

FINANCIAL REPORT

GEBERIT AG

2020

BALANCE SHEETS

	31.12.2020	31.12.2019
	MCHF	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	2019
	MCHF	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	Average	Low
		in CHF	in CHF	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. Baumüller	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 options¹									
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. Spachmann	E. Renfordt-Sasse	R. van Triest	M. Baumüller	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 options¹										
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	2019
	CHF	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.

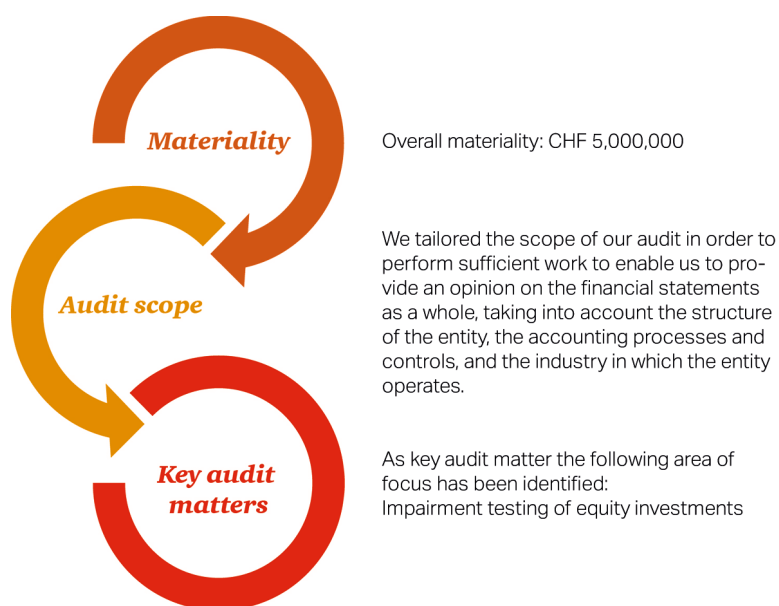
BASIS FOR OPINION

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



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
<p>Impairment testing of equity investments was deemed a key audit matter for the following two reasons:</p> <p>Equity investments in Geberit Holding AG and Geberit Reinsurance Ltd. in the amount of CHF 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.</p> <p>Testing for impairment depends on the future results of the companies concerned. In addition, there is significant scope for judgement in determining the assumptions underlying forecast results.</p> <p>Please refer to the notes to the financial statements and, specifically, the recognition, valuation and disclosure methods in → note 2.2 'Significant investments'.</p>	<p>We tested the equity investments as at 31 December 2020 for impairment. Management has performed impairment tests on the investments in Geberit Holding AG and Geberit Reinsurance Ltd.</p> <p>We performed the following:</p> <ul style="list-style-type: none"> - compared the actual results of each company with its prior budget in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows; - checked for plausibility the outlook based on the multiyear plan approved by the Board of Directors and discussed the outlook with Management; <p>We consider the valuation process applied by management to be adequate and a sufficient basis for the impairment testing of investments in subsidiaries.</p>

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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