENTAL PERFORMANCE AT A HIGH LEVEL

We aim to further reinforce our leading position in the industry in the area of sustainability, and succeeded in achieving this goal in 2020. The absolute environmental impact of the Geberit Group decreased by 8.9% in 2020, even though currency-adjusted net sales increased by 1.3% in the same period. We were able to reduce the environmental impact in relation to currency-adjusted net sales (eco-efficiency) by 10.1%. Since the integration of the energy-intensive ceramics production in 2015, eco-efficiency has improved by 34.8%. As regards the long-term target, which is based on an average annual decrease of 5% per year, we therefore remain very well on course. In 2020, we were able to reduce CO₂ emissions by 7.2% to 206,553 tonnes. In relation to currency-adjusted net sales, emissions decreased by 8.4%. Since the integration of the energy-intensive ceramics production in 2015, CO₂ emissions in relation to net sales have fallen by 32.6%. This enabled us to meet the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions**. In addition to relative targets, this strategy also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption, such as the deactivation of facilities that are not currently needed. Increasing efficiency forms the second pillar. The third pillar entails the targeted sourcing of high-quality renewable energies.

CONTINUED ATTRACTIVE DISTRIBUTION POLICY

In 2020, the Geberit share price increased by 2.0% to CHF 554.20. In the same period, the Swiss Market Index (SMI) posted gains of 0.8%. Viewed over the past five years, the Geberit share posted an annual average increase of 10.3% (SMI +4.0%). As in the past, we wish to let the shareholders benefit from the very good development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose to the General Meeting an increase in the dividend of 0.9% to CHF 11.40. The payout ratio of 63.8% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

In 2020, CHF 404 million was distributed to shareholders as part of the dividend payment. The share buyback programme, launched in June 2017, was completed at the end of April 2020. In total, 1,026,094 registered shares – equal to CHF 440 million and corresponding to 2.8% of the share capital entered in the Commercial Register at that time – were repurchased. In the reporting year, 261,543 shares were acquired at a sum of CHF 116 million. Furthermore, 94,700 shares were acquired at a sum of CHF 51 million as part of the new share buyback programme started on 17 September 2020. CHF 571 million, or 79.6% of the free cashflow, was therefore distributed to shareholders during the reporting year as part of the dividend payment and the share buyback programmes. Over the last five years, around CHF 2.4 billion has been paid out to shareholders in the form of distributions or share buybacks, which corresponds to 80.4% of the free cashflow in this period.

CHANGES IN THE BOARD OF DIRECTORS

At the General Meeting on 1 April 2020, Werner Karlen was elected as a new member of the Board of Directors at Geberit AG, replacing Thomas M. Hübner following his death in October 2019.

SINCERE GRATITUDE

We owe the very good results in the reporting year – despite the challenging conditions – to the great commitment, high degree of motivation and expertise of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude to you, esteemed shareholders, for your continued great trust in our company.

OUTLOOK FOR THE YEAR 2021

As a result of the ongoing uncertainties in relation to the COVID-19 pandemic and the lack of visibility, it remains very difficult – if not impossible – to provide an outlook, which is why this has been dispensed with in this annual report.

In the coming year, the objective is again to perform strongly in all markets and, as in previous years, to gain further market shares. To this end, a particular focus is to be placed on new products that have been introduced in recent years, on markets in which Geberit products or technologies are still under-represented, as well as on the further expansion of the shower toilet business making all together an important contribution to this. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes in order to be able to achieve continued high margins and a strong free cashflow also in 2021. Based on the strong foundation already built up over the past decades, our sustainability performance should also continue to improve.

Both the Board of Directors and Group Executive Board are convinced that the Geberit Group is very well equipped and positioned to meet current and upcoming opportunities and challenges in order to emerge stronger from the global economic crisis caused by the COVID-19 pandemic. The possibilities offered as a result of combining technical know-how in sanitary technology “behind the wall” and design expertise “in front of the wall” will continue to be firmly seized. In 2021, a focal point will again be the continued implementation of the digitalisation strategy. Experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organisation, an established cooperation based on trust with the market partners in both commerce and trade, and the Group’s continued solid financial foundation are vital to its future success.

Yours sincerely,

Albert M. Baehny
Chairman of the Board of Directors



Christian Buhl
CEO

