

Press Release

Setting the course in a challenging year

March 14, 2017

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Annual results press conference on financial statements 2016

Nuremberg, March 14, 2017 – In what remained a challenging market environment, GfK reported a sales decline of 3.9 percent to €1,484 million in 2016 (prior year: €1,543 million). Sales in organic terms were down 1.7 percent. The margin (adjusted operating income in relation to sales) decreased to 10.5 percent (2015: 12.2 percent). Adjusted operating income totaled €155.3 million versus €187.6 million in the prior year. Consolidated total income amounted to €136.5 million (2015: €40.7 million). The Management Board and Supervisory Board are proposing to the annual general meeting to pay no dividends for the financial year 2016. For 2017, GfK expects a slight upward sales trend and a margin at the prior year's level.

Gerhard Hausruckinger, Speaker of the Management Board at GfK, explained: "2016 was a challenging year for GfK, while at the same time we set the course for a successful development of the group. The transaction with KKR will bring new momentum to make us fit for the future."

Sales in the **Consumer Choices** sector of €680.3 million almost matched the prior year's level (2015: €681.1 million). Driven by point-of-sale and media measurement business, the sector achieved strong organic growth of 4.1 percent. The margin was down 4.5 percentage points to 16.8 percent. Ongoing difficulties with the TV Audience Measurement contracts in Brazil and the Kingdom of Saudi Arabia in addition to delays in connection with growth initiatives were decisive factors in this respect. Furthermore, the Crop Protection and Animal Health business divested in the first half of 2016 had an adverse impact. The sector's adjusted operating income of €114.6 million was €30.5 million, or 21.0 percent, down on the prior year's figure (2015: €145.0 million).

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Commercial register
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Sales in the **Consumer Experiences** sector declined by 6.5 percent to €803.0 million in 2016 (prior year: €859.1 million). The sales decline in organic terms amounted to 6.4 percent. It was caused by a low level of incoming orders in traditional ad hoc business. The resultant decline in adjusted operating income was not fully offset by resource and cost-cutting measures as well as the optimization of processes. Adjusted operating income was down €4.9 million, or 8.4 percent, to €54.0 million (2015: €58.9 million). At 6.7 percent, the margin was only slightly weaker than in the prior year (2015: 6.9 percent). The strategic realignment of the Consumer Experiences sector was driven forward in 2016 through the acquisition of Netquest, further expanding the GfK Group's presence in digital business

and global products.

The overall trend in the **regions** Asia and the Pacific, Central Eastern Europe/META and Latin America was positive and showed organic growth. The region Southern and Western Europe recorded growth in the fourth quarter. However, this only partially compensated for the decline in the first nine months of 2016. The prior year's strong sales growth was not repeated in North America during 2016. This region, similar to Northern Europe, posted a sales decline. With a share of 36.2 percent of total sales, Northern Europe remained the region with the highest sales.

Cash flow from operating activity declined by €24.7 million year-on-year to €146.2 million. The decline was therefore more moderate than that in consolidated total income, which was partly attributable to the lower outflow of funds from working capital of €13.0 million in the reporting year versus €21.0 million in the prior year. This resulted in less tied-up capital. Taking account of investments in intangible and tangible assets amounting to €71.0 million (prior year: €94.1 million), free cash flow amounted to €75.2 million, down only €1.6 million versus the prior year. All acquisitions and other financial investments were therefore covered in full.

At the same time, the GfK Group maintained its rate of innovation and **investments** at a high level last year. These amounted to €102.1 million and were therefore somewhat below the prior year's level (€6.5 million). Investment in setting up panels and in tangible assets, which was unusually high in the prior year due to the rollout of new Media Measurement panels in various countries, declined by €8.2 million and €8.5 million respectively. Investment in acquisition activity was up versus the prior year by €18.3 million to €30.8 million, including Netquest.

An important **step towards setting the future course** of GfK was taken at the end of last year with the voluntary public tender offer by Acceleratio Capital N.V., a holding company controlled by funds advised by Kohlberg Kravis Roberts & Co. L.P. (together with affiliates, "KKR"). The offer was accepted in February 2017 and KKR has received the outstanding approvals. The transaction was completed on March 13. GfK Verein and KKR now control 85.85 percent of GfK's share capital and voting rights while 14.15 percent remain free float.

Last Friday, March 10, 2017, GfK announced that the Supervisory Board of GfK SE has appointed **Peter Feld** (51) as new CEO with effect from March 15, 2017.

Outlook

GfK expects that 2017 will also present a challenging competitive environment. The risks outlined, above all in relation to the Media Measurement contracts in Brazil and the Kingdom of Saudi Arabia, remain valid for the current financial year as well. The Group will continue to

concentrate on measures to strengthen GfK's competitive positioning and the realignment of the product portfolio with a digital focus.

We currently expect capital expenditure to be up slightly versus the prior year at around €80 million (2016: €71 million). In terms of mergers and acquisitions, investments will be carefully evaluated on a case-by-case basis. GfK is mainly interested in technology-driven and data-centric companies, offering us immediate added value.

For 2017, the GfK Group expects, depending on the previously mentioned risks, a sales development slightly above 2016 and an AOI margin (adjusted operating income against sales) in the same range as 2016.

The start of 2017 has been in line with expectations. Sales coverage at the end of January 2017 amounted to 43.2 percent of forecast annual sales (2016: 43.8 percent). It is therefore within the range of 37 percent to 44 percent seen over the past five years.

About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

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