Half-Year Report as of June 30, 2015

Geberit Group well on track

Geberit AG, Rapperswil-Jona, August 12, 2015

The Geberit Group posted good results in a continued challenging environment in the construction industry in the first half of 2015. The newly acquired Sanitec business was included in the figures for the first time. Overall, net sales increased by 20.1% to CHF 1307.5 million in the first six months of 2015. In organic terms and in local currencies, net sales grew by 2.5% despite a strong equivalent period in the previous year. The adjusted operating profit increased by 3.2% to CHF 325.6 million, while the adjusted net income dropped by 1.2% to CHF 269.5 million. For 2015, Management expects to achieve currency-adjusted net sales growth of two to three percent for the original Geberit business and currency-adjusted net sales at the previous year's level for the Sanitec business. The adjusted operating cashflow margin for the year as a whole should reach around 26 percent.

Consolidated net sales

In the first half of 2015, net sales[1] for the Geberit Group increased by 20.1% to CHF 1307.5 million. This growth was strongly affected by the Sanitec Group, which was consolidated into the Geberit Group as of February 1, 2015, as well as by exchange rate effects resulting from the abandonment of the minimum exchange rate by the Swiss National Bank. Currency-adjusted and in organic[2] terms, an increase of 2.5% was recorded. This positive growth was achieved despite the currency rebate of 10% in the Swiss market, the very difficult market environment still seen in many European markets and an extremely strong equivalent period in the previous year. From the beginning of February 2015, Sanitec's product range accounted for CHF 304.6 million of net sales for the first half of the year.

In the second quarter, net sales reached CHF 670.9 million, which is equivalent to an increase of 25.4%; currency-adjusted organic growth amounted to 3.0%.

Net sales by markets and product areas

In organic terms and local currencies, Europe – the largest region – grew by +1.4%. Strong growth rates were recorded in the United Kingdom/Ireland (+9.5%) and the Nordic Countries (+7.9%). The Iberian Peninsula (+4.4%), Central/Eastern Europe (+4.0%), the Benelux Countries (+3.8%), Germany (+3.2%) and Austria (+1.9%) also made gains. Switzerland (-8.3%) suffered from the currency rebate of 10% introduced at the beginning of February in connection with the strong Swiss franc. France (-1.1%) and Italy (-1.5%) were negatively affected by difficult market conditions. Outside Europe, the Middle East/Africa (+25.2%) and America (+11.2%) regions posted double-digit growth. Net sales in the Far East/Pacific region increased by +9.2%.

In the product areas, at +4.1% Sanitary Systems posted stronger currency-adjusted growth than Piping Systems, which achieved growth of +0.3%, largely due to a contrary development in the previous year.

[1] Switch to net sales as the relevant sales figure with respect to the 2015 financial year
[2] Organic: adjusted for the additional sales from the Sanitec acquisition

Results
In the 2015 financial year, the results of the Geberit Group are negatively affected by various one-off effects in connection with the Sanitec acquisition. For better comparability, adjusted[3)] figures are therefore reported and commented on. The adjusted operating cashflow (adj. EBITDA) increased by 5.5% to CHF 373.2 million, which corresponds to an adjusted EBITDA margin of 28.5%. The adjusted operating profit (adj. EBIT) grew by 3.2% to CHF 325.6 million, which corresponds to an adjusted EBIT margin of 24.9%. The slightly lower raw material prices had a positive effect on the operating margins. In contrast, the currency rebate of 10% in the Swiss market in connection with the strong Swiss franc, negative currency effects, higher personnel and pension costs as well as the generally lower margins of the Sanitec business had a negative impact. The adjusted net income decreased by 1.2% to CHF 269.5 million with an adjusted return on net sales of 20.6%. The adjusted earnings per share decreased by 0.7% to CHF 7.20 (previous year CHF 7.25).

The negative one-off effects[4)] as a result of the Sanitec acquisition amounted to CHF 58 million at the operating profit level and CHF 51 million at the net income level.

The lower net cashflow was a result of the decline in EBITDA and higher financing costs. On this basis, higher investments in property, plant and equipment and a mainly acquisition-related greater increase compared to the previous year in net working capital led to a decrease in free cashflow of 16.0% to CHF 146.6 million.

Financial situation
The financial situation of the Geberit Group has altered markedly following the acquisition of Sanitec. As expected, the equity ratio decreased in comparison to the level at the end of 2014, from 70.6% to 39.5%. The development of net debt (debt less liquid funds) was significantly influenced by the financing of the Sanitec takeover. In addition, the dividend payment to the shareholders in the amount of CHF 310.7 million and the share buyback program contributed to turning the net cash of CHF 739.2 million at the end of 2014 into net debt of CHF 859.6 million according to plan. Despite these dynamics, the financial situation remains very healthy – especially due to the strong cashflow generation.

The General Meeting of April 1, 2015, approved a dividend of CHF 8.30, an increase of 10.7% over that of 2014. The payout ratio of 62.3% of net income is in the upper range of the 50 to 70% corridor defined by the Board of Directors. The attractive distribution policy of previous years was thus upheld, a practice that will remain unchanged following the acquisition of Sanitec.

The Board of Directors decided to resume the share buyback program launched in April 2014 and suspended since the end of July 2014 due to the Sanitec acquisition. By June 30, 2015, 301,000 shares, which corresponds to 16% of the entire program, had been acquired at a sum of CHF 98.2 million. Based on the price of Geberit registered shares at the end of June 2015, the estimated value of the shares to be bought back until the end of the program in April 2016 is approximately CHF 245 million or 2% of the share capital recorded in the commercial register.

[3)] Adjusted: adjusted for costs in connection with the Sanitec acquisition (transaction, integration and one-off financing costs as well as amortization of intangible assets and one-off costs resulting from the inventory revaluation)
[4)] Transaction, integration and one-off financing costs as well as amortization of intangible assets and one-off costs resulting from the inventory revaluation

Number of employees
The Geberit Group employed 12,562 people worldwide as of the end of June 2015. This was 6315 additional people or 101.1% more than at the end of 2014. The largest share of this is attributable to the integration of the Sanitec employees taken over. The number of employees in the existing Geberit business remained virtually unchanged.

Investments in property, plant and equipment
The first six months of 2015 saw investments of CHF 47.5 million (previous year CHF 40.2 million) in property, plant and equipment. The bulk of investments went toward machinery, the procurement of tools and molds for new products as well as building conversions and new building projects.

R&D expenses
Expenditure on research and development (R&D) amounted to CHF 32.9 million (previous year CHF 26.6 million). This corresponds to 2.5% of net sales (previous year 2.4%).

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 announced in October 2014. 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. At the end of the extended acceptance period on March 2, 2015, Geberit held 99.77% of the Sanitec shares. As per February 27, 2015, the Sanitec shares have been delisted. The integration activities launched in the second quarter of 2015 are running according to plan. Operational business is developing as expected.

Outlook for the entire year 2015
The construction industry is expected to remain challenging. 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, 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. In the Far East/Pacific region, the market in China overall is showing a significant downward trend. The outlook for the Middle East and South Africa remains positive. The significantly strengthened Swiss franc is also contributing to the more difficult conditions, with a consequential negative effect on both sales and results. In general, the effects of currency fluctuations on margins 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 currency rebate of 10% was established in the Swiss market at the beginning of February 2015 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.

Despite the tense situation in many European markets and the strong equivalent period in the previous year, the good results achieved by the Geberit Group in the first six months give the company every reason to be confident of achieving solid results for 2015 as a whole. Much importance is furthermore attached to the integration of the Sanitec activities. For 2015, Management expects to achieve currency-adjusted net sales growth of two to three percent for the original Geberit business and currency-adjusted net sales at the previous year's level for the Sanitec business. The margin dilution due to the integration of Sanitec and the effects of the currency rebate in Switzerland will presumably lead to an adjusted operating cashflow margin (adj. EBITDA margin) for the year as a whole of around 26 percent.

Key financial figures as of June 30, 2015

Millions of CHF	1/1 – 6/30/2015	1/1 – 6/30/2014
Net sales	1307.5	1088.9
Change in %	+20.1	+6.3
Change in %, currency-adjusted/organic	+2.5	+7.9
Adj. operating cashflow (EBITDA)	373.2	353.9
Change in %	+5.5	+13.9
Margin in % of net sales	28.5	32.5
Operating cashflow (EBITDA)	329.3	353.9
Change in %	-7.0	+13.9
Adj. operating profit (EBIT)	325.6	315.6
Change in %	+3.2	+16.6
Margin in % of net sales	24.9	29.0
Operating profit (EBIT)	267.8	315.6
Change in %	-15.1	+16.6
Adj. net income	269.5	272.7
Change in %	-1.2	+16.9
Margin in % of net sales	20.6	25.0
Net income	218.5	272.7
Change in %	-19.9	+16.9
Adj. earnings per share (CHF)	7.20	7.25
Change in %	-0.7	+16.9
Earnings per share (CHF)	5.84	7.25
Change in %	-19.4	+16.9

	6/30/2015	12/31/2014
Equity	1357.8	1717.1
Equity ratio in %	39.5	70.6
Net debt	859.6	-739.2
Number of employees	12,562	6247

Please visit our website www.geberit.com as well as our half-year report on www.geberit.com/halfyearreport for additional information.

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