Media Release

Schaffhausen
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A further increase in performance

- **Sales increased 3% to CHF 3’744 million**
- **Operating result up 5% to CHF 311 million**
- **Earnings per share reached CHF 53, up 15%**
- **Dividend increase proposed to CHF 20, up from CHF 18**
- **High free cash flow before acquisitions, up 22%**

GF has developed itself in 2016 fully in line with its strategic objectives 2016–2020. Sales and profits increased anew and all three divisions generated value.

The Corporation has increased its sales by 3% to CHF 3’744 million. In local currencies and adjusted for acquisitions and divestments, turnover growth amounted to 2%. The operating result (EBIT) rose to CHF 311 million, up 5% compared to previous year. This resulted in an EBIT margin (ROS) of 8.3% against 8.1% in 2015. The return on invested capital (ROIC) increased to 19.3%, up from 18.9% in 2015. All three divisions generated ROICs well above their cost of capital, thus creating a high amount of value for the company.

Net profit amounted to CHF 225 million, 14% above previous year, resulting in earnings per share of CHF 53 against CHF 46 in 2015. Free cash flow before acquisitions and divestments reached CHF 231 million, clearly above the already high level of the previous year (CHF 190 million). Based on the above, the Board of Directors proposes to the Annual Shareholders’ Meeting a dividend of CHF 20 per share (CHF 18 in 2016).

Key figures as per 31 December 2016

	Corporation		**GF Piping Systems**		**GF Automotive**		**GF Machining Solutions**	
CHF million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Order intake	**3’749**	3’662	**1’488**	1’429	**1’346**	1’331	**917**	902
Sales	**3’744**	3’640	**1’494**	1’417	**1’335**	1’321	**916**	902
EBITDA	**443**	422	**214**	193	**161**	148	**77**	92
EBIT	**311**	296	**162**	143	**100**	89	**62**	78
Net profit	**225**	198						
Free cash flow before acquisitions/divestitures	**231**	190						
Return on sales (EBIT margin) %	**8.3**	8.1	**10.8**	10.1	**7.5**	6.7	**6.8**	8.6
Return on invested capital (ROIC) %	**19.3**	18.9	**20.6**	18.0	**23.1**	22.1	**18.3**	21.9
Number of employees	**14’808**	14’424	**6’507**	6’237	**5’047**	5’037	**3’102**	3’003

GF Piping Systems

GF Piping Systems generated sales of CHF 1’494 million, up 5% from previous year. Adjusted for currency effects and acquisitions, sales went up 5%. In particular, the industrial applications experienced a strong demand worldwide. The Building Technology sector also brought significant increases in sales whereas the utility-related turnover remained stable.

The operating result grew by CHF 19 million to CHF 162 million for a 10.8% ROS, against 10.1% in 2015. Well-loaded plants, including in Switzerland, and the strong growth in higher-margin businesses were the main factors behind this profitability increase.

GF Piping Systems acquired three companies during the year. In May, PT Eurapipe, Karawang (Indonesia), a manufacturer of polyethylene pipes and fittings, has been purchased to allow GF Piping Systems to set foot in this promising market. In August, GF Piping Systems acquired, through its Chinaust joint venture, two companies in China, Lingyun Jingran Gas Valve, which complements the divisional portfolio in the gas distribution sector, and Shuchang Auto Part, a supplier of plastic quick connectors for automotive fuel lines in cars and trucks. The integration of all acquired units is fully on track.

GF Automotive

GF Automotive increased its turnover by 1% to CHF 1’335 million. In local currencies, sales were at previous year’s level.

It is however to be noted that raw material prices, specially scrap iron, decreased substantially in 2016. As price fluctuations are contractually passed over to customers, this had a negative impact of ca. 3% on the GF Automotive turnover. Discarding this negative effect, sales volume in local currencies would have been up approx. 3%.

Both passenger cars and commercial vehicles demand remained overall healthy, particularly in China but with significant differences among car and truck manufacturers.

The operating result amounted to CHF 100 million, a strong 12% increase to previous year resulting in a 7.5% ROS against 6.7% in 2015. Both Chinese plants as well as most light metal plants in Europe were fully utilized amid a high demand for aluminum components, including more and more for electric cars. The load of the European iron casting plants remained at previous year’s level.

In the USA, the construction of the new light metal plant in Mills River, North Carolina, is proceeding according to plan for a start of production at year-end 2017.

GF Machining Solutions

Amid uneven markets, GF Machining Solutions increased its turnover by 2% to CHF 916 million. In local currencies and adjusted for acquisitions, sales stood at previous year’s level. GF Machining Solutions enjoyed a healthy demand in the aerospace and medical fields, whereas the electronics sector in Asia remained flat in part because sales of electronic devices did not grow as fast as in the recent past.

The operating result reached CHF 62 million for a 6.8% ROS, supported by an increased focus on higher margin products. In 2015, the operating result of CHF 78 million had been boosted by the sale of an administrative building in Geneva, which added a one-time CHF 18 million to it.

In May 2016, the division acquired Microlution Inc. based in Chicago (USA), widening its technology portfolio in the promising field of micro-machining to support its customers’ precision needs in the medical, aerospace, and electronics sectors.

Strategy 2020 – well under way
The implementation of our 2016–2020 strategy is well under way. The 2016 financial results are in line with our goal of a 3–5% annual top line growth and profitability ranges of 8–9% for the ROS as well as 18–22% for the ROIC.

GF kept expanding in growth markets with two acquisitions in China and one in Indonesia for GF Piping Systems. At the same time, productivity optimization is proceeding apace in Europe where the commissioning of a new automatized molding line has been started in Singen (Germany), and a high number of automation projects have been implemented in the other plants of GF Automotive.

The shift to higher-margin businesses is also on track with the entry at GF Piping Systems into new sectors like air-conditioning and the push at GF Automotive into electric car components. In addition, GF Machining Solutions has significantly expanded its offering and its sales in the growing aerospace business.

Finally, specific training programs are being conducted corporate-wide in order to accompany this shift, on one hand to accelerate customer-focused innovation and on the other hand to further enhance sales proficiency.

Solid financial structure allows for further growth
In April, GF successfully issued a CHF 225 million bond over ten years with a 0.875% coupon to replace a CHF 200 million bond, placed in 2010 with a 3.375% coupon. This new bond issuance supports the financing of future acquisitions and at the same time allows GF to reduce its financing costs.

Outlook 2017
Recent economic and political developments may add more uncertainty and volatility to our markets. We believe, however, that new businesses and recent acquisitions will support growth at GF Piping Systems. GF Automotive and GF Machining Solutions enjoy promising order backlogs in their core segments and the focus at all three divisions on higher-margin sectors starts bearing fruits. Based on today's evaluation of the overall business environment, we therefore expect for 2017 to increase results anew, in line with our 2016–2020 objectives.

The full version of the Annual Report 2016 will be available on our website www.georgfischer.com on 28 February 2017 at 07:00 a.m.

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Corporate Profile
GF comprises three divisions: GF Piping Systems, GF Automotive, and GF Machining Solutions. Founded in 1802, the Corporation is headquartered in Switzerland and is present in 33 countries with 131 companies, 51 of them production facilities. Its approximately 14'800 employees generated sales of CHF 3'744 million in 2016. GF is the preferred partner of its customers for the safe transport of liquids and gases, lightweight casting components in vehicles, and high-precision manufacturing technologies.
You will find further information at www.georgfischer.com.