

# EDITORIAL

Dear shareholders,

The 2017 financial year was shaped by a generally positive market environment as well as the achievement of the most important milestones regarding the integration of the ceramics business. We achieved good results and further consolidated our position as the leading supplier of sanitary products in Europe.

Consolidated net sales in 2017 increased by 3.5% to CHF 2,908.3 million. Total growth comprised organic growth in local currencies of 3.5%, a foreign currency effect of +1.2% and a divestment effect of -1.2%. As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on the results. Operating profit (EBIT) adjusted for these effects increased by 2.9% to CHF 706.1 million and the correspondingly adjusted EBIT margin came to 24.3%. Increased sales volumes and a positive product mix effect had a positive effect on the operating results, as did synergies from the Sanitec integration. In particular higher raw material prices, increased personnel expenses and depreciation had a negative impact. Adjusted net income rose by 3.5% to CHF 604.2 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 3.7% to CHF 16.43. The non-adjusted figures were CHF 621.7 million for the EBIT, CHF 527.4 million for net income and CHF 14.34 for earnings per share. Free cashflow fell by 13.2% to CHF 483.4 million due to higher cash tax payments, higher investments in property, plant and equipment and in net working capital, as well as due to higher payments in connection with the Sanitec integration.

The integration activities, which began in the second quarter of 2015, continued to progress according to plan in the reporting year. We were able to complete the most significant integration tasks in terms of organisation, processes and systems earlier than expected by the end of 2017. We accomplished our set goal of achieving synergies of EUR 45 million with the integration.

In 2017, we once again expanded our proven range with major innovations and thus further strengthened our market position:

- The shower toilet AquaClean Tuma Comfort is available as a complete solution with a rimless WC ceramic appliance or as a WC enhancement solution, the latter of which is a particularly good solution for rented flats.
- The floor-even shower surface Setaplano offers end users and plumbers numerous benefits and complements the existing range of shower drains.
- The new modular tap system features sophisticated installation technology, a convincing energy concept and elegant tap housings for the wall-mounted and deck-mounted taps.
- Volex, the competitively priced new multilayer supply piping system for the expansion markets in Europe.
- The versatile bathroom series Acanto comprises washbasins and bathroom furniture, rimless toilets, bidets and bathtubs. The bathroom series was developed based on an extensive study on ergonomics in bathrooms.

At the end of 2017, our Group logistics comprised the central logistics centre for sanitary and piping systems in Pfullendorf (DE) as well as a decentralised network of 14 European distribution sites for the ceramics business. With a view to future growth and the continued optimisation of existing logistics processes, the capacities of the logistics centre in Pfullendorf were further expanded. The commissioning of the new infrastructure, which also includes a storage area for long goods containing pipes of up to six metres in length, was carried out as planned in the first quarter of 2017. We were able to keep the investment within the budget of EUR 40 million that was planned for the expansion.

In 2017, we reached the most important milestones regarding the integration of the ceramics business. From 2018, line managers will promote further activities as part of daily business, with the focus on continually optimising and harmonising shared processes and the IT systems, developing combined products, making ongoing optimisations in ceramics manufacturing and promoting cultural integration. In July 2017, we advised of the result of a strategic review of two plants owned by the French subsidiary Allia that had been announced in the previous year. In agreement with the trade unions and following approval by the authorities, the La Villeneuve-au-Chêne site was closed and ceramics production in Digoïn was discontinued. In addition to a social plan, the agreement included the continuation of a packaging and logistics area in Digoïn for the French market.

In 2017, the Geberit share price grew by 5.1% to CHF 429.10. In the same period, the Swiss Market Index (SMI) posted gains of 14.1%. As in the past, we wish to let the shareholders benefit from the good development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose to the General Meeting a dividend of CHF 10.40, which is 4.0% 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 announced in March 2017 began on 6 June 2017. As part of this programme, shares to the value of up to CHF 450 million are to be repurchased, less withholding tax, over a maximum period of three years. The shares are repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2017, 205,250 shares had been acquired at a sum of CHF 91.8 million.

At the General Meeting of 5 April 2017, Eunice Zehnder-Lai was elected as a new member of our Board of Directors. She succeeded Regi Aalstad, who did not stand for re-election.

We owe the good results in the reporting year and the successful integration of the ceramics business 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 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 to you, esteemed shareholders, for your continued great commitment to our company.

The objective in 2018 is to perform strongly across the entire sanitary product business and in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years. Markets in which Geberit products or technologies are still under-represented will be intensely cultivated, and the promising shower toilet business will be expanded further. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes.

The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. 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