

Annual results 2017

Successful business year 2017

Geberit AG, Rapperswil-Jona, 13 March 2018

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. Overall, good results were achieved and our position as the leading supplier of sanitary products in Europe was further consolidated. Consolidated net sales in 2017 increased by 3.5% to CHF 2908.3 million. Operating profit (EBIT) adjusted for one-off costs related to the Sanitec acquisition and integration increased by 2.9% to CHF 706.1 million and the correspondingly adjusted EBIT margin came to 24.3%. 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. A distribution of CHF 10.40 will be proposed to the General Meeting, an increase of 4.0% compared to the prior year.

Good sales development

As already announced in January 2018, net sales in 2017 for the Geberit Group increased by 3.5% to CHF 2908.3 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%.

Currency-adjusted and in organic terms, Europe, the largest region, posted growth of 2.9%. Middle East/Africa (+16.8%) and Far East/Pacific (+13.3%) posted double-digit growth. America rose by 3.6%. The product area Sanitary Systems grew 6.6%. The Piping Systems product area increased its net sales by 3.8%. In contrast, the Sanitary Ceramics product area posted a 2.3% fall.

Profitability remains at a high level

As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on the Geberit Group's results in 2017. For better comparability, adjusted figures are shown and commented on.

The adjusted operating cashflow (adj. EBITDA) rose by 3.2% to CHF 820.7 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 28.2%, which was almost the same as the previous year's figure of 28.3%. Increased sales volumes and a positive product mix effect had a positive impact on the operating results, as did synergies from the Sanitec integration. Higher raw material prices and increased personnel expenses were among the more adverse factors. Foreign currency developments did not have any material impact on the adjusted EBITDA margin.

The adjusted operating profit (adj. EBIT) rose by 2.9% to CHF 706.1 million, and the adjusted EBIT margin reached 24.3% (previous year 24.4%). Adjusted net income improved by 3.5% to CHF 604.2 million, which led to an adjusted return on sales of 20.8% – a figure that remained unchanged year-on-year. The adjusted earnings per share were up by 3.7% to CHF 16.43 (previous year CHF 15.85). This above-average increase when compared with the operating results is explained by a financial result on a par with the previous year, a lower tax rate as well as a slightly smaller number of shares. Higher investments in property, plant and equipment and negative effects of the change in net working capital resulted in a decline in free cashflow of 13.2% to CHF 483.4 million.

The negative special effects arising from the Sanitec acquisition and integration amounted to CHF 49 million as regards EBITDA, CHF 84 million as regards EBIT, and CHF 77 million as regards net income. CHF 45 million in costs recorded in the second quarter of 2017 in relation to the closure of two ceramics production plants in France had a significant impact on these figures. The non-adjusted figures were CHF 772.0 million for EBITDA, CHF 621.7 million for EBIT, CHF 527.4 million for net income, and CHF 14.34 for earnings per share.

Sound 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 3601.1 million to CHF 3742.8 million. Liquid funds decreased from CHF 509.7 million to CHF 412.7 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 591.4 million. Debts were reduced to CHF 895.2 million (previous year CHF 970.9 million). The changes in terms of liquid funds on the one hand and debt on the other resulted from lower free cashflow, the dividend payment to the shareholders, share buybacks and the repayment of debts. This resulted in a slight increase in net debt of CHF 21.3 million to CHF 482.5 million at the end of 2017. The equity ratio reached a very solid 49.1% (previous year 45.4%). Based on average equity, the adjusted return on equity (ROE) was 35.2% (previous year 38.3%). The adjusted return on invested capital (ROIC) was 22.4% (previous year 21.5%).

Again higher distribution

The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 4 April 2018 an increase in the dividend of 4.0% to CHF 10.40 in line with the higher adjusted earnings per share. The payout ratio of 63.4% of adjusted net income is in the upper range of the defined 50% to 70% corridor.

Status Sanitec integration

In 2017, the most important milestones regarding the integration of the ceramics business were reached. 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 improvements in ceramics manufacturing and promoting cultural integration.

Outlook 2018

The situation in the construction industry should be generally favourable in 2018. However, the individual regions/markets and construction sectors will perform differently. In Europe, the recovery should continue. However, despite healthy demand, growth potential in Germany is severely limited due to capacity constraints of installers. A favourable market environment is expected for Austria, France and the Benelux Countries. The construction industry in Switzerland should remain stable at a high level. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with a simultaneous slackening of the growth dynamic. The Eastern European markets are also predicted to perform differently, with a positive environment expected in Poland and a stabilisation anticipated in Russia, for example. A slight easing of the market environment is expected in Italy, whereas a downward trend is foreseeable in the United Kingdom as a result of Brexit. In North America, a moderate recovery is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with growth in residential construction. In the Far East/Pacific region, the Chinese residential construction sector has been performing better since the beginning of the second half of 2017. The construction industry in

Australia is expected to stagnate and the business climate in India is likely to become more challenging. In terms of the Middle East/Africa region, the Gulf States should recover. However, the construction market in South Africa is likely to stagnate. Fluctuations in the Swiss franc compared to other important currencies used by the Geberit Group will continue to affect sales and results. In the first half of 2018, raw material prices are likely to exceed their prior-year level – driven mainly by higher prices for industrial metals and for plastics.

In 2018, the objective of the Geberit Group 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 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 the 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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About Geberit

The globally operating Geberit Group is a European leader in the field of sanitary products. Geberit operates with a strong local presence in most European countries, providing unique added value when it comes to sanitary technology and bathroom ceramics. The production network encompasses 30 production facilities, of which 6 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 2.9 billion in 2017. The Geberit shares are listed on the SIX Swiss Exchange and have been included in the SMI (Swiss Market Index) since 2012.

Key financial figures as of 31 December 2017

Millions of CHF	1/1 – 31/12/2017	1/1 – 31/12/2016
Net sales	2908.3	2809.0
Change in %	+3.5	+8.3
Change in %, currency-adjusted/organic	+3.5	+6.4
Adj. operating cashflow (EBITDA)	820.7	794.9
Change in %	+3.2	+14.6
Margin in % of net sales	28.2	28.3
Operating cashflow (EBITDA)	772.0	785.2
Change in %	-1.7	+24.3
Adj. operating profit (EBIT)	706.1	686.5
Change in %	+2.9	+16.2
Margin in % of net sales	24.3	24.4
Operating profit (EBIT)	621.7	640.1
Change in %	-2.9	+28.5
Adj. net income	604.2	584.0
Change in %	+3.5	+18.4
Margin in % of net sales	20.8	20.8
Net income	527.4	548.2
Change in %	-3.8	+29.8
Adj. earnings per share (CHF)	16.43	15.85
Change in %	+3.7	+19.8
Earnings per share (CHF)	14.34	14.88
Change in %	-3.6	+31.3
	31/12/2017	31/12/2016
Equity	1837.2	1635.2
Equity ratio in %	49.1	45.4
Net debt	482.5	461.2
Number of employees	11,709	11,592

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