

Annual results 2010

Geberit: gratifying performance in a challenging environment

Geberit AG, Rapperswil-Jona, March 10, 2011

In 2010, the Geberit Group succeeded in maintaining results at the high level of the previous years. Sales reached CHF 2,146.9 million. This corresponds to growth of 5.0% in local currencies and a decline of 1.6% in Swiss Francs. The operating profit (EBIT) dropped by 7.7% to CHF 486.2 million. The EBIT margin reached 22.6%. As a consequence of the lower tax rate, net income rose by 2.3% to CHF 406.8 million. Earnings per share increased by 1.4%, to CHF 10.32. With CHF 493.8 million, free cashflow reached a new record high and further strengthened the financial base of the Group. It will be proposed an increased distribution of CHF 6.00 to the General Meeting.

Sales increase in local currency

As already announced in January 2011, the Geberit Group achieved sales of CHF 2,146.9 million in 2010 (prior year CHF 2,181.2 million). This represents an increase of 5.0% currency adjusted, however, in terms of Swiss Francs a decrease of 1.6%.

In contrast to 2009, most of the regions and markets closed the year under review with increases in sales (changes in local currency). The European markets increased overall sales by 4.6%. The Far East/Pacific (+22.2%), America (+6.8%) and Middle East/Africa (+1.7%) regions also grew in 2010.

Sales for the Sanitary Systems product area in Swiss Francs increased by 0.4% to CHF 1,255.7 million. By contrast, the increase in local currencies was 7.1%. The Piping Systems product area saw a 4.3% drop in sales to CHF 891.2 million. In local currencies, this represented an increase of 2.2%.

Operating profitability maintained at high level

In 2010 the Geberit Group succeeded in maintaining results at the high level of the previous years despite declining sales, negative foreign currency effects and raw material price factors. Consistent cost management and further optimized processes were the main reasons for this success. Despite natural hedges, currency effects had a substantial negative impact on the results.

Operating cashflow (EBITDA) fell to CHF 573.7 million, a 6.1% drop compared to the prior year. The EBITDA margin reached 26.7%, its second-highest value in Geberit history after the record of 28.0% in the prior year. The average EBITDA growth of 6.8% markedly exceeded the corresponding increase in sales (5.9%) over the last decade. The operating profit (EBIT) dropped by 7.7% to CHF 486.2 million. The EBIT margin reached 22.6% (prior year 24.1%). As a consequence of the lower tax rate, net income rose by 2.3% to CHF 406.8 million with a return on sales of 18.9%. Earnings per share increased by 1.4%, to CHF 10.32.

Free cashflow substantially increased, financial base further strengthened

Based on an increased net cashflow, the free cashflow – as a consequence of reduced investments, but above all because of positive effects from the change in net working capital – rose by 41.2% to CHF 493.8 million, thereby achieving a new record high. High free cashflow permitted the further strengthening of the Group's balance sheet structure. Debt was reduced from CHF 110.9 million to CHF 73.4 million. The liquidity situation also developed positively. At the end of 2010, the Group showed a positive net cash level of CHF 513.2 million (prior year CHF 295.6 million). The equity ratio continued to climb and achieved a very solid 70.0% (prior year 68.2%). In terms of average equity, the return on equity for the year under review was 27.0%.

Attractive distribution

The Board of Directors of Geberit AG will propose a distribution of CHF 6.00 to the General Meeting on April 19, 2011. This represents an increase of 11.1% over the normal dividend paid the previous year (2009: normal dividend of CHF 5.40 plus a special dividend of CHF 1.00). As such, the shareholder-friendly distribution policy will be continued. Due to a recently implemented change in Swiss tax law, the distribution will be handled as a tax-exempt payment to shareholders taken entirely from reserves from capital contribution. The payout ratio of 58.8% of net income is in the mid-range of the 50% to 70% range, 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.

Outlook 2011

The overall prognosis for the construction industry in 2011 anticipates a slight recovery with some significantly divergent developments in individual regions/ markets and construction sectors. Growing renovation business is expected for residential construction in Europe. New residential construction business will develop more selectively. In general, the commercial construction sector across all markets will only slowly return to growth. The construction industry in North America has not yet overcome the crisis; another challenging year is expected. Market observers forecast continued growth in Asia. The coming year will challenge the Geberit Group to take advantage of the positive environment offered by attractive markets but also to position itself for the future in markets that continue to stagnate or contract. Organic growth projects will be the focus here. At the same time, the Company will push forward with the optimization of business processes. Management is convinced that Geberit is very well equipped for the coming tasks.

As the European market leader in the field of sanitary technology, the Geberit Group is a global provider with sales of CHF 2.1 billion. It employs 5,800 people in 41 countries around the world.

Financial key figures as of December 31, 2010

Million of CHF	1/1 – 31/12/2010	1/1 – 31/12/2009
Sales	2,146.9	2,181.2
Change in %	-1.6	-11.2
Operating cashflow (EBITDA)	573.7	611.0
Change in %	-6.1	-5.9
Margin in %	26.7	28.0
Operating profit (EBIT)	486.2	526.7
Change in %	-7.7	-6.5
Margin in %	22.6	24.1
Net income	406.8	397.5
Change in %	2.3	-14.8
Margin in %	18.9	18.2
Earnings per share (CHF)	10.32	10.18
Change in %	1.4	-14.5
	31/12/2010	31/12/2009
Equity	1,520.9	1,509.2
Equity ratio in %	70.0	68.2
Liquid funds, less debt	513.2	295.6
Number of employees	5,820	5,608

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

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