Quarterly Report as of September 30, 2012

Geberit: Building industry more challenging

Geberit AG, Rapperswil-Jona, October 30, 2012

Following a convincing first half of the year, the Geberit Group saw sales wane in the third quarter. Although expected, the decrease was much larger than forecast. This trend, combined with substantial investments in organic growth, led to the nine months' results being slightly lower this year than in 2011. Sales rose by 3.8% in local currencies, or 2.1% in Swiss francs, reaching CHF 1686.4 million. Operating profit (EBIT) decreased by 0.9% to CHF 382.7 million while net income fell by 1.9% to CHF 327.2 million. Given the weaker third quarter and the doggedly cloudy conditions for the rest of the year, Management corrected the expectations for 2012 as a whole downward to currency-adjusted sales growth of three to four percent. The EBITDA margin is expected to be between 24 and 25 percent.

Third-quarter sales for the Geberit Group amounted to CHF 543.5 million, which represents an increase of 1.9% in Swiss francs. Last year's currency turmoil no longer fully affected the quarter just ended, so the currency-adjusted evolution was weaker than the results in Swiss francs for the first time in several quarters. Third-quarter sales in local currencies declined by -2.0% following growth rates in the first two quarters that had been higher than the group's own medium term targets (e.g. +6.6% and +6.4% respectively).

Sales grew by a cumulative rate of 2.1% to CHF 1686.4 million in the first nine months of business year 2012. This corresponds to a currency-adjusted increase of 3.8%. The currency losses contained in sales were lower than the figure for the first half year, declining to just under CHF 30 million.

The first two quarters of the year saw above-average sales growth by historical comparison whereas the third quarter witnessed a decline in many markets and regions. Although expected, this decline turned out to be much larger in magnitude than forecast. Currency-adjusted sales increased cumulatively by 4.0% in Europe, with strongly diverging trends in the individual markets. Double-digit growth continued in local currencies in the Nordic countries (+12.7%) as well as in Austria and Central/Eastern Europe, with +10.6% growth each. Substantial growth was also achieved in France (+9.2%), Germany (+8.7%) and United Kingdom/Ireland (+5.3%). Sales dropped in the Benelux countries (-0.4%), Switzerland (-5.9%) and Italy (-7.7%) and fell quite substantially in the Iberian Peninsula (-21.8%). The regions of the Middle East/Africa (+6.6%) and America (+1.0%) ended the reporting period with higher sales figures. By contrast, sales in the Far East/Pacific region were -3.5% lower than in the same period last year.

In the third quarter, Piping Systems reversed the sales trend of the first half year compared with Sanitary Systems and again posted bigger sales growth than its fellow product area. Sales in Swiss francs increased cumulatively by +1.3% for Sanitary Systems (in local currencies: +3.0%) as opposed to +3.2% for Piping Systems (in local currencies: +4.8%).

The cumulative results after the first nine months were slightly below the 2011 figures because the third quarter was much weaker this year than last. The strong Swiss franc had a negative effect of about CHF 9 million on the operating result once again. Increased customer bonuses, personnel expenses as well as the considerable price reductions implemented in Switzerland towards the end of the last year put a strain on the operating margins. The higher personnel expenses are attributable to the greater number of employees as a result of ongoing organic growth initiatives, newly created positions for the in-house manufacture of shower toilets and larger capacities at the production plants as well as to salary increases. The stabilization of the cost of materials and the impact of the insourcing of shower toilet production with the new plant in Rapperswil-Jona (CH) had a positive effect on the margins. Operating cash flow (EBITDA) dropped by 1.3% to CHF 441.8 million, with an EBITDA margin of 26.2% (prior year 27.1%). Operating profit (EBIT) decreased by 0.9% to CHF 382.7 million, corresponding to an EBIT margin of 22.7% (prior year 23.4%). Net income fell by a disproportionate amount of 1.9% to CHF 327.2 million in relation to the operating results mostly because of a higher tax rate. The return on sales reached 19.4% (prior year 20.2%). Earnings per share rose by 0.6% to CHF 8.55 (prior year CHF 8.50) owing to the ongoing share buyback program.

The financial situation continues to be rock solid. The equity ratio dropped in comparison to the end of 2011 from 66.9% to 63.6%. The net cash amount (liquid funds less debt) decreased from CHF 466.4 million at the end of 2011 to CHF 382.9 million yet increased by CHF 106.9 million in the third quarter alone.

Despite a weaker third quarter and a challenging environment, Management is in a positive frame of mind as regards estimates for Geberit for 2012 as a whole. The current year in the construction industry will be shaped by less dynamic growth and continued political and macroeconomic uncertainties. Individual regions/markets and building sectors will exhibit strongly diverging trends, as has been the case so far this year. A decline in government financed projects is expected. In Europe, Geberit predicts that the weaker activity in non-residential construction will be compensated at least in part by a positive trend in residential construction. In North America, residential construction will recover, albeit at an extremely slow pace. Public spending on construction projects will decline again, however. Substantial effects have been felt since the fourth quarter of 2011 in China by the steps the government has taken to prevent the real estate market from becoming overheated. By contrast, the situation in non-residential construction in China continues to be robust.

In spite of these difficult basic conditions, Management is confident the company will deliver solid results again in business year 2012. Given the weaker third quarter and the cloudy conditions likely to remain in place for the rest of the year, however, it did correct expectations for the year as a whole downward, to currency-adjusted sales growth of three to four percent. The EBITDA margin is expected to be between 24 and 25 percent.

As European market leader, the Geberit Group is a global provider of sanitary technology with sales of CHF 2.1 billion. It employs 6200 people in 41 countries around the world.

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Key financial figures as of 30 September 2012

Millions of CHF	1.1. – 30.09.2012	1.1. – 30.09.2011
Sales	1686.4	1651.9
Change in %	+2.1	-1.3
Operating cashflow (EBITDA)	441.8	447.7
Change in %	-1.3	-6.5
Margin in %	26.2	27.1
Operating profit (EBIT)	382.7	386.0
Change in %	-0.9	-7.2
Margin in %	22.7	23.4
Net income	327.2	333.6
Change in %	-1.9	-4.2
Margin in %	19.4	20.2
Earnings per share (CHF)	8.55	8.50
Change in %	+0.6	-3.8

	30.09.2012	31.12.2011
Equity	1348.1	1419.5
Equity ratio in %	63.6	66.9
Liquid funds less debt	382.9	466.4
Number of employees	6218	6004

You can find additional information at our website www.geberit.com.

For further information, please contact:

Geberit AG
Schachenstrasse 77
CH-8645 Jona, Switzerland

Albert M. Baehny, CEO Tel. +41 (0)55 221 63 46
Roland Iff, CFO Tel. +41 (0)55 221 66 39
Roman Sidler, Corporate Communications & IR Tel. +41 (0)55 221 69 47