

Annual results 2016

Very good results in 2016

Geberit AG, Rapperswil-Jona, 14 March 2017

The 2016 financial year was shaped by a positive environment in the construction industry and the integration of the ceramics business. The excellent results allowed Geberit to further consolidate the position as the leading supplier of sanitary products in Europe. Net sales increased by 8.3% to CHF 2809.0 million. Operating profit (EBIT) adjusted for special effects in connection with the Sanitec acquisition 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 sales of 20.8%. Adjusted earnings per share increased by 19.8% to CHF 15.85. Free cashflow rose by 16.5% to CHF 563.9 million. A distribution of CHF 10.00 will be proposed to the General Meeting, an increase of 19.0% compared to the prior year. Furthermore, the Board of Directors has decided to initiate a share buyback programme at the end of the second quarter of 2017.

Very good sales development

As already announced in January 2017, net sales in 2016 for the Geberit Group increased by 8.3% to CHF 2809.0 million. This increase includes positive currency effects of CHF 18 million. Adjusted for currency effects as well as acquisition- and divestment-related effects, this corresponds to an organic* increase of 6.4%.

Currency-adjusted and in organic terms, Europe, the largest region, posted growth of 6.8%. Sales development for the non-European regions Middle East/Africa (+3.5%), America (+0.2%) and Far East/Pacific (+4.3%) were below average.

In the product areas, Sanitary Systems posted stronger currency-adjusted growth with 9.2% than Piping Systems with 2.5%. Sanitary Ceramics improved by 4.9% for the year as a whole.

Improved profitability

In the 2016 financial year, the results of the Geberit Group were once again impacted by acquisition, divestment and integration costs, and income related to the Sanitec acquisition – albeit much lower than in the previous year. For better comparability, adjusted figures are shown and commented on.

The adjusted operating cashflow (adj. EBITDA) rose by 14.6% to CHF 794.9 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 28.3% compared with 26.7% in the previous year. Foreign currency developments did not have any material impact on the adjusted EBITDA margin. The adjusted operating profit (adj. EBIT) rose by 16.2% to CHF 686.5 million, and the adjusted EBIT margin reached 24.4% (previous year 22.8%). 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. Adjusted net income improved by 18.4% to CHF 584.0 million, which led to an adjusted return on

* Organic: adjusted for the net sales from January 2016 from Sanitec and the net sales from the second half of 2015 from the sold Koralle Group (net CHF 32 million)

sales of 20.8% (previous year 19.0%). The adjusted earnings per share were up by 19.8% to CHF 15.85 (previous year CHF 13.23). This above-average increase when compared with the operating results is explained by an improved financial result and a slightly smaller number of shares. The free cashflow rose by 16.5% to CHF 563.9 million.

The negative special effects arising from the Sanitec acquisition/integration amounted to CHF 10 million as regards EBITDA, CHF 46 million as regards EBIT, and CHF 36 million as regards net income. The non-adjusted figures were CHF 785.2 million for EBITDA, CHF 640.1 million for EBIT, CHF 548.2 million for net income, and CHF 14.88 for earnings per share.

Solid financial foundation

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group. Total assets increased from CHF 3553.8 million to CHF 3601.1 million. Liquid funds increased from CHF 459.6 million to CHF 509.7 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 340.6 million. Debts were reduced to CHF 970.9 million (previous year CHF 1139.2 million). This resulted in a reduction in net debt by CHF 218.4 million to CHF 461.2 million at the end of 2016. The equity ratio reached a very solid 45.4% (previous year 41.7%). Based on average equity, the adjusted return on equity (ROE) was 38.3% (previous year 32.2%). The adjusted return on average invested capital (ROIC) was 21.5% (previous year 20.1%).

Given the solid financial foundation, the Board of Directors has decided to initiate a 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.

Again higher distribution

The Board of Directors wishes to let the shareholders participate in the excellent development of the business and will maintain the attractive distribution policy of previous years. Therefore, a dividend of CHF 10.00 will be proposed at the General Meeting, 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.

Status Sanitec integration

The integration activities, which began in the second quarter of 2015, continued to progress according to plan in the reporting year. Since 1 January 2016, Geberit and the former Sanitec units have been operating as a single company in sales activities in all markets with joint order and invoicing processes. In 2016, the focus also fell on the harmonisation of processes and systems and the realisation of synergies.

Outlook 2017

The construction industry should develop favourably in 2017. However, the individual regions/markets and construction sectors will carry on performing very differently. In Europe, the recovery that began in the previous year should continue. Overall, a favourable market environment is expected for Germany, the Nordic Countries, Switzerland, Austria, France, the Benelux Countries and the countries of Eastern Europe. The situation in Italy should stabilise, while the uncertainty in the United Kingdom will continue as a result of Brexit. In North America, stagnation is predicted in the public sector construction industry, which is important to Geberit's business in the USA, along with moderate growth in residential construction. In the Far East/Pacific region, the Chinese residential construction sector should stabilise, while the business climate in Australia and India is expected to be positive. In

terms of the Middle East/Africa region, the outlook in South Africa remains sound, whereas the construction industry in the Gulf countries will continue to see low activity due to the depressed oil price. Fluctuations in the Swiss francs compared to other important currencies used by the Geberit Group will continue to affect sales and earnings. In the first half of 2017, raw material prices are likely to exceed their prior-year level – driven mainly by higher prices for industrial metals and, to a lesser extent, for plastics.

The Geberit Group's 2017 financial year will see further progress with the integration of the ceramics business. A focus will be 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, Geberit will pay just as much attention to its daily business. The objective will be to perform strongly 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, 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. The Board of Directors and the Group Executive Board are convinced that the company is very well equipped for the upcoming opportunities and challenges. 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. Experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organisation, an established cooperation based on trust with our market partners in both commerce and trade, and the Group's continued solid financial foundation are vital to our future success.

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The globally operating Geberit Group is a European leader in the field of sanitary products. Geberit operates as an integrated group with a very strong local presence in most European countries, providing unique added value when it comes to sanitary technology and bathroom ceramics. The production network encompasses more than 30 production facilities, of which six are located overseas. The Group is headquartered in Rapperswil-Jona, Switzerland. With around 12,000 employees in around 50 countries, Geberit generated net sales of CHF 2.8 billion in 2016. The Geberit shares are listed on the SIX Swiss Exchange and since 2012, have been included in the SMI (Swiss Market Index).

Key financial figures as of 31 December 2016

Millions of CHF	1/1 – 31/12/2016	1/1 – 31/12/2015
Net sales	2809.0	2593.7
Change in %	+8.3	+24.2
Change in %, currency-adjusted/organic	+6.4	+2.7
Adj. operating cashflow (EBITDA)	794.9	693.5
Change in %	+14.6	+5.5
Margin in % of net sales	28.3	26.7
Operating cashflow (EBITDA)	785.2	631.7
Change in %	+24.3	-3.9
Adj. operating profit (EBIT)	686.5	590.9
Change in %	+16.2	+2.4
Margin in % of net sales	24.4	22.8
Operating profit (EBIT)	640.1	498.3
Change in %	+28.5	-13.6
Adj. net income	584.0	493.1
Change in %	+18.4	-1.1
Margin in % of net sales	20.8	19.0
Net income	548.2	422.4
Change in %	+29.8	-15.3
Adj. earnings per share (CHF)	15.85	13.23
Change in %	+19.8	-0.4
Earnings per share (CHF)	14.88	11.33
Change in %	+31.3	-14.7
	31/12/2016	31/12/2015
Equity	1635.2	1482.2
Equity ratio in %	45.4	41.7
Net debt	461.2	679.6
Adj. return on invested capital (ROIC) in %	21.5	20.1
Number of employees	11,592	12,126

Please visit our website www.geberit.com as well as our online annual report on www.geberit.com/annualreport for additional information.