

# Editorial

The Geberit Group achieved pleasing results in the past year. In a continued challenging environment, market shares were gained in many markets through above-average sales increases. Despite continued, substantial investments in organic growth, the results were up on the previous year's values thanks to healthy sales growth and efficient cost control.

Cumulative sales in 2013 increased by 4.7% to CHF 2,291.6 million, corresponding to currency-adjusted growth of 3.6%. Following a somewhat subdued first six months, the second half of the year proved considerably more dynamic. The lower cost of materials in percentage terms compared with the previous year had a positive effect on the results. This was partially offset by higher customer bonuses as well as increased maintenance and personnel expenses. Operating profit (EBIT) rose by 11.9% to CHF 510.7 million, and the EBIT margin reached 22.3% (previous year 20.9%). Net income increased by 12.5% to CHF 435.8 million, with a return on sales of 19.0% (previous year 17.7%). Earnings per share rose in comparison to sales growth by a disproportionately high 14.1% to CHF 11.59. Free cashflow grew by 13.6% to CHF 444.3 million.

In addition to successful business development, 2013 was characterized by the introduction of new, innovative products – most notably the new Geberit AquaClean Sela. The shower toilet designed by the renowned architect and designer Matteo Thun combines simple, modern lines with innovative technology and a high level of convenience, and has already won a range of international design awards. Other new products included the further developed actuator plates Sigma10 and Sigma50 and the sound-optimized Pluvia roof outlet that minimizes irritating sounds immediately under the roof. Thanks to consistent market penetration efforts, we were able to position the Monolith sanitary modules introduced in previous years, the piping system Silent-PP and the shower element with even greater success in 2013.

We continued to invest in the production infrastructure in the past year, and the list of Geberit production sites now has a new member – India. In the production plant in Pune – Geberit's latest and 17th across the globe – the first Alpha concealed cisterns for the Indian market left the assembly line in August. Meanwhile, the groundbreaking ceremony for a completely new plant took place in Slovenia. The move to the building, which replaces the existing plant and will meet the highest standards of green production, is scheduled for 2014. The pipe manufacturing facility at Villadose, Italy, is being enlarged by an impressive 6,600 square meters in 2013/2014. This production site will then be even better equipped to support the ambitious sales growth targets for piping systems.

As part of Geberit's latest social project, eight of its own apprentices embarked on an experience in Romania last summer that was anything but ordinary. Together they helped to install the sanitary facilities at a hospice for seriously ill people. As a special kind of challenge, they also worked with the residents of the hospice.

We also wish to take this opportunity to point out the extremely positive performance of the Geberit share price. After starting the year at around CHF 200, the pleasing business results – together with the positive stock market environment – boosted the share price to new all-time highs of above CHF 270 towards the end of the year.

The Board of Directors intends to let the shareholders participate in the positive development of the business and will maintain the attractive distribution policy of previous years. A distribution of CHF 7.50 will be proposed at the General Meeting, an increase of 13.6% over that of 2013. Unlike in previous years, the distribution is to be paid entirely as a regular dividend as reserves from capital contribution are no longer available for distribution. The payout ratio of 65.1% of net income is therefore in the upper range of the 50 to 70% corridor, which was increased by the Board of Directors as a result of the reassessment of the use of liquid funds at the beginning of 2011. Furthermore, the Board of Directors decided to initiate a share buyback program. Over a period of two years, shares amounting to a total of a maximum of 5% of the share capital recorded in the Commercial Register will be repurchased via a separate trading line, less withholding tax, and retired by means of a capital reduction.

Jeff Song has decided to step down from the Board of Directors as of the next General Meeting for health reasons. The Board of Directors and Group Executive Board would like to extend their thanks for his contributions to the further development of the company. The process of filling the position has been initiated. The other members of

the Board of Directors are standing for re-election for a further year in office in accordance with the new Ordinance Against Excessive Compensation for Listed Companies (Minder-Initiative).

We credit the pleasing results in 2013, which surpassed those of the previous year, to the outstanding commitment, high motivation and skills of our employees in over 40 countries. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors are again deserving of special thanks for their solidarity and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

Owing to the tense situation in the majority of the European construction markets, 2014 will again be a demanding business year for the Geberit Group. The objective is, not only in the few markets that are healthy but also in the large number of markets that are shrinking, to provide a convincing performance and to continue to gain market shares as in previous years. The focus will fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of new markets and the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize our business processes. The management is convinced that the company is very well equipped for its upcoming tasks. With experienced and highly motivated employees, a number of promising products that have been launched in recent years as well as product ideas for the more distant future, a lean and market-oriented organization, established and trustful cooperation with our market partners in both commerce and trade and – as a result of our industry leadership in terms of financial results in recent years – an extremely solid financial foundation, Geberit can look to the future with confidence.



Albert M. Baehny  
Chairman and CEO



Robert F. Spoerry  
Lead Director and  
Vice Chairman