Dear shareholders,

We look back on a very good business and financial year despite a generally weaker market environment compared to the previous year. Thanks to convincing currency-adjusted net sales growth and further improved, high profitability, we succeeded in further consolidating our position as leading supplier of sanitary products in Europe and strengthening it outside Europe.

**HIGH PROFITABILITY ADDITIONALLY IMPROVED**

Consolidated net sales in 2019 increased by 0.1% to CHF 3,083 million. This total growth comprised growth in local currencies of +3.4% and a negative foreign currency effect of -3.3%. Operating profit (EBIT) increased by 1.7% to CHF 757 million; the EBIT margin reached 24.5%. The increase in the operating margin compared with the previous year was above all driven by lower raw material prices, higher sales volumes, an improved product mix and price increases as well as to enhancements in efficiency and high cost discipline. Strong tariff-related increases in personnel expenses and one-off costs in connection with brand harmonisation had a negative effect. As a result of the strategy of striving for a natural currency hedging, the currency development did not have any negative impact on the operating margin. Net income rose by 3.3% to CHF 647 million, which led to a return on net sales of 21.0%. Earnings per share were up by 4.4% to CHF 17.97. Free cashflow increased by 10.7% to CHF 644 million, above all due to the gratifying rise in operating cashflow.

We were able to reduce the environmental impact in relation to currency-adjusted net sales (eco-efficiency) by 6.9% in the reporting year. The CO₂ impact in relation to currency-adjusted net sales also decreased by 7.0% in 2019. Since the acquisition of the ceramics business in 2015, we have reduced the corresponding relative environmental and CO₂ impact overall by 27.5% and 26.4% respectively.

**INNOVATION AS THE FOUNDATION FOR FUTURE GROWTH**

In 2019, we once again expanded our product range, launching numerous new products on the market. Here the most important:

- The bathroom series **Geberit ONE** combines Geberit’s know-how in sanitary technology and ceramics expertise. The system solution offers an appreciably better quality of life. In concrete terms, this means greater cleanliness, more space and greater flexibility. Sanitary professionals benefit from increased planning reliability and more efficient workflows.

- The **SuperTube technology** is a space-saving alternative to the conventional discharge stack layout in high-rise buildings. SuperTube ensures a continuous column of air throughout the discharge stack and enables horizontal pipes of up to six metres in length without a slope. This renders the installation of a separate ventilation pipe in the discharge stack unnecessary.

- The new **DuoFresh odour extraction unit** removes unpleasant odours directly from the WC ceramic appliance. It can be installed in all cisterns from the Sigma range, including as a retrofitted solution. In addition to the air filter, the module has an orientation light and an insert for in-cistern blocks.

- The successful **Geberit AquaClean Sela shower toilet** underwent a technical redevelopment. It now offers even more comfort – for example in the form of WhirlSpray shower technology – and also impresses thanks to a more economical use of water and electricity. Thanks to its redesign, it is now among the most elegant shower toilets on the market.

**CONSISTENT DIGITAL SUPPORT FOR SANITARY ENGINEERS, PLUMBERS AND END USERS**

We also continued with digitalisation in 2019 and further expanded corresponding competencies and capacities primarily in marketing and product development. In accordance with our digitalisation strategy, one key aspect in activities was again in marketing with the aim of developing and launching digital tools faster, more efficiently and according to the needs of the respective target groups. The support of BIM (Building Information Modelling) was given a high priority here. BIM is an interdisciplinary planning method for optimising the entire planning and building process and enables architects, sanitary engineers and building owners to share information efficiently. For a number of years now, Geberit has been providing BIM users with relevant product data and calculation modules. In the reporting year, we extended the
support and can now ensure that sanitary engineers always have up-to-date data for planning at their disposal. Another important digital tool is the online catalogue for craftsmen. Information relating to products and spare parts is available from a single source and can be displayed on various devices. The reporting year also saw the release of a revised version of another tool designed for everyday use, namely the Geberit app for craftsmen. This offers sanitary professionals support when it comes to the correct installation of Geberit products. Things are rounded off by other digital helpers, such as a calculator for using the Mapress metallic piping system in industrial applications or a self-learning programme for detecting actuator plates. A new campaign aimed at increasing the level of communication with end users was implemented in a completely digital manner. It is based on the realisation that nowadays, a large majority of potential end users first take inspiration online before visiting a specialist showroom or qualified specialist partners. All in all, 22% of the entire marketing budget was invested in digital tools and digital campaigns.

BRAND HARMONISATION IN FULL SWING

We were able to implement an important step in the new brand strategy in 2019. In the key markets Germany, Belgium, Austria and Switzerland – plus several Eastern European countries – we replaced ceramic products and bathroom series from Keramag with the Geberit brand. This streamlining of the brand portfolio affected almost all areas of the company – including production, logistics, product data, marketing and the sales organisations. The brand switch meant it was necessary to replace over 20,000 Keramag products with identical products bearing the Geberit logo in around 3,000 customer showrooms and exhibitions in the reporting year. This brand switch was completed successfully thanks to a strong partnership with wholesalers and meticulous preparation. A second phase will see three further regional ceramics brands being replaced by Geberit in France, Italy and the Netherlands in 2020, preparations for which we already started during the reporting year. Focusing more keenly on the strong Geberit brand – a brand that is firmly established in the sanitary industry – has numerous advantages. Foremost among these are the concentration of marketing activities, the simplification of production and the consolidation of product information.

EFFICIENT PRODUCTION NETWORK

All our production plants display an ongoing capability for renewal. Despite the diversity of the materials and production technologies used, our approach is determined uniformly: all improvements are consistently geared to the principle of flow production. We target maximum efficiency and flexibility in this way, which is reflected in the reliable, timely supply of products to customers and savings in important resources such as working time and materials. The projects listed below are just three of the prime examples of the many major and minor improvements made in the production processes:

- The "SigmaLine" project in the plant in Rapperswil-Jona (CH), in which different subprocesses for packaging actuator plates – from laser marking to packing in boxes – were linked together using sensor technology, resulting in a substantial increase in capacity.
- The automation of various process steps used for sorting the ceramic sanitary appliances after the firing process in the plant in Bromölla (SE).
- The integration of flexible packaging cells directly into the production lines in the plant in Givisiez (CH) – a major step forward towards the planned flow production of multilayer pipes here.
GLOBALLY ENGAGED

We take our social responsibilities seriously, including the undertaking of social projects involving our own apprentices since 2008. The projects exhibit a strong relationship to the topic of water and to our core competencies. In 2019, ten of our apprentices travelled to Cambodia where several schools in Siem Reap province were renovated and equipped with new sanitary facilities. We also continued our partnership with the Swiss development organisation Helvetas with a series of initiatives. In March 2019, a group of 16 Geberit employees from the Nordic Countries travelled to Nepal and helped build a drinking water supply at a village community in the west of the country. A knowledge transfer project was launched, where Geberit employees will travel to Nepal in 2020 in order to pass on basic know-how in sanitary technology as part of a training project. The “Change of Perspective” project was also implemented again, as two Swiss plumbers travelled to Nepal in November 2019, working there for a week with two Nepalese colleagues.

Our activities in the area of social commitment are rounded off by a multitude of other initiatives and fundraising campaigns at a local level. In Germany, Austria and Switzerland, for example, simple assembly and packaging work is regularly awarded to workshops for people with disabilities. In the reporting year, this work amounted to around CHF 8 million and gave almost 500 people meaningful work.

CONTINUED ATTRACTIVE DISTRIBUTION POLICY

In 2019, the Geberit share price increased by 42.1% to CHF 543.20. In the same period, the Swiss Market Index (SMI) posted gains of 26.0%. As in the past, we wish to let the shareholders benefit from the very good development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose to the General Meeting an increase in the dividend of 4.6% to CHF 11.30, which is slightly above the increase in the previous year. The payout ratio of 63.4% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. The share buyback programme, launched on 6 June 2017, was also continued. By 31 December 2019, around 765,000 shares, or 2.1% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 323 million, CHF 47 million thereof in 2019. 67.7% of the free cashflow was therefore distributed to our shareholders during the reporting year as part of the dividend payment and the share buyback programme.

CHANGES IN THE BOARD OF DIRECTORS

At the General Meeting on 3 April 2019, Bernadette Koch was elected as a new member of the Board of Directors of Geberit AG in place of Jørgen Tang-Jensen, who did not stand – after seven years in the Board – for re-election. At the beginning of October 2019, we received the sad news of the passing of our member of the Board of Directors Thomas M. Hübner. With him, Geberit lost not only a committed and motivated colleague, who contributed a great deal to the positive development of the company with his comprehensive international experience and network, but also a highly valued person.

SINCERE GRATITUDE

We owe the very good results in the reporting year to the great commitment, high degree of motivation and expertise of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude to you, esteemed shareholders, for your continued great trust in our company.
OUTLOOK FOR THE YEAR 2020

Geopolitical risks have increased substantially, leading to more instability and volatility in the global economy. Despite this, our forecasts for 2020 for the construction industry have not changed fundamentally compared to the previous year. Although difficult to assess, the Corona virus might impact the global economy on the demand and the supply side. A market outlook – in particular for markets like China or Italy – is therefore very difficult. Our outlook is based on the assumption that the Corona virus will not have a longer lasting negative impact on the construction industry. Considering this, the global construction industry is supposed to remain largely stable, however, the individual countries will perform differently. Our objective is to perform strongly in all markets and, as in previous years, to gain further market shares. To this end, a particular focus is to be placed on new products that have been introduced in recent years, on markets in which Geberit products or technologies are still under-represented, as well as on the further expansion of the shower toilet business making all together an important contribution to this. In line with the Geberit strategy, we want to accompany these measures by efforts to continuously optimise business processes in order to be able to achieve continued high margins and a strong free cashflow also in 2020. Focal points in 2020 will be the implementation of the digitalisation strategy and the continued brand harmonisation. We want to continue to firmly seize the possibilities offered as a result of combining technical know-how in sanitary technology “behind the wall” and design expertise “in front of the wall”. We are convinced that we are very well equipped for the upcoming opportunities and challenges.

Yours sincerely,

Albert M. Baehny
Chairman of the Board of Directors

Christian Buhl
CEO