Half-Year Report as of 30 June 2017

Solid results

Geberit AG, Rapperswil-Jona, 17 August 2017

The Geberit Group posted solid results in the first half of 2017. Overall, net sales fell by 0.7% to CHF 1469.3 million in the first six months of the year. However, currency-adjusted net sales in organic terms improved by 2.8%. Adjusted operating profit (adj. EBIT) was down 2.7% to CHF 379.7 million, while adjusted net income declined by 4.0% to CHF 319.9 million. The drop in non-adjusted results was mainly caused by the one-off costs of closing two ceramics production plants in France, amounting to CHF 44 million. The Sanitec integration continues to proceed according to plan. Management expects currency adjusted net sales in organic terms to grow between 3 and 4% for 2017. The adjusted operating cashflow margin for the full year should reach around 28%.

Consolidated net sales

The Geberit Group's net sales decreased by 0.7% to CHF 1469.3 million in the first half of 2017. CHF 24 million in negative currency effects contributed to this figure, as did the sale of Koralle and Varicor. In local currencies and in organic* terms, net sales rose by 2.8%.

Net sales for the second quarter fell by 3.8% to CHF 732.2 million, a drop of 0.8% in currency-adjusted, organic terms. Fewer working days compared to the prior-year quarter were a key factor in this result.

Net sales by market and product area

Europe, the largest region, posted organic growth of 2.2% in local currencies. The Iberian Peninsula (+13.1%), Austria (+8.6%), Central/Eastern Europe (+6.9%) and Italy (+6.4%) made strong gains, with the Benelux Countries (+4.9%), France (+2.2%), the Nordic Countries (+1.8%) and Switzerland (+1.6%) also recording increases. However, net sales were down in the United Kingdom/Ireland (-3.4%) and in Germany (-0.9%). In Germany, capacity constraints of installers in the construction industry inhibited growth. Far East/Pacific (+14.2%) and Middle East/Africa (+12.7%) posted a double-digit improvement. Net sales in America rose by +5.0%.

In the product areas, Sanitary Systems achieved currency-adjusted organic growth of 6.7%. Piping Systems also increased its net sales by 2.1%. However, Sanitary Ceramics declined by 3.5%.

Results

As in previous years, one-off costs related to the Sanitec acquisition had an impact on the Geberit Group's results. Therefore, adjusted figures will be shown and commented on for comparability purposes. Adjusted operating cashflow (adj. EBITDA) slipped by 1.6% to CHF 435.0 million, giving an adjusted EBITDA margin of 29.6% (previous year 29.9%). Adjusted operating profit (adj. EBIT) fell by 2.7% to CHF 379.7 million, equating to an adjusted EBIT margin of 25.8% (previous year 26.4%). The year-on-year decline in operating results was mainly due to higher raw material prices, personnel expenses and depreciation costs. Increased sales volumes, a positive product mix effect, and

* Organic: adjusted for the net sales of the Koralle and Varicor units sold in mid-2016 and early 2017, respectively (CHF 28 million)

synergies from the Sanitec integration had a positive impact. Adjusted net income decreased disproportionately by 4.0% to CHF 319.9 million on account of a higher tax rate related to the closure of two ceramics production plants in France, with an adjusted return on net sales of 21.8% (previous year 22.5%). Adjusted earnings per share were down 3.9% to CHF 8.69 (previous year CHF 9.04).

Negative one-off effects as a result of the Sanitec acquisition/integration amounted to CHF 48 million as regards EBITDA, CHF 65 million as regards EBIT, and CHF 62 million as regards net income. CHF 44 million in costs recorded in the second quarter in relation to the closure of two ceramics production plants in France had a significant impact on these figures. The unions and the relevant authorities have approved the closure.

Negative one-off effects explain the lower net cashflow. Free cashflow fell by 15.3% to CHF 158.3 million, with lower investments in property, plant and equipment offsetting a stronger year-on-year increase in net working capital.

Financial situation
The Geberit Group's financial situation remains very healthy. The equity ratio decreased slightly from 45.4% to 44.4%. As a result of the dividend payment of CHF 368.4 million to shareholders, net debt (debt less liquid funds) increased as planned from CHF 461.2 million as at 31 December 2016 to CHF 688.0 million despite the positive cashflow.

The share buyback programme was announced in March 2017 and began on 6 June 2017. As part of this programme, shares in an aggregate amount of up to CHF 450 million will be repurchased, less withholding tax, over a maximum period of three years. Based on the closing price of Geberit registered shares on 30 June 2017, this corresponds to some 1,000,000 registered shares or 2.7% of the share capital entered in the Commercial Register. The shares will be repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction.

The General Meeting of 5 April 2017 approved a dividend of CHF 10.00, a 19.0% increase over that of 2016. The payout ratio of 63.4% of the adjusted net income is in the upper range of the 50 to 70% corridor defined by the Board of Directors, thus continuing the shareholder-friendly distribution policy.

Number of employees
The Geberit Group employed 11,828 people worldwide at the end of June 2017 (11,592 at the end of 2016).

Investments in property, plant and equipment
The first six months of the year saw investments in property, plant and equipment worth CHF 43.8 million (previous year CHF 57.4 million), with the bulk of this spending going toward machinery, building conversions and new building projects, and the procurement of tools and moulds for new products.

R&D expenses
Research and development (R&D) expenditures amounted to CHF 36.3 million (previous year CHF 33.2 million), equalling 2.5% of net sales (previous year 2.2%).

Status of Sanitec integration
The integration continues to proceed according to plan. In 2017, one focus is on further consolidating the country organisations. We also continue to harmonise systems and processes, in addition to further developing the product range and making ongoing optimisations in ceramics manufacturing.

Changes to the Board of Directors

At the General Meeting of 5 April 2017, Chairman of the Board of Directors Albert M. Baehny was confirmed in office and Eunice Zehnder-Lai elected as a new member of the Board of Directors. The members of the Board of Directors standing for re-election for a further year in office were re-elected. Regi Aalstad was not standing for re-election anymore. The shareholders also approved the appointment of Hartmut Reuter (Chairman), Jørgen Tang-Jensen and Eunice Zehnder-Lai to the Compensation Committee. At the constituting meeting of the Board of Directors after the General Meeting, the following members were appointed to the Audit Committee: Felix R. Ehrat (Chairman), Thomas M. Hübner and Hartmut Reuter. Furthermore, Hartmut Reuter holds the office of Vice Chairman of the Board of Directors.

Outlook for the full year 2017

Overall, demand in the construction industry should remain positive in 2017. Individual regions/markets and construction sectors continue to perform very differently, however. Market conditions are expected to be favourable in the Nordic Countries, Switzerland, Austria, France, the Benelux Countries and the countries of Eastern Europe. Despite healthy demand, growth potential in Germany is severely limited due to capacity constraints of installers. A stable market environment is forecast for Italy, whereas the situation in the United Kingdom remains uncertain as a result of Brexit. In North America, the public sector construction industry – key to Geberit's business – is expected to stagnate, while residential construction is predicted to grow moderately. In the Far East/Pacific region, the Chinese residential construction sector is stabilising, while the business climate in Australia and India is expected to be positive. Construction activity remains at a low level in the Middle East/Africa region due to the depressed oil price. The market environment in South Africa remains stable.

The results of the Geberit Group achieved in the first six months are reason enough to be confident about a solid performance for the full year 2017. The effect of rising raw material prices will continue to present a challenge. Management expects currency-adjusted net sales in organic terms to grow between 3 and 4% for 2017. The adjusted operating cashflow margin (adj. EBITDA margin) for the full year should reach around 28%.

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About Geberit

The globally operating Geberit Group is a European leader in the field of sanitary products. Geberit operates as an integrated group with a very strong local presence in most European countries, providing unique added value when it comes to sanitary technology and bathroom ceramics. The production network encompasses more than 30 production facilities, of which six 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 2.8 billion in 2016. The Geberit shares are listed on the SIX Swiss Exchange and since 2012, have been included in the SMI (Swiss Market Index).

GEBERIT

Key financial figures as of 30 June 2017

Millions of CHF	1/1 – 30/06/2017	1/1 – 30/06/2016
Net sales	1469.3	1479.8
Change in %	-0.7	+13.2
Change in %, currency-adjusted/organic	+2.8	+6.7
Adj. operating cashflow (EBITDA)	435.0	441.9
Change in %	-1.6	+18.4
Margin in % of net sales	29.6	29.9
Operating cashflow (EBITDA)	387.4	438.3
Change in %	-11.6	+33.1
Adj. operating profit (EBIT)	379.7	390.4
Change in %	-2.7	+19.9
Margin in % of net sales	25.8	26.4
Operating profit (EBIT)	314.5	369.5
Change in %	-14.9	+38.0
Adj. net income	319.9	333.2
Change in %	-4.0	+23.6
Margin in % of net sales	21.8	22.5
Net income	258.2	316.3
Change in %	-18.4	+44.8
Adj. earnings per share (CHF)	8.69	9.04
Change in %	-3.9	+25.6
Earnings per share (CHF)	7.01	8.58
Change in %	-18.3	+46.9

	30/06/2017	31/12/2016
Equity	1565.2	1635.2
Equity ratio in %	44.4	45.4
Net debt	688.0	461.2
Number of employees	11,828	11,592

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