GEBERIT GROUP

# FINANCIAL REPORT
2020

FINANCIAL REPORT

# GEBERIT GROUP

2020

# CONSOLIDATED BALANCE SHEETS

| | Note | 31.12.2020<br>MCHF | 31.12.2019<br>MCHF |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 468.6 | 408.1 |
| Marketable securities and other short-term investments | | 0.0 | 20.0 |
| Trade accounts receivable | **6** | 195.0 | 193.4 |
| Other current assets and current financial assets | **7** | 104.9 | 117.2 |
| Inventories | **8** | 307.1 | 306.9 |
| **Total current assets** | | **1,075.6** | **1,045.6** |
| **Non-current assets** | | | |
| Property, plant and equipment | **9** | 933.8 | 920.0 |
| Deferred tax assets | **18** | 126.0 | 124.8 |
| Other non-current assets and non-current financial assets | **10** | 38.7 | 38.2 |
| Goodwill and intangible assets | **11** | 1,576.9 | 1,596.7 |
| **Total non-current assets** | | **2,675.4** | **2,679.7** |
| **Total assets** | | **3,751.0** | **3,725.3** |

| | Note | 31.12.2020<br>MCHF | 31.12.2019<br>MCHF |
|---|---|---|---|
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Short-term debt | **12** | 17.3 | 26.2 |
| Trade accounts payable | | 94.2 | 97.2 |
| Tax liabilities | | 129.9 | 105.4 |
| Other current liabilities | **13** | 324.6 | 305.1 |
| Current provisions | **13** | 6.7 | 12.3 |
| **Total current liabilities** | | **572.7** | **546.2** |
| **Non-current liabilities** | | | |
| Long-term debt | **14/15** | 761.5 | 810.7 |
| Accrued pension obligations | **16** | 346.7 | 331.3 |
| Deferred tax liabilities | **18** | 79.6 | 81.3 |
| Other non-current liabilities | **19** | 16.8 | 11.8 |
| Non-current provisions | **19** | 51.7 | 45.0 |
| **Total non-current liabilities** | | **1,256.3** | **1,280.1** |
| **Equity** | | | |
| Capital stock | **21** | 3.7 | 3.7 |
| Reserves | | 2,419.1 | 2,366.4 |
| Cumulative translation adjustments | | -500.8 | -471.1 |
| **Total equity** | | **1,922.0** | **1,899.0** |
| **Total liabilities and equity** | | **3,751.0** | **3,725.3** |

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

# CONSOLIDATED INCOME STATEMENTS

### 1.1. – 31.12.

| | Note | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|---|
| **Net sales** | **28** | **2,986.1** | **3,082.9** |
| Cost of materials | | 788.7 | 859.9 |
| Personnel expenses | | 750.4 | 752.1 |
| Depreciation | **9** | 126.6 | 127.4 |
| Amortisation of intangible assets | **11** | 27.2 | 19.9 |
| Other operating expenses, net | **23** | 521.7 | 567.0 |
| Total operating expenses, net | | 2,214.6 | 2,326.3 |
| **Operating profit (EBIT)** | | **771.5** | **756.6** |
| Financial expenses | **24** | -12.5 | -12.5 |
| Financial income | **24** | 1.1 | 1.8 |
| Foreign exchange loss (-)/gain | **24** | -5.8 | -3.1 |
| Financial result, net | | -17.2 | -13.8 |
| **Profit before income tax expenses** | | **754.3** | **742.8** |
| Income tax expenses | **25** | 112.0 | 95.9 |
| **Net income** | | **642.3** | **646.9** |
| EPS (CHF) | **22** | 17.95 | 17.97 |
| EPS diluted (CHF) | **22** | 17.88 | 17.93 |

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

## 1.1. – 31.12.

| | Note | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|---|
| **Net income according to the income statement** | | **642.3** | **646.9** |
| Cumulative translation adjustments | | -29.7 | -49.1 |
| Income tax expenses | | 0.0 | 0.0 |
| **Cumulative translation adjustments, net of tax** | | **-29.7** | **-49.1** |
| **Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax** | | **-29.7** | **-49.1** |
| Remeasurements of pension plans | **16** | 3.0 | -49.6 |
| Income tax expenses | | -0.6 | 11.1 |
| **Remeasurements of pension plans, net of tax** | | **2.4** | **-38.5** |
| **Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax** | | **2.4** | **-38.5** |
| **Total other comprehensive income, net of tax** | | **-27.3** | **-87.6** |
| **Total comprehensive income** | | **615.0** | **559.3** |

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Ordinary shares<br>MCHF | Reserves<br>MCHF | Treasury shares<br>MCHF | Pension plans<br>MCHF | Cum. translation adjustments<br>MCHF | Total equity<br>MCHF |
|---|---|---|---|---|---|---|
| **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** |
| Net income | | 642.3 | | | | 642.3 |
| Other comprehensive income | | | | 2.4 | -29.7 | -27.3 |
| Distribution[1] | | -404.0 | | | | -404.0 |
| Share buyback programme | | | -167.9 | | | -167.9 |
| Purchase (-)/sale of treasury shares | | 6.7 | -22.7 | | | -16.0 |
| Management option plans | | -4.1 | | | | -4.1 |
| **Balance at 31.12.2020** | **3.7** | **3,219.5** | **-624.0** | **-176.4** | **-500.8** | **1,922.0** |

[1] The dividend (ex2019) was CHF 11.30 per share (PY: CHF 10.80).
The accompanying → **Notes** are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASHFLOWS

**1.1. – 31.12.**

| | Note | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|---|
| **Cash provided by operating activities** | | | |
| Net income | | 642.3 | 646.9 |
| Depreciation and amortisation | **9/11** | 153.8 | 147.3 |
| Financial result, net | **24** | 17.2 | 13.8 |
| Income tax expenses | **25** | 112.0 | 95.9 |
| Changes in provisions | | 28.7 | -3.8 |
| Other non-cash expenses and income | | 13.7 | 10.6 |
| Operating cashflow before changes in net working capital and income taxes | | 967.7 | 910.7 |
| Income taxes paid | | -94.0 | -89.3 |
| Changes in trade accounts receivable | | 2.0 | 7.3 |
| Changes in inventories | | -6.7 | -10.6 |
| Changes in trade accounts payable | | -0.9 | 4.7 |
| Changes in other positions of net working capital | | 31.9 | 11.2 |
| **Net cash from/used in (-) operating activities** | | **900.0** | **834.0** |
| | | | |
| **Cash from/used in (-) investing activities** | | | |
| Purchase of property, plant & equipment and intangible assets | **9/11** | -149.7 | -166.9 |
| Sale of property, plant & equipment and intangible assets | | 2.9 | 3.3 |
| Interest received | | 1.1 | 1.7 |
| Purchase (-)/sale of marketable securities and other short-term investments | | 20.0 | -20.0 |
| Other, net | | -2.1 | -3.1 |
| **Net cash from/used in (-) investing activities** | | **-127.8** | **-185.0** |
| | | | |
| **Cash from/used in (-) financing activities** | | | |
| Proceeds from borrowings | **14/15** | 450.2 | 634.7 |
| Repayments of borrowings | **14/15** | -503.5 | -695.6 |
| Repayments of lease liabilities | | -24.1 | -16.2 |
| Interest paid | | -9.8 | -7.8 |
| Distribution | | -404.0 | -389.0 |
| Share buyback programme | **21** | -162.1 | -51.4 |
| Purchase (-)/sale of treasury shares | | -46.4 | 9.9 |
| Other, net | | -2.2 | -2.4 |
| **Net cash from/used in (-) financing activities** | | **-701.9** | **-517.8** |
| | | | |
| Effects of exchange rates on cash and cash equivalents | | -9.8 | -5.3 |
| **Net increase/decrease (-) in cash and cash equivalents** | | **60.5** | **125.9** |
| | | | |
| Cash and cash equivalents at beginning of year | | 408.1 | 282.2 |
| **Cash and cash equivalents at end of year** | | **468.6** | **408.1** |

The accompanying → **Notes** are an integral part of the consolidated financial statements.
For further cashflow figures see → **Note 27**.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIC INFORMATION

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 119 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 (with the related uncertainties) were primarily made in the following areas:

- Assumptions underlying impairment testing of goodwill items and intangible assets with an indefinite useful life (→ **Note 11**)
- Assumptions underlying the capitalisation of development costs (→ **Note 26**)
- Assumptions underlying the recognition of defined benefit pension plans (→ **Note 16**)
- Assumptions underlying the valuation of deferred tax assets and liabilities (→ **Note 18**)
- Assumptions underlying valuation of provisions (→ **Note 13**, → **Note 19**)

## 2. CHANGES IN GROUP STRUCTURE

No significant changes in the Group structure took place in 2020 and 2019.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### IFRS STANDARDS

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

| Standard/Interpretation | Enactment | Relevance for Geberit | Adoption |
|---|---|---|---|
| Amendments to IFRS 3 Business Combinations – Reference to the conceptual framework | 1.1.2020 | This amendment had no impact on the consolidated financial statements. | 1.1.2020 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 1 | 1.1.2020 | This amendment had no impact on the consolidated financial statements. | 1.1.2020 |
| Amendments to IFRS 16 Leases – COVID-19-Related Rent Concessions | 1.6.2020 | This amendment had no impact on the consolidated financial statements. | 1.6.2020 |

**New or revised IFRS standards and interpretations as from 2021 and their adoption by the Group**

| Standard/Interpretation | Enactment | Relevance for Geberit | Adoption |
|---|---|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 2 | 1.1.2021 | This amendment will not have a material impact on the consolidated financial statements. | 1.1.2021 |
| Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use | 1.1.2022 | This amendment will not have a material impact on the consolidated financial statements. | 1.1.2022 |
| Amendments to IAS 37 Onerous Contracts – Cost of fulfilling a contract | 1.1.2022 | This amendment will not have a material impact on the consolidated financial statements. | 1.1.2022 |
| Annual improvements to IFRSs 2018–2020 Cycle | 1.1.2022 | This amendment will not have a material impact on the consolidated financial statements. | 1.1.2022 |
| Amendments to IAS 1 Presentation of financial statements – Classification of liabilities as current or non-current | 1.1.2023 | This amendment will not have a material impact on the consolidated financial statements. | 1.1.2023 |

### 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 mainly comprise buildings and vehicles.

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 makes 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. 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.

**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 (→ **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 (→ **Note 26**).

**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 initially recorded at fair value plus transaction costs and subsequently remeasured at amortised cost less allowances for expected credit losses ("ECL"). 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 financial position and 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 2020, the Group's CfaR amounted to MCHF 22.7 (PY: MCHF 24.2), hence there was a 95% likelihood that any loss resulting from currency risk would not exceed MCHF 22.7.

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:

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| EBITDA[1] | 925.3 | 903.9 |
| Financial result, net + CfaR | 8.9 | 9.9 |
| **EBITDA/(Financial result, net + CfaR)** | **104x** | **91x** |

[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 692.3 (PY: MCHF 624.7).

**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 COVID-19 crisis also did not result in any exceptional bad debt losses in the past financial year.

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 2020, the average balance of trade receivables is about 141% (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 | 2020 | 2019 |
|---|---|---|---|
| Foreign exchange rate risk | Cashflow-at-Risk (CfaR) | MCHF 22.7 | MCHF 24.2 |
| Interest rate risk | EBITDA/(financial result, net + CfaR) | 104x | 91x |
| Liquidity risk | (Deficit)/excess of liquidity reserve | MCHF 692.3 | MCHF 624.7 |

**IMPACT OF COVID-19**
Since mid-March, the construction industry in Europe has been negatively impacted by the COVID-19 pandemic. In several countries (e.g. Italy, France, the United Kingdom, Spain, India and South Africa) most construction sites remained closed for extended periods. In other countries the restrictions enforced as a result of the pandemic led to a slowing of construction activities. Moreover, the majority of showrooms for sanitary products across Europe remained closed for around two months. Overall, these restrictions had a negative impact on the Geberit Group's sales development in the second quarter in particular, although this was partially offset in the second half of the year as a result of catch-up effects. Despite the restrictions enforced due to COVID-19, the supply chain at Geberit remained mostly intact throughout the entire year. In response to the sharp decline in sales in the second quarter, activities that were not time-critical were postponed, while targeted savings measures were implemented. In addition, the restrictions enforced due to COVID-19 led to further savings in marketing and travel expenses in particular. However, future-oriented projects (e.g. product development and IT projects) were continued as planned. Ultimately, the good sales development in the second half of the year combined with the unusually low cost base resulted in extraordinarily high profitability.

## 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:

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Gearing** | | |
| Debt | 778.8 | 836.9 |
| Liquid funds, marketable securities and other short-term investments | 468.6 | 428.1 |
| Net debt | 310.2 | 408.8 |
| Equity | 1,922.0 | 1,899.0 |
| **Net debt/equity** | **16.1%** | **21.5%** |
| **Return on equity (ROE)** | | |
| Equity (rolling)[1] | 1,843.4 | 1,806.8 |
| Net income | 642.3 | 646.9 |
| **ROE** | **34.8%** | **35.8%** |
| **Return on invested capital (ROIC)[2]** | | |
| Invested capital (rolling) | 2,794.3 | 2,810.0 |
| Net operating profit after taxes (NOPAT) | 648.0 | 648.4 |
| **ROIC** | **23.2%** | **23.1%** |

[1] Rolling equity equals the average of the last 5 quarters
[2] 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 average of the underlying balance sheet items over the last 5 quarters.

## 6. TRADE ACCOUNTS RECEIVABLE

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| Trade accounts receivable | 207.7 | 205.4 |
| Allowances | -12.7 | -12.0 |
| **Total trade accounts receivable** | **195.0** | **193.4** |

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| **Total trade accounts receivable by currency** | | |
| CHF | 9.7 | 8.1 |
| EUR | 59.8 | 65.8 |
| USD | 17.9 | 22.0 |
| GBP | 28.1 | 17.9 |
| SEK | 22.3 | 15.2 |
| DKK | 12.5 | 15.2 |
| NOK | 12.7 | 12.4 |
| PLN | 4.1 | 6.8 |
| Other | 27.9 | 30.0 |
| **Total trade accounts receivable** | **195.0** | **193.4** |

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

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| **Allowances for trade accounts receivable** | | |
| **1 January** | **12.0** | **11.0** |
| Additions | 3.5 | 5.0 |
| Used | -0.3 | -2.9 |
| Reversed | -2.1 | -0.8 |
| Translation differences | -0.4 | -0.3 |
| **31 December** | **12.7** | **12.0** |

As at 31 December, allowances for trade accounts receivable include individual allowances of MCHF 5.2 (PY: MCHF 3.9) and allowances for expected credit losses (ECL) of MCHF 7.5 (PY: MCHF 8.1).

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| **Maturity analysis of trade accounts receivable** | | |
| Not due | 128.5 | 141.1 |
| Past due < 30 days | 54.1 | 45.1 |
| Past due < 60 days | 11.6 | 6.0 |
| Past due < 90 days | 2.3 | 1.9 |
| Past due < 120 days | 1.7 | 2.1 |
| Past due > 120 days | 9.5 | 9.2 |
| Allowances | -12.7 | -12.0 |
| **Total trade accounts receivable** | **195.0** | **193.4** |

The agreed payment terms range from 30 to 120 days.

## 7. OTHER CURRENT ASSETS AND CURRENT FINANCIAL ASSETS

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Value added tax receivables | 67.6 | 77.4 |
| Income tax refunds receivable | 13.9 | 12.8 |
| Short-term derivative financial instruments[1] (see → **Note 15**) | 0.6 | 1.1 |
| Prepaid expenses | 10.7 | 11.8 |
| Other current assets | 12.1 | 14.1 |
| **Total other current assets and current financial assets** | **104.9** | **117.2** |

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

As at 31 December 2020, the position "Other current assets" included other receivables from governments of MCHF 3.2 (PY: MCHF 3.0).

## 8. INVENTORIES

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Raw materials, supplies and other inventories | 103.0 | 97.2 |
| Work in progress | 51.7 | 52.2 |
| Finished goods | 124.2 | 130.7 |
| Merchandise | 28.2 | 26.7 |
| Prepayments to suppliers | 0.0 | 0.1 |
| **Total inventories** | **307.1** | **306.9** |

As at 31 December 2020, inventories included allowances for slow-moving and obsolete items of MCHF 47.2 (PY: MCHF 48.8).

## 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 MCHF | Land and buildings MCHF | Machinery and equipment MCHF | Office equipment MCHF | Assets under constr./advance payments MCHF |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Cost at beginning of year | 2,380.5 | 748.6 | 1,442.8 | 68.0 | 121.1 |
| Additions | 158.9 | 21.3 | 52.6 | 9.5 | 75.5 |
| Disposals | -63.4 | -6.9 | -49.3 | -7.2 | |
| Transfers | 0.0 | 9.8 | 57.6 | 6.5 | -73.9 |
| Translation differences | -32.0 | -12.8 | -16.7 | -1.6 | -0.9 |
| **Cost at end of year** | **2,444.0** | **760.0** | **1,487.0** | **75.2** | **121.8** |
| Accumulated depreciation at beginning of year | 1,460.5 | 355.3 | 1,062.4 | 42.8 | 0.0 |
| Depreciation | 126.6 | 31.4 | 85.7 | 9.5 | |
| Disposals | -61.9 | -6.9 | -47.9 | -7.1 | |
| Translation differences | -15.0 | -3.9 | -10.1 | -1.0 | |
| **Accumulated depreciation at end of year** | **1,510.2** | **375.9** | **1,090.1** | **44.2** | **0.0** |
| **Carrying amounts at end of year** | **933.8** | **384.1** | **396.9** | **31.0** | **121.8** |
| **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** |

As at 31 December 2020, there were no qualified assets for which borrowing costs were capitalised during the construction phase. As at 31 December 2020, the Group had entered into firm commitments for capital expenditures of MCHF 13.4 (PY: MCHF 11.6).

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:

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Property, plant and equipment owned | 874.1 | 851.8 |
| Right-of-use of property, plant and equipment | 59.7 | 68.2 |
| **Carrying amounts at end of year** | **933.8** | **920.0** |

### RIGHT-OF-USE OF PROPERTY, PLANT AND EQUIPMENT

| | Total<br>MCHF | Land and buildings<br>MCHF | Machinery and equipment<br>MCHF | Office equipment<br>MCHF |
|---|---|---|---|---|
| **2020** | | | | |
| Carrying amounts at beginning of year | 68.2 | 61.3 | 6.9 | 0.0 |
| Additions | 18.2 | 14.0 | 3.7 | 0.5 |
| Depreciation | -17.9 | -13.9 | -3.9 | -0.1 |
| Transfers | -6.9 | -6.9 | | |
| Translation differences | -1.9 | -1.6 | -0.3 | |
| **Carrying amounts at end of year** | **59.7** | **52.9** | **6.4** | **0.4** |

| | Total<br>MCHF | Land and buildings<br>MCHF | Machinery and equipment<br>MCHF | Office equipment<br>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

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Reinsurance policies for pension obligations (see → **Note 16**) | 26.3 | 25.1 |
| Assets from defined benefit plans (see → **Note 16**) | 0.2 | 0.8 |
| Deposits | 4.5 | 3.9 |
| Capitalised financing costs | 0.4 | 0.7 |
| Other | 7.3 | 7.7 |
| **Total other non-current assets and non-current financial assets** | **38.7** | **38.2** |

As at 31 December 2020 and 2019, 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 |
| **2020** | | | | | |
| Cost at beginning of year | 2,065.1 | 1,468.6 | 84.2 | 375.6 | 136.7 |
| Additions | 9.0 | | | | 9.0 |
| Disposals | -6.1 | | | | -6.1 |
| Translation differences | -2.7 | -2.5 | | 0.5 | -0.7 |
| **Cost at end of year** | **2,065.3** | **1,466.1** | **84.2** | **376.1** | **138.9** |
| Accumulated amortisation / impairment at beginning of year | 468.4 | 213.3 | 84.1 | 77.9 | 93.1 |
| Amortisation | 20.0 | | | 8.1 | 11.9 |
| Impairment loss | 7.2 | | | 7.2 | |
| Disposals | -6.1 | | | | -6.1 |
| Translation differences | -1.1 | -0.5 | | | -0.6 |
| **Accumulated amortisation at end of year** | **488.4** | **212.8** | **84.1** | **93.2** | **98.3** |
| **Carrying amounts at end of year** | **1,576.9** | **1,253.3** | **0.1** | **282.9** | **40.6** |
| **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 / impairment 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** |

[1] Other intangible assets: mainly software and capitalised product development costs (see → **Note 26**)

Goodwill and intangible assets from acquisitions with an indefinite useful life are tested for impairment on an annual basis. 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) | | | |
|---|---|---|---|---|---|---|
| | 31.12.2020 | 31.12.2019 | 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 | 1,253.3 | 1,255.3 | U | 2.0 (2.0) | 6.8 (6.2) | 5.9 (5.4) |
| Geberit trademark (indefinite useful life) | 84.6 | 84.6 | U | 2.0 (2.0) | 6.7 (6.1) | 5.9 (5.4) |
| Various trademarks (indefinite useful life) | 127.6 | 134.8 | U | 2.0 (1.9 - 2.0) | 6.2 - 9.3 (5.6 - 6.4) | 6.1 - 9.0 (5.5 - 6.2) |
| Various trademarks (definite useful life) | 70.7 | 78.3 | | | | |

**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 Geberit brand is an integral part of the Geberit business model and is assumed to have an indefinite useful life. Impairment is tested using the "relief from royalty" method. Impairment is tested against the Group's estimated net sales attributable to the trademark 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. A discount rate based on the Group's weighted cost of capital is used to discount future cashflows. The annual impairment test did not produce any evidence of impairment.

The item "Various trademarks (indefinite useful life)" includes the trademarks Ifö, Kolo, IDO, Twyford and these trademarks are assumed to have an indefinite useful life. The "relief from royalty" method is used as well to test these trademarks and the test is based on the current business plan and the growth rates are defined in the same way as for the Geberit brand. 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. The annual impairment tests did not produce evidence of any impairment with the exception of one brand, for which an impairment of MCHF 7.2 was recognised. The impairment was mainly due to lower sales expectations and an increased discount rate.

The item "Various trademarks (definite useful life)" includes the trademarks Keramag, Allia and Sphinx. These trademarks have been integrated within the Geberit brand in the last two years. For this reason, they are assumed to have a definite useful life. This means that each individual trademark is amortised over its remaining useful life. Total annual amortisation recognised on these trademarks amounts to MCHF 8.1.

**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 or operating margin -1.0 percentage points) that are realistically possible from today's perspective would not result in any need to impair the goodwill. Regarding three trademarks, this would lead to an impairment loss of around MCHF 11.0.

## 12. SHORT-TERM DEBT

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Other short-term debt | 5.8 | 5.0 |
| Short-term portion of long-term lease liabilities | 11.5 | 21.2 |
| Short-term portion of long-term debt (excl. leases) | 0.0 | 0.0 |
| **Total short-term debt** | **17.3** | **26.2** |

**SHORT-TERM CREDIT LINES**
The Group maintained credit lines of MCHF 83.1 (PY: MCHF 90.7) 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 2020 and 2019, the Group did not have any outstanding drawings on the above-mentioned credit lines.

**OTHER SHORT-TERM DEBT**
As at 31 December 2020, the Group had MCHF 5.8 in other short-term debt (PY: MCHF 5.0). This debt incurred an effective interest rate of 5.5% (PY: 5.5%).

**CURRENCY MIX**
Of the total short-term debt outstanding as at 31 December 2020, MCHF 11.2 was denominated in EUR (PY: MCHF 11.0) and MCHF 1.0 in CHF (PY: MCHF 8.8).

## 13. OTHER CURRENT LIABILITIES AND PROVISIONS

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| Compensation-related liabilities | 100.3 | 98.2 |
| Customer-related liabilities | 134.6 | 125.4 |
| Value added tax payables | 38.6 | 34.7 |
| Short-term derivative financial instruments (see → **Note 15**) | 0.2 | 0.1 |
| Short-term interest payables | 1.2 | 2.8 |
| Other current liabilities | 49.7 | 43.9 |
| **Total other current liabilities** | **324.6** | **305.1** |

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 yet invoiced.

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| Other current provisions | 5.2 | 7.6 |
| Provisions for restructuring | 1.5 | 4.7 |
| **Total current provisions** | **6.7** | **12.3** |

The movements of other current provisions for 2020 and 2019 are shown in the following table:

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| **Other current provisions** | | |
| **1 January** | **7.6** | **5.8** |
| Additions | 4.2 | 5.2 |
| Transfers | -1.4 | 0.0 |
| Used | -4.7 | -3.1 |
| Reversed | -0.4 | -0.2 |
| Translation differences | -0.1 | -0.1 |
| **31 December** | **5.2** | **7.6** |

The movements of provisions for restructuring for 2020 and 2019 are shown in the following table:

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| **Provisions for restructuring** | | |
| **1 January** | **4.7** | **20.6** |
| Additions | 2.2 | 0.4 |
| Transfers | -1.3 | 1.0 |
| Used | -3.4 | -13.9 |
| Reversed | -0.6 | -3.1 |
| Translation differences | -0.1 | -0.3 |
| **31 December** | **1.5** | **4.7** |

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, in 2019 to MCHF 10.6 and in 2020 to MCHF 3.2 (see also → **Note 19**).

## 14. LONG-TERM DEBT

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Bonds | 698.7 | 750.7 |
| Credit facility | 0.0 | 0.0 |
| Lease liabilities | 61.1 | 69.2 |
| Other long-term debt | 13.2 | 12.0 |
| **Total long-term debt before reclassification** | **773.0** | **831.9** |
| Short-term portion of long-term debt | -11.5 | -21.2 |
| **Total long-term debt** | **761.5** | **810.7** |

### BONDS
A bond for MCHF 300 was issued in April 2020 to refinance the drawings on the existing credit facility. The bond for MEUR 325 was repaid in December 2020. In this connection, Geberit made use of its early-redemption right. The bond was originally due to expire in March 2021.

As at the end of 2020, the four outstanding bonds are as follows: A bond for MCHF 300 (fair value as at 31 December 2020: MCHF 304.1) with a term of 2.5 years and a coupon of 0.35% due 2022, a bond for MCHF 150 (fair value as at 31 December 2020: MCHF 152.0) 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 2020: MCHF 126.7) with a term of 5.5 years and a coupon of 0.1% due 2024, and a bond for MCHF 125 (fair value as at 31 December 2020: MCHF 130.8) with a term of 9.5 years and a coupon of 0.6% due 2028.

### REVOLVING CREDIT FACILITY
A firmly committed credit line of MCHF 500 is 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 2020. A commitment fee – recorded as financial expenses – was charged in respect of the undrawn portion.

The credit facility of MCHF 500 is secured by a guarantee issued by Geberit AG. The credit facility contains conditions typical for syndicated financing.

### OTHER LONG-TERM DEBT
As at 31 December 2020, the Group had MCHF 13.2 of other long-term debt (PY: MCHF 12.0). This debt incurred an effective interest rate of 5.9% (PY: 6.0%).

### CURRENCY MIX
Of the total long-term debt outstanding as at 31 December 2020, MCHF 44.5 was denominated in EUR (PY: MCHF 397.2) and MCHF 699.9 in CHF (PY: MCHF 400.5).

## 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 2020 and 2019, the following derivative financial instruments were outstanding:

### FORWARD FOREIGN EXCHANGE CONTRACTS

| | Contract values | | | | | | | | | Fair value 31.12. | Calculation method |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2020** | MCZK | MEUR | MDKK | MPLN | MNOK | MGBP | MHUF | MRON | MUSD | MCHF | |
| Foreign exchange contracts | -6.0 | -74.8 | -8.0 | -50.0 | -35.0 | -4.0 | 0.0 | 0.0 | -4.4 | 0.4 | Mark-to-Market |
| **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 |

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

### HEDGE ACCOUNTING
No hedge accounting was applied in 2020 or 2019.

### 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 31.12.2020 | 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 | 468.6 | 468.6 | 0.0 | |
| Trade accounts receivable | 195.0 | 195.0 | 0.0 | |
| Other current assets (see → **Note 7**) | 104.3 | 104.3 | 0.0 | |
| Other non-current assets | 11.3 | 11.1 | 0.2 | Level 2 |
| Derivative financial instruments (see → **Note 7**) | 0.6 | 0.0 | 0.6 | Level 2 |
| **Total** | **779.8** | **779.0** | **0.8** | |

| | Carrying amount as at 31.12.2020 | 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 | 17.3 | 17.3 | 0.0 | |
| Trade accounts payable | 94.2 | 94.2 | 0.0 | |
| Bonds | 698.7 | 698.7 | 0.0 | |
| Credit facility | 0.0 | 0.0 | 0.0 | |
| Long-term lease liabilities | 49.6 | 49.6 | 0.0 | |
| Other long-term debt | 13.2 | 13.2 | 0.0 | |
| Derivative financial instruments | 0.2 | 0.0 | 0.2 | Level 2 |
| **Total** | **873.2** | **873.0** | **0.2** | |

| | 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** | |

**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 | | | | |
|---|---|---|---|---|---|---|
| | 31.12.2020 | 2021 | 2022 | 2023 | 2024 | 2025 and later |
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| Short-term debt | 17.3 | 17.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade accounts payable | 94.2 | 94.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bonds | 698.7 | 2.4 | 302.4 | 151.3 | 125.9 | 128.0 |
| Credit facility | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long-term lease liabilities | 49.6 | 1.5 | 8.6 | 6.0 | 6.7 | 32.5 |
| Other long-term debt | 13.2 | 0.8 | 4.3 | 4.1 | 2.3 | 4.4 |
| **Total non-derivative financial liabilities** | **873.0** | **116.8** | **315.3** | **161.4** | **134.9** | **164.9** |
| Derivative financial assets/liabilities, net | -0.4 | 106.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total derivative financial instruments** | **-0.4** | **106.5** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Total** | **872.6** | **223.3** | **315.3** | **161.4** | **134.9** | **164.9** |

| | 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** |

**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:

| | 2020 | | Non-cash movements | | 2019 |
|---|---|---|---|---|---|
| | Total | Cashflows | Translation differences | Others | Total |
| | MCHF | MCHF | MCHF | MCHF | MCHF |
| Long-term debt (excl. leases) | 711.9 | 294.9 | -4.6 | -341.1 | 762.7 |
| Short-term debt (excl. leases) | 5.8 | -348.2 | 0.0 | 349.0 | 5.0 |
| Lease liabilities (incl. payables and prepayments) | 60.9 | -24.1 | -1.9 | 17.5 | 69.4 |
| Interest liabilities | 1.2 | -9.8 | 0.0 | 8.2 | 2.8 |
| **Total** | **779.8** | **-87.2** | **-6.5** | **33.6** | **839.9** |

In 2020, the position "Others" of short- and long-term debt mainly included the reclassification of the MEUR 325 bond which was repaid early, in December 2020, and of lease liabilities contained the non-cash addition of new lease contracts.

| | 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.

## 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.

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Switzerland** | | |
| Benefit obligation (for funded retirement benefit plans) | 666.7 | 633.8 |
| Plan assets at fair value | 631.5 | 609.1 |
| **Funded status** | **-35.2** | **-24.7** |
| | | |
| **Germany** | | |
| Benefit obligation (for unfunded retirement benefit plans) | 273.1 | 269.9 |
| Plan assets at fair value | 0.0 | 0.0 |
| **Funded status** | **-273.1** | **-269.9** |
| Reimbursement rights | 19.1 | 17.4 |
| | | |
| **Other plans** | | |
| Benefit obligation (for funded retirement benefit plans) | 46.1 | 43.0 |
| Benefit obligation (for unfunded retirement benefit plans) | 35.7 | 35.6 |
| Plan assets at fair value | 43.6 | 42.7 |
| **Funded status** | **-38.2** | **-35.9** |
| Reimbursement rights | 7.2 | 7.7 |
| | | |
| **Total** | | |
| Benefit obligation (for all retirement benefit plans) | 1,021.6 | 982.3 |
| Plan assets at fair value | 675.1 | 651.8 |
| **Funded status** | **-346.5** | **-330.5** |
| Reimbursement rights | 26.3 | 25.1 |

### 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 117.6% as at 31 December 2020 (PY: 116.2%).

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.

Until 31 December 2019, the funded plans also included a supplementary insurance cover for Swiss managerial employees. As at 1 January 2020 it has been transferred into a 1e pension plan. It has therefore been reclassified as a defined-contribution plan as in a 1e plan beneficiaries participate directly in the performance of their investment and therefore carry also the investment risk.

**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, Wesel, 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:

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Current service cost | 40.3 | 35.9 |
| Past service cost | 0.1 | -3.6 |
| (Gain) / loss on settlement | 0.0 | -3.2 |
| Contributions of employees | -11.2 | -11.0 |
| Net interest cost for retirement benefit plans | 1.9 | 4.0 |
| **Net periodic pension cost** | **31.1** | **22.1** |

The current service cost for the Swiss retirement benefit plans was MCHF 25.7 in 2020 (PY: MCHF 23.1) and for the German retirement benefit plans MCHF 13.3 (PY: MCHF 11.4). The past service cost 2019 for the Swiss retirement benefit plan (Gemeinschaftsstiftung) was MCHF -3.6 which is a technical effect related to plan changes according to IAS 19 in 2019. 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 movement of the supplementary managerial plan to a 1e plan. The net interest cost for the Swiss retirement benefit plans was MCHF 0.0 in 2020 (PY: MCHF 0.0) and for the German retirement benefit plans MCHF 1.7 (PY: MCHF 3.7).

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

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Actuarial gains (-) / losses: | 24.5 | 110.6 |
| - of which from changes in demographic assumptions | -0.8 | 0.0 |
| - of which from changes in financial assumptions | 11.6 | 110.1 |
| - of which from experience adjustments | 13.7 | 0.5 |
| Return on plan assets (excluding interest based on discount rate) | -27.5 | -61.0 |
| Return on reimbursement rights (excluding interest based on discount rate) | 0.0 | 0.0 |
| Asset ceiling adjustment | 0.0 | 0.0 |
| **Total pre-tax remeasurements recognised in other comprehensive income** | **-3.0** | **49.6** |

The remeasurements recognised in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2020 for the Swiss retirement benefit plans amounted to MCHF -2.6 (PY: MCHF 14.4) and for the German retirement benefit plans to MCHF -2.4 (PY: MCHF 30.0).

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

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Benefit obligation** | | |
| At beginning of year | 982.3 | 891.9 |
| Current service cost | 40.3 | 35.9 |
| Past service cost | 0.1 | -3.6 |
| (Gain) / loss on settlement | 0.0 | -27.6 |
| Interest cost | 4.4 | 10.4 |
| Actuarial gains (-) / losses | 24.5 | 110.6 |
| New plans / plan adjustments | -0.2 | -0.1 |
| Benefits paid | -27.7 | -25.1 |
| Translation differences | -2.1 | -10.1 |
| **Benefit obligation at end of year** | **1,021.6** | **982.3** |

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Plan assets at fair value** | | |
| At beginning of year | 651.8 | 602.1 |
| Interest income (based on discount rate) | 2.0 | 5.7 |
| Return on plan assets (excluding interest based on discount rate) | 27.5 | 61.0 |
| Contributions of employees | 10.5 | 10.4 |
| Contributions of employers | 2.6 | 10.8 |
| (Gain) / loss on settlement | 0.0 | -24.4 |
| New plans / plan adjustments | 0.0 | 0.0 |
| Benefits paid | -16.9 | -14.6 |
| Translation differences | -2.4 | 0.8 |
| **Plan assets at fair value at end of year** | **675.1** | **651.8** |
| | | |
| **Funded status at end of year** | **-346.5** | **-330.5** |
| Asset ceiling adjustment | 0.0 | 0.0 |
| Assets from defined benefit plans (see → **Note 10**) | -0.2 | -0.8 |
| **Net funded status at end of year** | **-346.7** | **-331.3** |

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Fair value of reimbursement rights** | | |
| At beginning of year | 25.1 | 23.8 |
| Interest income (based on discount rate) | 0.5 | 0.7 |
| Return on reimbursement rights (excluding interest based on discount rate) | 0.0 | 0.0 |
| Contributions of employers | 1.3 | 1.3 |
| Contributions of employees | 0.7 | 0.6 |
| Benefits paid | -0.5 | -0.4 |
| Translation differences | -0.8 | -0.9 |
| **Fair value of reimbursement rights at end of year** | **26.3** | **25.1** |

As at 31 December 2020, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 19.1 (PY: MCHF 17.4).

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

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Listed on an active market<br>MCHF | Other<br>MCHF | Total<br>MCHF | Listed on an active market<br>MCHF | Other<br>MCHF | Total<br>MCHF |
| Equity instruments | 237.9 | 16.0 | 253.9 | 222.7 | 16.0 | 238.7 |
| Bonds and other debt instruments | 132.3 | 47.5 | 179.8 | 119.3 | 46.6 | 165.9 |
| Real estate property | 54.8 | 132.2 | 187.0 | 46.0 | 133.3 | 179.3 |
| Cash and cash equivalents | 41.2 | 0.1 | 41.3 | 64.1 | 0.0 | 64.1 |
| Other | 4.2 | 8.9 | 13.1 | 3.4 | 0.4 | 3.8 |
| **Total** | **470.4** | **204.7** | **675.1** | **455.5** | **196.3** | **651.8** |

The plan assets of the Swiss retirement benefit plans were MCHF 631.5 as at 31 December 2020 and the effective income on the plan assets was +3.7% in 2020 and +10.7% in 2019. As at the end of 2020, the plan assets included MCHF 7.3 (PY: MCHF 7.2) in equity instruments of Geberit AG and no real estate (PY: MCHF 5.8) used by the Group any more.

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

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active members | Deferred members | Pensioners | Total | Active members | Deferred members | Pensioners | Total |
| **Plan members (number)** | | | | | | | | |
| Swiss retirement benefit plans | 1,304 | | 581 | 1,885 | 1,303 | | 544 | 1,847 |
| German retirement benefit plans | 5,308 | 819 | 335 | 6,462 | 5,220 | 766 | 330 | 6,316 |
| **Total plan members** | **6,612** | **819** | **916** | **8,347** | **6,523** | **766** | **874** | **8,163** |
| | | | | | | | | |
| **Benefit obligation (in MCHF)** | | | | | | | | |
| Swiss retirement benefit plans | 387.7 | | 279.0 | 666.7 | 369.5 | | 264.3 | 633.8 |
| German retirement benefit plans | 200.3 | 34.5 | 38.3 | 273.1 | 198.0 | 33.7 | 38.2 | 269.9 |
| **Total benefit obligation** | **588.0** | **34.5** | **317.3** | **939.8** | **567.5** | **33.7** | **302.5** | **903.7** |
| Share in % | 62.5 | 3.7 | 33.8 | 100.0 | 62.8 | 3.7 | 33.5 | 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).

In Switzerland there is an employer contribution reserve from which contribution payments of MCHF 8.4 were made in 2020. As at 31 December 2020, this reserve was valued at MCHF 11.1. Employer contributions for the Swiss retirement benefit plans of MCHF 10.4 are expected for the financial year 2021.

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | CH | DE | CH | DE |
| Discount rate | 0.1 | 0.7 | 0.2 | 0.7 |
| Salary increase rate | 1.2 | 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 | +9.1% | +6.3% |
| **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 2020 included expenses for defined contribution plans of MCHF 10.1 (PY: MCHF 9.2).

## 17. PARTICIPATION PLANS

### SHARE PLANS

In 2020, employees were able to purchase a defined number of shares at a discount of 45% (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 2019 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 2020 are summarised below:

| | End of blocking period | Number of participants | Number of shares issued | Issuing price CHF |
|---|---|---|---|---|
| Employee share purchase plan (ESPP) | 2022 | 3,012 | 21,230 | 248.30 |
| Management share purchase plan (MSPP) | 2023 | 93 | 12,806 | 451.50 |
| Board of Directors compensation | 2024 | 6 | 2,666 | 451.50 |
| **Total** | | | **36,702** | |

The 36,702 shares required for these plans were taken from the stock of treasury shares.

As at 31 December 2020, the Board of Directors, the Group Executive Board and the employees owned a combined total of 395,271 (PY: 372,600) shares, i.e. 1.1% (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 2020 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) | 2020 - 2023 | 2029 | 93 | 12,813 | 451.50 |
| Option plan (MSOP) | 2020 - 2023 | 2029 | 93 | 265,551 | 451.50 |
| **Total** | | | | **278,364** | |

The fair value of the options granted in 2020 as at March 2020 amounted on average to CHF 16.58 (PY: CHF 39.39) for MSPP and CHF 16.58 (PY: CHF 39.39) 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) | 451.50 | 16.87 | 2.83 | 9 | -0.53 |
| Option plan (MSOP) | 451.50 | 16.87 | 2.83 | 9 | -0.53 |

[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 3. – 16.3.2020.

The following table summarises all option plans in place as at 31 December 2020[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 | 2021 - 2027 | 124,007 | 363.19 | 124,007 | 363.19 |
| 2021 | 2024 - 2028 | 105,736 | 410.23 | 105,736 | 410.23 |
| 2022 | 2025 - 2028 | 183,520 | 416.58 | 183,520 | 416.58 |
| 2023 | 2028 - 2029 | 309,688 | 449.44 | 309,688 | 449.44 |
| **Total** | | **722,951** | **420.57** | **722,951** | **420.57** |

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

The following movements took place in 2020 and 2019[1]:

| | MSOP | | MSPP | | Total 2020 | | Total 2019 | |
|---|---|---|---|---|---|---|---|---|
| | 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** | **483,552** | **389.35** | **44,300** | **401.06** | **527,852** | **390.33** | **507,944** | **374.19** |
| Granted options | 265,551 | 451.50 | 12,813 | 451.50 | 278,364 | 451.50 | 124,713 | 406.75 |
| Forfeited options | 13,182 | 420.32 | 314 | 407.90 | 13,496 | 420.04 | 7,258 | 530.74 |
| Expired options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exercised options | 61,200 | 307.12 | 8,569 | 373.74 | 69,769 | 315.31 | 97,547 | 325.25 |
| **Outstanding 31 December** | **674,721** | **420.66** | **48,230** | **419.28** | **722,951** | **420.57** | **527,852** | **390.33** |
| Exercisable at 31 December | 106,578 | 357.81 | 17,429 | 396.08 | 124,007 | 363.19 | 117,637 | 311.78 |

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

The 722,951 options outstanding represent 2.0% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

The options outstanding as at 31 December 2020 had an exercise price of between CHF 281.95 and CHF 451.50 and an average remaining contractual life of 6.7 years (PY: 6.4 years).

Costs resulting from share plans amounted to MCHF 4.8 in 2020 (PY: MCHF 2.9); those for option plans totalled MCHF 5.8 (PY: MCHF 4.7).

[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

| | 2020 | Movements 2020 | | | | 2019 |
|---|---|---|---|---|---|---|
| | Total | Charged (-) / credited to income | Through equity | Through OCI [1] | Translation differences | Total |
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| **Deferred tax assets** | | | | | | |
| Loss carryforwards | 20.5 | -6.6 | 0.0 | 0.0 | -0.2 | 27.3 |
| Accrued pension obligations | 38.2 | 2.0 | 0.0 | -0.6 | -0.6 | 37.4 |
| Property, plant and equipment | 8.7 | 2.7 | 0.0 | 0.0 | -0.2 | 6.2 |
| Short/long-term lease liabilities | 7.3 | -1.2 | 0.0 | 0.0 | -0.2 | 8.7 |
| Other short/long-term liabilities (excl. lease liabilities) | 18.0 | -0.6 | 0.0 | 0.0 | 0.0 | 18.6 |
| Intangible assets | 17.4 | 2.8 | 0.0 | 0.0 | 0.0 | 14.6 |
| Other | 15.9 | 1.7 | 2.6 | 0.0 | -0.4 | 12.0 |
| **Total deferred tax assets** | **126.0** | **0.8** | **2.6** | **-0.6** | **-1.6** | **124.8** |
| **Deferred tax liabilities** | | | | | | |
| Inventories | -2.6 | 0.4 | 0.0 | 0.0 | 0.2 | -3.2 |
| Property, plant and equipment (excl. right-of-use assets) | -25.8 | 0.0 | 0.0 | 0.0 | 0.6 | -26.4 |
| Right-of-use assets | -7.7 | 1.4 | 0.0 | 0.0 | 0.3 | -9.4 |
| Intangible assets | -30.3 | 0.7 | 0.0 | 0.0 | -0.5 | -30.5 |
| Assets from defined benefit plans | -0.5 | 0.1 | 0.0 | 0.0 | 0.0 | -0.6 |
| Other | -12.7 | -1.5 | 0.0 | 0.0 | 0.0 | -11.2 |
| **Total deferred tax liabilities** | **-79.6** | **1.1** | **0.0** | **0.0** | **0.6** | **-81.3** |

[1] Recorded in other comprehensive income

| | 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

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 2020 and 2019, 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 0.5 (PY: 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:

| | 2020 | Without deferred tax asset | With deferred tax asset | 2019 | Without deferred tax asset | With deferred tax asset |
|---|---|---|---|---|---|---|
| | MCHF | MCHF | MCHF | MCHF | MCHF | MCHF |
| **Maturity** | | | | | | |
| 1 year | 0.1 | 0.0 | 0.1 | 2.2 | 0.0 | 2.2 |
| 2 years | 1.7 | 0.0 | 1.7 | 1.9 | 0.0 | 1.9 |
| 3 years | 4.3 | 0.0 | 4.3 | 20.8 | 18.1 | 2.7 |
| 4 years | 15.0 | 3.3 | 11.7 | 8.0 | 0.0 | 8.0 |
| 5 years | 8.8 | 2.2 | 6.6 | 19.4 | 0.7 | 18.7 |
| 6 years | 0.8 | 0.1 | 0.7 | 0.0 | 0.0 | 0.0 |
| > 6 years | 157.6 | 111.5 | 46.1 | 159.1 | 91.5 | 67.6 |
| **Total loss carryforwards** | **188.3** | **117.1** | **71.2** | **211.4** | **110.3** | **101.1** |

### 19. OTHER NON-CURRENT LIABILITIES AND PROVISIONS

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Accrued investment grants | 1.6 | 1.7 |
| Other non-current liabilities | 15.2 | 10.1 |
| **Total other non-current liabilities** | **16.8** | **11.8** |
| | | |
| Provisions for operating risks | 37.5 | 37.1 |
| Other non-current provisions | 14.2 | 7.9 |
| **Total non-current provisions** | **51.7** | **45.0** |
| | | |
| **Total other non-current liabilities and provisions** | **68.5** | **56.8** |

Movements of the provisions for operating risks in 2020 and 2019 are shown in the following table.

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Provisions for operating risks** | | |
| **1 January** | **37.1** | **35.8** |
| Additions | 8.3 | 8.8 |
| Transfers | 0.0 | -0.2 |
| Used | -6.7 | -6.1 |
| Reversed | -0.6 | -0.1 |
| Translation differences | -0.6 | -1.1 |
| **31 December** | **37.5** | **37.1** |

Provisions for operating risks mainly include provisions for warranties. The payments for the warranty claims delay on average 4.1 years (PY: 4.0 years).

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Other non-current provisions** | | |
| **1 January** | **7.9** | **8.6** |
| Additions | 6.5 | 1.0 |
| Transfers | 1.1 | -0.1 |
| Used | -0.7 | -0.5 |
| Reversed | -0.4 | -0.8 |
| Translation differences | -0.2 | -0.3 |
| **31 December** | **14.2** | **7.9** |

In 2020, this position includes the non-current portion of the restructuring provision of MCHF 1.7 (PY: MCHF 0.5) for the French restructuring measures in 2017. For a detailed explanation, see → **Note 13**. The position increased mainly due to pending legal cases.

## 20. CONTINGENCIES

Guarantees and sureties are valued at MCHF 77.2 for 2020 (PY: MCHF 70.1). 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 as a whole - 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 tax-related issues 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 as a whole - 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.

On 30 April 2020, Geberit AG concluded its share buyback programme started on 6 June 2017. By 30 April 2020, 1,026,094 shares had been repurchased for a total value of MCHF 439.8. This corresponds to 2.77% of the share capital currently entered in the Commercial Register. The shares were repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction.

On 17 September 2020, Geberit AG launched the share buyback programme that it had announced on 10 March 2020. Shares in an aggregate amount of up to MCHF 500.0 will be repurchased over a maximum period of two years. Based on the closing price of Geberit registered shares on 31 December 2020, this corresponds to around 900,000 registered shares or 2.4% of the share capital currently entered in the Commercial Register. The shares will be repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. As at 31 December 2020, 94,700 shares had been repurchased for a total value of MCHF 51.4.

It is planned to ask the General Meeting of 14 April 2021 to approve a capital reduction matching the number of shares bought back under both programmes up until the end of February 2021 and to subsequently cancel the shares.

| | 2020<br>pcs. | 2019<br>pcs. |
|---|---|---|
| **Stock of treasury shares** | | |
| From share buyback programmes | 1,120,794 | 764,551 |
| Other treasury shares | 295,040 | 269,572 |
| **Total treasury shares** | **1,415,834** | **1,034,123** |

The entire stock of treasury shares on 31 December 2020 amounted to 1,415,834 (PY: 1,034,123) with a carrying amount of MCHF 624.0 (PY: MCHF 433.4). 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.

| | 2020 | 2019 |
|---|---|---|
| Attributable net income according to income statement (MCHF) | 642.3 | 646.9 |
| Weighted average number of ordinary shares (thousands) | 35,791 | 36,008 |
| **Total earnings per share (CHF)** | **17.95** | **17.97** |

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.

| | 2020 | 2019 |
|---|---|---|
| Attributable net income according to income statement (MCHF) | 642.3 | 646.9 |
| Weighted average number of ordinary shares (thousands) | 35,791 | 36,008 |
| Adjustments for share options (thousands) | 138 | 71 |
| Weighted average number of ordinary shares (thousands) | 35,929 | 36,079 |
| **Total diluted earnings per share (CHF)** | **17.88** | **17.93** |

## 23. OTHER OPERATING EXPENSES, NET

| | 2020 | 2019 |
|---|---|---|
| | MCHF | MCHF |
| Outbound freight cost and duties | 100.5 | 111.3 |
| Energy and maintenance expenses | 125.0 | 130.5 |
| Marketing expenses | 95.2 | 118.2 |
| Administration expenses | 62.2 | 75.4 |
| Other operating expenses[1] | 151.4 | 149.5 |
| Other operating income | -12.6 | -17.9 |
| **Total other operating expenses, net** | **521.7** | **567.0** |

[1] In 2020, this item includes expenses for short-term leases of MCHF 3.6 (PY: MCHF 5.2) and expenses for leased minor-value assets of MCHF 0.7 (PY: MCHF 0.8).

"Other operating expenses" includes, among other items, commission expenses, 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.

A major part of the cost reductions in nearly all positions of "Other operating expenses, net" resulted from negative currency effects on the one hand and from targeted saving measures in connection with COVID-19 on the other hand (mainly in "Marketing expenses" and "Administration expenses").

In 2020, costs of MCHF 19.7 (PY: MCHF 17.5) were capitalised as property, plant and equipment or intangible assets. This includes tools, moulds and assembly lines that are part of the production process, as well as capitalised product development cost. The amount was deducted pro-rata from the positions "Personnel expenses", "Cost of materials" and "Other operating expenses, net".

## 24. FINANCIAL RESULT, NET

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Interest expenses[1] | -9.7 | -9.8 |
| Amortisation of deferred financing fees | -0.9 | -0.7 |
| Other financial expenses | -1.9 | -2.0 |
| **Total financial expenses** | **-12.5** | **-12.5** |
| Interest income and other | 1.1 | 1.8 |
| **Total financial income** | **1.1** | **1.8** |
| Foreign exchange loss (-)/gain | -5.8 | -3.1 |
| **Total financial result, net** | **-17.2** | **-13.8** |

[1] In 2020, this item includes interest expenses of MCHF 1.9 (PY: MCHF 2.0) on lease liabilities.

“Interest expenses” mainly includes the interest for the bonds and interest expense from lease liabilities.

## 25. INCOME TAX EXPENSES

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Current taxes | 113.9 | 103.9 |
| Deferred taxes | -1.9 | -8.0 |
| **Total income tax expenses** | **112.0** | **95.9** |

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

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| Income tax expenses, at applicable rate | 114.1 | 112.1 |
| Operating losses with no current tax benefit | 1.3 | 0.0 |
| Offsetting of current profits against loss carryforwards without tax assets | -1.5 | -1.6 |
| Changes in future tax rates | -1.5 | -3.4 |
| Non-deductible expenses and non-taxable income, net | 1.8 | 2.5 |
| Other | -2.2 | -13.7 |
| **Total income tax expenses** | **112.0** | **95.9** |

The decrease of the position “Other” in 2020 is caused by the reversal of several tax provisions, which were no longer used, and capitalised loss carryforwards in the previous year.

**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. Under this reform, the tax regimes for holding companies, domiciliary companies and mixed companies, which are no longer accepted internationally, were abolished with effect from 1 January 2020. Some Swiss Geberit companies are also affected by this. In return, the cantons reduced the ordinary corporate tax rates and introduced internationally acceptable tax benefits, from which selected subsidiaries will also benefit. The ordinary tax rate for the Group companies domiciled in the Canton of St. Gallen was reduced from 17.4% to 14.5% as at 1 January 2020. The deferred taxes of these companies were adjusted accordingly as at 31 December 2019.

## 26. RESEARCH AND DEVELOPMENT COST

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| Research and development expenses | 75.0 | 76.6 |
| Capitalised development expenses | -4.2 | -4.3 |
| Amortisation of capitalised development expenses | 5.2 | 5.0 |
| **Research and development cost** | **76.0** | **77.3** |

In 2020, research and development expenses totalling MCHF 75.0 (PY: MCHF 76.6) were included in the items “Personnel expenses”, “Depreciation” and “Other operating expenses, net”. This represents 2.5% of net sales (PY: 2.5%). For one major development project, the capitalisation criteria according to IAS 38.57 were met and expenses of MCHF 4.2 (PY: MCHF 4.3) were capitalised.

## 27. FREE CASHFLOW

Free cashflow is calculated as follows:

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| Net cash from/used in (-) operating activities[1] | 900.0 | 834.0 |
| Purchase of property, plant and equipment and intangible assets, net[1] | -146.8 | -163.6 |
| Repayments of lease liabilities[1] | -24.1 | -16.2 |
| Interest and other financing cost paid, net | -12.0 | -10.2 |
| **Free cashflow** | **717.1** | **644.0** |

[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.

## 28. 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 generally distributed through the wholesale channel to plumbers, who resell the products to the end users. Products are manufactured 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 primarily focuses on 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, Products & Operations, 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 in accordance with 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:

| | 2020 MCHF | 2019 MCHF |
|---|---|---|
| **Net sales by product areas** | | |
| Installation and Flushing Systems | 1,115.4 | 1,144.6 |
| Piping Systems | 903.4 | 949.1 |
| Bathroom Systems | 967.3 | 989.2 |
| **Total net sales** | **2,986.1** | **3,082.9** |

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Net sales by markets** | | |
| Germany | 956.4 | 928.3 |
| Nordic Countries | 297.0 | 303.2 |
| Switzerland | 305.8 | 293.8 |
| Eastern Europe | 286.0 | 304.9 |
| Benelux | 251.0 | 261.2 |
| Italy | 186.5 | 210.9 |
| France | 161.1 | 179.6 |
| Austria | 175.5 | 172.8 |
| United Kingdom/Ireland | 91.8 | 114.2 |
| Iberian Peninsula | 21.2 | 24.7 |
| **Europe** | **2,732.3** | **2,793.6** |
| Middle East/Africa | 64.0 | 81.8 |
| America | 97.4 | 101.5 |
| Far East/Pacific | 92.4 | 106.0 |
| **Total net sales** | **2,986.1** | **3,082.9** |

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Share of net sales by customers** | | |
| Customers with more than 10% of net sales: customer A | 519.3 | 486.7 |
| **Total > 10%** | **519.3** | **486.7** |
| | | |
| Remaining customers with less than 10% of net sales | 2,466.8 | 2,596.2 |
| **Total net sales** | **2,986.1** | **3,082.9** |

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Property, plant and equipment[1] by markets** | | |
| Germany | 350.4 | 336.4 |
| Nordic Countries | 44.9 | 44.5 |
| Switzerland | 197.7 | 183.7 |
| Eastern Europe | 135.0 | 147.8 |
| Benelux | 14.1 | 14.5 |
| Italy | 62.7 | 62.4 |
| France | 15.0 | 15.5 |
| Austria | 42.9 | 42.4 |
| United Kingdom/Ireland | 13.1 | 7.9 |
| Iberian Peninsula | 11.8 | 13.0 |
| **Europe** | **887.6** | **868.1** |
| Middle East/Africa | 1.7 | 3.0 |
| America | 12.6 | 15.0 |
| Far East/Pacific | 31.9 | 33.9 |
| **Total property, plant and equipment** | **933.8** | **920.0** |

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

## 29. RELATED PARTY TRANSACTIONS

In 2020 and 2019, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

| | 2020 | 2019 |
|---|---|---|
| | MCHF | MCHF |
| Remuneration and salary fixed | 5.5 | 5.5 |
| Remuneration and salary variable | 2.9 | 3.0 |
| Options | 2.5 | 2.6 |
| Expenditure on pensions | 1.1 | 1.3 |
| Other | 0.1 | 0.1 |
| **Total** | **12.1** | **12.5** |

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

In 2020 and 2019, there were no further material related party transactions.

## 30. FOREIGN EXCHANGE RATES

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

| | | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Currency | | Balance sheet | Income statement | Balance sheet | Income statement |
| European Currency Union | EUR | 1 | 1.0839 | 1.0704 | 1.0847 | 1.1142 |
| United Kingdom | GBP | 1 | 1.2018 | 1.2046 | 1.2690 | 1.2686 |
| USA | USD | 1 | 0.8810 | 0.9373 | 0.9677 | 0.9938 |
| Poland | PLN | 100 | 23.4500 | 24.1000 | 25.5000 | 25.9050 |
| China | CNY | 100 | 13.4820 | 13.5540 | 13.8810 | 14.3830 |
| Denmark | DKK | 100 | 14.5640 | 14.3570 | 14.5150 | 14.9200 |
| Australia | AUD | 1 | 0.6790 | 0.6474 | 0.6783 | 0.6909 |
| Czech Republic | CZK | 100 | 4.1300 | 4.0740 | 4.2600 | 4.3360 |
| Hungary | HUF | 100 | 0.2967 | 0.3050 | 0.3274 | 0.3430 |
| Norway | NOK | 100 | 10.3200 | 10.0100 | 10.9700 | 11.3000 |
| Sweden | SEK | 100 | 10.7400 | 10.1930 | 10.3400 | 10.5130 |
| Singapore | SGD | 1 | 0.6665 | 0.6791 | 0.7185 | 0.7269 |
| South Africa | ZAR | 100 | 6.0400 | 5.7260 | 6.8600 | 6.8640 |
| Turkey | TRY | 100 | 11.9400 | 13.2270 | 16.2600 | 17.3850 |
| Russia | RUB | 100 | 1.1840 | 1.2800 | 1.5620 | 1.5380 |
| Ukraine | UAH | 100 | 3.1235 | 3.4440 | 4.1201 | 3.8720 |
| India | INR | 100 | 1.2060 | 1.2650 | 1.3570 | 1.4110 |
| Nigeria | NGN | 100 | 0.2230 | 0.2460 | 0.2670 | 0.2740 |
| Romania | RON | 100 | 22.2500 | 22.1120 | 22.6400 | 23.4160 |

## 31. 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 2021.

The Board of Directors will propose to the General Meeting to cancel 1,167,094 shares (see → **Note 21**).

## 32. GROUP COMPANIES AS OF 31 DECEMBER 2020

| 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., Macquarie Park, 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., Meise | 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, Wesel | 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., Bengaluru | INR | 12,861 | 100 |
| Geberit India Manufacturing Pvt. Ltd., Pune | INR | 56,875 | 100 |
| **Italy** | | | |
| Geberit Produzione S.p.a., Villadose | EUR | 4,200 | 100 |
| Geberit Service S.p.a., Milan | EUR | 120 | 100 |
| Geberit Ceramica 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 Holding LLC, Kiev | UAH | 65,655 | 100 |
| Geberit Ceramic Production PrJSC, Slavuta | UAH | 57,400 | 100 |
| 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 (the Group), which comprise the → **consolidated balance sheets** as at 31 December 2020 and the → **consolidated income statements**, → **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 2020 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.

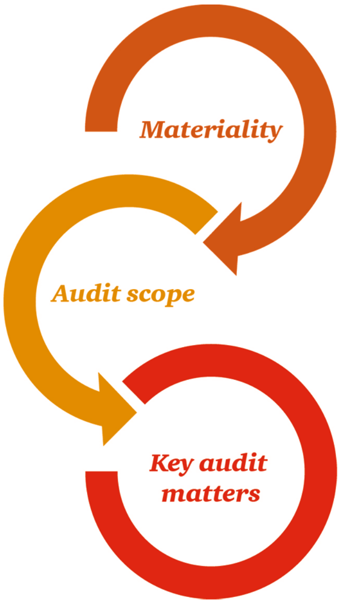
### BASIS FOR OPINION

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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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 37,500,000

We concluded full scope audit work at 21 Group companies in 12 countries. These Group companies contributed 71% 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 37,500,000 |
|---|---|
| How we determined it | 5% of 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 3,750,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

## AUDIT SCOPE

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

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:<br><br>Goodwill and trademarks represent a significant amount on the balance sheet (goodwill totalling CHF 1,253.3 million and trademarks totalling CHF 282.9 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).<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>The assumptions used were consistent and in line with our expectations.<br><br>We tested the sensitivity analyses of the key assumptions. These analyses enabled us to assess any potential impairment of goodwill or of trademarks.<br><br>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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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<br>Audit expert<br>Auditor in charge | Martin Knöpfel<br>Audit expert |

Zurich, 9 March 2021

FINANCIAL REPORT

# GEBERIT AG

2020

# BALANCE SHEETS

| | 31.12.2020<br>MCHF | 31.12.2019<br>MCHF |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 11.5 | 10.0 |
| Other current receivable | | |
| - Third parties | 6.0 | 5.7 |
| - Group companies | 5.5 | 70.4 |
| Prepaid expenses | 1.3 | 0.9 |
| **Total current assets** | **24.3** | **87.0** |
| **Non-current assets** | | |
| Loan to group companies | 700.0 | 400.0 |
| Investments | 1,212.3 | 996.9 |
| **Total non-current assets** | **1,912.3** | **1,396.9** |
| **Total assets** | **1,936.6** | **1,483.9** |

| | | |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities** | | |
| - Third parties | 8.7 | 2.4 |
| - Group companies | 124.5 | 3.9 |
| **Total current liabilities** | **133.2** | **6.3** |
| **Long term interest-bearing liabilities** | | |
| Bonds | 700.0 | 400.0 |
| **Total long term interest-bearing liabilities** | **700.0** | **400.0** |
| **Shareholders' equity** | | |
| Capital stock | 3.7 | 3.7 |
| Legal capital reserves | | |
| - General reserves, share premium | 0.8 | 0.8 |
| - Reserves from capital contributions | 4.2 | 25.7 |
| Legal reserves from retained earnings | | |
| - Reserves for treasury shares held by group companies | 132.8 | 110.1 |
| Free reserves from retained earnings | | |
| - Free reserves | 849.4 | 700.6 |
| - Retained earnings | 603.7 | 560.0 |
| Treasury shares | | |
| - against free reserves | -491.2 | -323.3 |
| **Total shareholders' equity** | **1,103.4** | **1,077.6** |
| **Total liabilities and shareholders' equity** | **1,936.6** | **1,483.9** |

# INCOME STATEMENTS

| | 2020<br>MCHF | 2019<br>MCHF |
|---|---|---|
| **Income** | | |
| Dividends from Group companies | 601.2 | 551.7 |
| Other financial income | 5.1 | 3.2 |
| Other operating income | 0.2 | 0.5 |
| **Total income** | **606.5** | **555.4** |
| | | |
| **Expenses** | | |
| Administrative expenses | 3.3 | 3.9 |
| Financial expenses | 2.6 | 1.7 |
| **Total expenses** | **5.9** | **5.6** |
| | | |
| **Net income** | **600.6** | **549.8** |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. STANDARDS

### 1.1 GENERAL

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

### 1.2 TREASURY SHARES

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

### 1.3 INTEREST-BEARING LIABILITIES

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

### 1.4 DERIVATIVES

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

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

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

## 2. OTHER STATUTORY DISCLOSURES

### 2.1 GUARANTEES, ASSETS PLEDGED IN FAVOR OF THIRD PARTIES

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | MCHF | MCHF |
| Guarantee notes, MEUR 0 (PY: MEUR 325), 0.688%, due 30.03.2021 | 0.0 | 352.5 |
| Guarantee Revolving Facility, due 06.11.2022 | 500.0 | 500.0 |
| Guarantee GRI Pensions | 0.1 | 0.1 |

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

### 2.2 SIGNIFICANT INVESTMENTS

| | 2020 | 2020 | 2019 | 2019 |
|---|---|---|---|---|
| | Ownership in % | Capital stock | Ownership in % | Capital stock |
| Geberit Holding AG, Rapperswil-Jona | 100 | TCHF 39,350 | 100 | TCHF 39,350 |
| Geberit Reinsurance Ltd., Guernsey | 100 | TEUR 2 | 100 | TEUR 2 |

The investments are stated separately at the respective acquisition costs, less any adjustments required. The indirect investments are shown in the Notes to the Consolidated Financial Statements in the → **Note 32**.

### 2.3 SHARE CAPITAL

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

| | 2020 | 2019 |
|---|---|---|
| **Number of shares issued** | **pcs.** | **pcs.** |
| January 1 | 37,041,427 | 37,041,427 |
| December 31 | 37,041,427 | 37,041,427 |

### 2.4 CAPITAL CONTRIBUTION RESERVES

The capital contribution reserves of MCHF 4.2 as of December 31, 2020 were used for the share buyback program.

### 2.5 TREASURY SHARES

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

| | Number of registered shares | Prices per share High in CHF | Prices per share Average in CHF | Prices per share Low in CHF |
|---|---|---|---|---|
| **Balance at December 31, 2019** | **1,034,123** | | | |
| Purchases share buyback program 2017 - 2020 | 261,543 | 461.07 | 406.00 | 376.14 |
| purchases share buyback program 2020 - 2022 | 94,700 | 572.66 | 543.05 | 523.50 |
| Other Purchases | 132,169 | 564.11 | 511.41 | 372.03 |
| Sales | -106,701 | 575.00 | 491.73 | 388.20 |
| **Balance at December 31, 2020** | **1,415,834** | | | |
| Number of treasury shares held by Geberit AG | 1,120,794 | | | |

The Board of Directors of Geberit AG decided in March 2017 to initiate a share buyback program. Over a maximum period of three years, shares for a total amount of maximum CHF 450 million will be repurchased, less withholding tax. The program was concluded in March 2020. A total of 1,026,094 shares for a total amount of MCHF 439.7 Mio were repurchased under the program.

The share buyback program announced on 10 March 2020 was started in September 2020. Over a maximum period of two years, shares for a total amount of maximum CHF 500 million will be repurchased, less withholding tax. As at December 31, 2020, in total 94,700 shares for a total amount of MCHF 51.4 were repurchased under the program.

The Board of Directors will propose to the General Meeting the cancellation of the shares repurchased under the share buyback program 2017 – 2020 and the shares repurchased by the end of February 2021 under the share buyback program 2020 – 2022. In total 1,167,094 shares (3% of shares outstanding) have been bought back under the programs. The capital reduction will release MCHF 512.8 free reserves and MCHF 4.2 capital contribution reserves.

The legal reserves for treasury shares were recorded at cost.

### 2.6 BONDS

Geberit has the following bonds outstanding:
- a bond of MCHF 300 with a term of two and a half years and a coupon of 0.35%, due 20.10.2022
- a bond of MCHF 150 with a term of eight years and a coupon of 0.3%, due 17.04.2023
- a bond of MCHF 125 with a term of five and a half years and a coupon of 0.1%, due 17.10.2024
- a bond of MCHF 125 with a term of nine and a half years and a coupon of 0.6%, due 17.10.2028

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

As of the end of 2020 and 2019, members of the Board of Directors held the following shares in the company:

| | A. Baehny Chairman | H. Reuter Vice Chairman | F. Ehrat | E. Zehnder-Lai | B. Koch | W. Karlen | Total |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| **Shareholdings Board of Directors** | | | | | | | |
| Shares | 94,525 | 8,204 | 3,843 | 1,340 | 372 | 0 | 108,284 |
| Call-Options | 19,328 | 0 | 0 | 0 | 0 | 0 | 19,328 |
| Share of voting rights | 0.26% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.0% | 0.29% |

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

As of December 31, 2020, there were no outstanding loans or credits between the company and members of the Board of Directors

As of the end of 2020 and 2019, the Group Executive Board held the following shares in the company:

| | Maturity | Average exercise price in CHF | C. Buhl CEO | R. Iff CFO | R. van Triest | M. Bau-müller | M. Ziegler | C. Rapp | Total |
|---|---|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | | | |
| **Shareholdings Group Executive Board** | | | | | | | | | |
| Shares | | | 14,690 | 28,280 | 700 | 4,024 | 3,582 | 751 | 52,027 |
| Percentage voting rights shares | | | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.14% |
| **Call options**[1] | | | | | | | | | |
| End of vesting period: | | | | | | | | | |
| Lapsed | 2021-2027 | 357.20 | 21,392 | 0 | 6,058 | 4,107 | 1,781 | 1,617 | 34,955 |
| 2021 | 2024-2028 | 409.97 | 19,945 | 10,746 | 6,653 | 3,462 | 2,548 | 766 | 44,120 |
| 2022 | 2025-2028 | 424.97 | 47,421 | 22,641 | 14,498 | 11,294 | 11,377 | 1,775 | 109,006 |
| 2023 | 2028-2029 | 429.13 | 88,457 | 40,603 | 29,627 | 23,711 | 32,109 | 24,436 | 238,943 |
| **Total options** | | | **177,215** | **73,990** | **56,836** | **42,574** | **47,815** | **28,594** | **427,024** |
| Percentage potential share of voting rights options | | | 0.48% | 0.20% | 0.15% | 0.11% | 0.13% | < 0.1% | 1.15% |

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

| | Maturity | Average exercise price in CHF | C. Buhl CEO | R. Iff CFO | K. Spach-mann | E. Renfordt-Sasse | R. van Triest | M. Bau-müller | M. Ziegler | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | |
| **Shareholdings Group Executive Board** | | | | | | | | | | |
| Shares | | | 12,772 | 28,316 | 12,000 | 646 | 400 | 3,408 | 2,908 | 60,450 |
| Percentage voting rights shares | | | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.16% |
| **Call options**[1] | | | | | | | | | | |
| End of vesting period: | | | | | | | | | | |
| Lapsed | 2021-2026 | 372.20 | 8,041 | 695 | 119 | 10,240 | 1,431 | 3,228 | 2,316 | 26,070 |
| 2020 | 2023-2027 | 409.97 | 13,351 | 7,608 | 6,751 | 3,664 | 4,627 | 1,983 | 921 | 38,905 |
| 2021 | 2024-2028 | 409.97 | 19,945 | 10,746 | 9,684 | 5,161 | 6,653 | 3,462 | 2,548 | 58,199 |
| 2022 | 2025-2028 | 424.97 | 47,421 | 22,641 | 19,765 | 10,714 | 14,498 | 11,294 | 11,377 | 137,710 |
| 2023 | 2028 | 432.20 | 6,871 | 3,266 | 3,011 | 1,594 | 2,036 | 1,527 | 1,696 | 20,001 |
| **Total options** | | | **95,629** | **44,956** | **39,330** | **31,373** | **29,245** | **21,494** | **18,858** | **280,885** |
| Percentage potential share of voting rights options | | | 0.26% | 0.12% | 0.11% | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.76% |

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

As of December 31, 2020, there were no outstanding loans or credits between the company and members of the Group Executive Board

### 2.8 SIGNIFICANT SHAREHOLDERS

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

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Black Rock, New York (notification dated: 09.08.2019) | 5.21% | 5.21% |
| Geberit AG, Jona (notification dated: 18.03.2020) | 3.08% | < 3.00% |
| Fiera Capital, Montreal (notification dated: 08.05.2020) | 3.06% | < 3.00% |

### 2.9 EMPLOYEES

In Geberit AG no employees are employed.

## 3. PROFIT DISTRIBUTION

### PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS

Proposal by the Board of Directors to the General Meeting:

### APPROPRIATION OF AVAILABLE EARNINGS

| | 2020<br>CHF | 2019<br>CHF |
|---|---|---|
| Available earnings | | |
| Net income | 600,617,258 | 549,799,986 |
| Balance brought forward | 3,037,795 | 10,211,072 |
| **Total available earnings** | **603,655,053** | **560,011,058** |
| | | |
| Transfer to free reserves | 190,000,000 | 150,000,000 |
| Proposed/paid dividend | 409,495,216 | 406,973,263 |
| Balance to be carried forward | 4,159,837 | 3,037,795 |
| **Total appropriation of available earnings** | **603,655,053** | **560,011,058** |

### DIVIDEND PAYMENTS

The Board of Directors proposes a dividend of CHF 11.40 per share (PY: CHF 11.30). The dividend payment is subject to withholding tax.

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

# REPORT OF THE STATUTORY AUDITOR

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Report of the statutory auditor
to the General Meeting of Geberit AG
Rapperswil-Jona

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Geberit AG, which comprise the → **balance sheets** as at 31 December 2020, → **income statements** and → **notes to the financial statements** for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

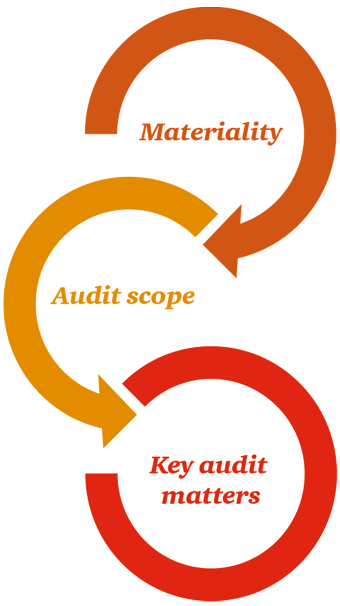
### BASIS FOR OPINION

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

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

### OUR AUDIT APPROACH

***Overview***




Overall materiality: CHF 5,000,000

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

As key audit matter the following area of focus has been identified:
Impairment testing of equity investments

## MATERIALITY

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

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

| | |
|---|---|
| Overall materiality | CHF 5,000,000 |
| How we determined it | 0.26% of total assets |
| Rationale for the materiality benchmark applied | We chose total assets as the benchmark because, in our view, it represents a relevant and generally accepted benchmark for holding companies. |

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

## AUDIT SCOPE

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

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

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

## IMPAIRMENT TESTING OF EQUITY INVESTMENTS

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| Impairment testing of equity investments was deemed a key audit matter for the following two reasons:<br><br>Equity investments in Geberit Holding AG and Geberit Reinsurance Ltd. in the amount of CHF 1,212.3 million represent the largest asset category on the balance sheet (62.6% of total assets). If this investment had to be written down, it would have a significant impact on the equity of the Company.<br><br>Testing for impairment depends on the future results of the companies concerned. In addition, there is significant scope for judgement in determining the assumptions underlying forecast results.<br><br>Please refer to the notes to the financial statements and, specifically, the recognition, valuation and disclosure methods in → **note 2.2 'Significant investments'**. | We tested the equity investments as at 31 December 2020 for impairment. Management has performed impairment tests on the investments in Geberit Holding AG and Geberit Reinsurance Ltd.<br><br>We performed the following:<br>- compared the actual results of each company with its prior budget in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows;<br>- checked for plausibility the outlook based on the multiyear plan approved by the Board of Directors and discussed the outlook with Management;<br><br>We consider the valuation process applied by management to be adequate and a sufficient basis for the impairment testing of investments in subsidiaries. |

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zürich, 9. März 2021