Annual results 2014

Profitability reaches all-time high

Geberit AG, Rapperswil-Jona, March 10, 2015

Despite a continued challenging environment, the Geberit Group experienced an excellent 2014. In nearly all markets, impressive sales increases were achieved and market shares gained. The results considerably exceeded the good figures achieved in the previous year. Cumulative sales in 2014 increased by 4.9% to CHF 2,404.4 million, corresponding to currency-adjusted growth of 6.4%. Operating profit (EBIT) rose by 13.0% to CHF 576.9 million, and the EBIT margin reached 24.0% (previous year 22.3%). Net income increased by 14.4% to CHF 498.6 million, with a return on sales of 20.7% (previous year 19.0%). Earnings per share rose in comparison to sales growth by a disproportionately high 14.6% to CHF 13.28. Free cashflow grew by 3.6% to CHF 460.4 million. A distribution of CHF 8.30 will be proposed to the General Meeting, an increase of 10.7% over that of 2014.

Currency-adjusted sales growth above medium-term targets

As already announced in January 2015, cumulative sales in 2014 increased by 4.9% to CHF 2,404.4 million. With a growth of 6.4% in local currencies, the increase is slightly above the medium-term growth expectation of 4 to 6%.

Europe recorded a currency-adjusted increase in sales of 5.9%, with all markets reporting increases. Despite the ongoing unfavorable conditions in the public sector – an area of importance to Geberit in this region – America posted growth of 6.4%. The Middle East/Africa (+21.2%) and Far East/Pacific (+12.8%) regions reported significant sales growth.

Sales for the Sanitary Systems product area amounted to CHF 1,364.3 million, corresponding to currency-adjusted growth of 6.7%. Sales for the Piping Systems product area were CHF 1,040.1 million. The increase was 6.0%, meaning growth of Piping Systems was slightly below that of Sanitary Systems – unlike in the previous year.

Profitability reaches all-time high

Thanks to healthy sales growth, a positive net price effect and efficient cost control, results were up on the previous year and reached all-time highs in a challenging environment in spite of once again substantial investments in organic growth. Operating cashflow (EBITDA) rose by 10.8% to CHF 657.1 million. At 27.3%, the EBITDA margin was significantly higher than the previous year (25.9%) and also above the medium-term target range. Over the last decade, average EBITDA growth of 3.8% was better than the corresponding increase in sales of 2.3%. Operating profit (EBIT) rose by 13.0% to CHF 576.9 million, and the EBIT margin reached 24.0% (previous year 22.3%). Net income increased by 14.4% to CHF 498.6 million, which led to a return on sales of 20.7% (previous year 19.0%). As both in percentage of sales and in absolute terms, net income thus reached its highest value since going public in 1999. Earnings per share rose by 14.6% to CHF 13.28.

Strong financial foundation

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy to be continued and a share buyback program to be launched while also maintaining the very solid financial foundation of the Group. Total assets increased from CHF 2,226.0 million to CHF 2,431.5 million, mainly as a result of a higher reserve of liquid funds and a planned slight increase in inventories. The cash reserve increased substantially, as the share buyback program launched at the end of April has been suspended since the end of July 2014 due to the Sanitec acquisition, and no further shares were repurchased as a result. In addition to liquid funds and marketable securities of CHF 749.7 million (previous year CHF 612.8 million), the Group had access to an undrawn operating credit line for the operating business of CHF 347.8 million. At CHF 10.5 million, debts were slightly under the previous year's value of CHF 11.7 million. This resulted in positive net cash of CHF 739.2 million at the end of 2014 (previous year CHF 601.1 million). The equity ratio reached a solid 70.6% (previous year 74.8%). Based on average equity, the return on equity (ROE) was 29.2% (previous year 28.2%). The return on invested capital (ROIC) was 35.5% (previous year 32.1%).

Higher distribution – share buyback program will be resumed

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; this is also intended to continue unchanged after the acquisition of Sanitec. The Board of Directors will propose to the General Meeting a dividend of CHF 8.30, an increase of 10.7% over that of 2014. The payout ratio of 62.7% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

Furthermore, the Board of Directors has decided to resume the share buyback program which has been suspended since the end of July 2014 due to the Sanitec acquisition.

Status of Sanitec acquisition

As of the end of January 2015, Geberit had received all the necessary merger approvals for completion of the takeover of Sanitec. With more than 90% of Sanitec shares being offered for tender by the end of the acceptance period on February 2, 2015, all the offer conditions had been met. Geberit acquired the tendered shares and initiated a squeeze-out procedure with respect to the remaining minority shareholders in accordance with legal requirements. At the same time, Geberit again offered the option of accepting the tender offer until March 2. At the end of this additional acceptance period, Geberit held 99.77 percent of the shares in Sanitec. The squeeze-out procedure will be continued for the remaining shares.

Outlook 2015

Hopes for a moderate global economic upturn have been dampened in recent months, which is expected to directly impact the construction industry. The challenges in this sector remain complex and, viewed from today's perspective, are expected to become even more pronounced in the medium term. The individual regions/markets and construction sectors are developing very differently. In Europe, volumes in the construction industry are continuing to contract overall. With the exception of a few markets such as Germany, Switzerland, the United Kingdom and Poland which are developing positively, no recovery is in sight in most other markets, and markets such as Italy and France are expected to see further falls in demand. Non-residential construction is failing to recover, but this is at least partially being compensated by a flat to slightly positive trend in residential construction. In North America, the indicators in public construction projects are currently not pointing to a recovery on a relevant scale, which will significantly affect the Geberit business in this market. In residential construction, signs are pointing to a slowdown in growth. In the Far East/Pacific region, China has seen a decrease in the sale of homes, the number of new construction projects and residential property prices; the construction industry overall is showing a downward trend. The outlook for the Middle East and South Africa remain positive.

The significantly strengthened Swiss franc is also contributing to the more difficult conditions. In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. The impact on the operating profit margins is, therefore, relatively small. In addition, a temporary currency discount of 10 percent was established in the Swiss market at the beginning of February as a result of the stronger Swiss franc. The management remains committed to adjusting itself to the changed exchange rate conditions by continuously enhancing the cost structure.

Accordingly, exceeding the very good results achieved in the previous year represents a challenge. In spite of everything, the objective – not only in the few markets that are healthy but also in the large number of markets that are shrinking or stagnating – is 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 on the very promising shower toilet business. In line with the Geberit strategy, these measures will be accompanied by efforts to further optimize business processes. The integration of Sanitec's activities in the Geberit Group will also be driven forward in this and with equally high priority. The management is convinced that the company is very well equipped for the upcoming tasks and challenges.

Financial key figures as of December 31, 2014

Millions of CHF	**1/1 – 12/31/2014**	**1/1 – 12/31/2013**
Sales	2404.4	2291.6
Change in %	+4.9	+4.7
Revenue from sales	2089.1	1999.9
Change in %	+4.5	+4.2
Operating cashflow (EBITDA)	657.1	592.8
Change in %	+10.8	+10.5
Margin in %	27.3	25.9
Operating profit (EBIT)	576.9	510.7
Change in %	+13.0	+11.9
Margin in %	24.0	22.3
Net income	498.6	435.8
Change in %	+14.4	+12.5
Margin in %	20.7	19.0
Earnings per share (CHF)	13.28	11.59
Change in %	+14.6	+14.1

	12/31/2014	**12/31/2013**
Equity	1717.1	1664.1
Equity ratio in %	70.6	74.8
Net cash	739.2	601.1
Number of employees	6247	6226

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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