

# Editorial

Dear Shareholders

The 2016 financial year was shaped by a positive environment in the construction industry and the integration of the ceramics business. Our excellent results allowed us to further consolidate our position as the leading supplier of sanitary products in Europe.

Net sales increased by 8.3% in 2016, to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a positive foreign currency effect of +0.7% and an acquisition- and divestment-related net increase of 1.2%. The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 16.2% to CHF 686.5 million and the correspondingly adjusted EBIT margin came to 24.4%. Adjusted net income rose by 18.4% to CHF 584.0 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 19.8% to CHF 15.85. The non-adjusted figures were CHF 640.1 million for the EBIT, CHF 548.2 million for net income and CHF 14.88 for earnings per share. Free cashflow rose by 16.5% to CHF 563.9 million.

The integration of the Sanitec business that started in the second quarter of 2015 continued to progress according to plan in the reporting year. Since 1 January 2016, we have been operating as a single company with a completely integrated sales organisation in all markets. In 2016, the focus also fell on the harmonisation of processes and systems as well as the realisation of synergies. The Koralle Group acquired as part of Sanitec was sold to AFG Arbonia-Forster-Holding AG on 1 July 2016 due to limited synergies with the core business. Koralle provides shower enclosures and generated net sales of some EUR 40 million with 240 employees in 2015.

The forward-looking, continuously optimised product portfolio is an important factor for the success of Geberit. In 2016 we once again expanded our proven range with major innovations and thus further extended our market position. With regard to piping systems, for example, we launched the Geberit Silent-Pro building drainage system. This plug-in system is state of the art with a high degree of sound insulation, versatile fire protection solutions and simple installation. With our new urinal system, we can optimally equip public rest rooms. There is a choice between conventional water flush, individually programmed water flush or operation entirely without water. Rimless ceramics and free access to all connectors simplify the cleaning process and reduce the maintenance costs of this product. We also launched the Glow bathroom range in northern Europe. Glow includes washbasins, WCs and bidets as well as bathroom furniture.

As already announced in the last annual report, with a view to future growth and the continued optimisation of existing logistics processes, we are investing some EUR 40 million in order to expand the central logistics center in Pfullendorf. In the reporting year, the extensive and complex storage and conveyor technology was installed, the employees were trained in operating all the new systems and all required test runs were carried out. The project is on track, both in terms of timing and finances, with commissioning scheduled for spring 2017.

The development of the Geberit share price was pleasing once again. As per 31 December 2016, the share price grew by 20.0% to CHF 408.20. In the same period, the Swiss Market Index (SMI) lost 6.8%. We wish to let the shareholders participate in the excellent development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose at the General Meeting a dividend of CHF 10.00, which is 19.0% higher than in the previous year. The payout ratio of 63.4% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. The General Meeting of 6 April 2016 approved the proposal to cancel the shares that were bought back by means of capital reduction. This took place on 20 June 2016. Given the solid financial position, the Board of

Directors has decided to initiate a new share buyback programme of up to CHF 450 million with a maximum duration of three years. The programme is expected to start at the end of the second quarter of 2017.

There will be changes on the Board of Directors. Regi Aalstad will not be standing for re-election at the ordinary General Meeting on 5 April 2017 as she wishes to concentrate on other duties. We would like to thank her warmly for her contribution to the further development of the company. → **Eunice Zehnder-Lai** will be recommended to the General Meeting as her successor and new Member of the Board of Directors.

In the Group Executive Board, the tasks of the products area have been divided between Operations and Product Management & Innovation since 1 September 2016. This organisational change takes account of the many demanding and complex projects as well as the potential arising from the integration of the ceramics business. It also strengthens two of our four strategic pillars – innovation and continuous optimisation of business processes. The Group Division Operations is now headed by Michael Reinhard while Egon Renfordt-Sasse – previously responsible for Marketing & Brands on the Group Executive Board – is the new Head of Group Division Product Management & Innovation. Martin Baumüller took over as Head of Group Division Marketing & Brands and joined the Group Executive Board.

We owe the good results in 2016 and the successful integration of the Sanitec activities to the high degree of motivation and professionalism of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

The Geberit Group's 2017 financial year is expected to see further progress with the integration of the ceramics business. We wish to focus on continuing to consolidate the sales teams in the countries. Another emphasis will be on the further harmonisation of systems and processes, further development of the product range, and continuous improvements in the ceramics manufacturing. However, just as important will be the focus on our daily business. The objective shall be to provide convincing services in all markets and, as in previous years, gain market shares. There will be concerted marketing of the new products that have been introduced in recent years, focusing on greater penetration of markets in which Geberit products or technologies are still under-represented, and on further expansion of the very promising shower toilet business. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes. We are convinced that the company is very well equipped for the upcoming opportunities and challenges.

Yours sincerely,



Albert M. Baehny  
Chairman of the Board of Directors



Christian Buhl  
CEO