Half-Year Report as of 30 June 2018

Successful first half-year with strong earnings growth

Geberit AG, Rapperswil-Jona, 14 August 2018

The Geberit Group posted very good results in the first half of 2018. Overall, sales increased by 11.0% to CHF 1,630 million in the first six months of the year. Currency-adjusted sales improved by 4.3%. Operating cashflow increased by 11.6% to CHF 485 million and adjusted net income grew by 13.1% to CHF 362 million. For 2018 as a whole, Management expects to achieve currency-adjusted sales growth of around 4% and an operating cashflow margin at the previous year's level.

Consolidated sales

In the first half of 2018, the Geberit Group's sales increased by 11.0% to CHF 1,630 million. This includes positive currency effects of CHF 98 million. The increase in local currencies was 4.3%. In the year-on-year comparison, a positive – although still mixed – environment in the construction industry as well as successful market activities by Geberit led to this positive sales growth.

Sales for the second quarter improved by 10.3% to CHF 807 million, an increase of 3.9% in currency-adjusted terms.

Sales by market and product area

Currency-adjusted sales in Europe, the largest region, rose by 3.7% in the first half of the year, with Central/Eastern Europe (+10.7%) posting double-digit growth. The Iberian Peninsula (+9.5%), Italy (+6.8%) as well as Switzerland and the Benelux Countries (each +5.2%) also made strong gains, with Germany (+3.8%), Austria (+2.7%) and France (+0.8%) also recording increases. However, sales were down in the United Kingdom/Ireland (-8.4%) and in the Nordic Countries (-1.5%). Double-digit sales growth was posted in the Far East/Pacific region (+20.5%). Middle East/Africa (+9.5%) and America (+3.6%) also recorded positive sales growth.

In the product areas, sales in local currencies increased by 5.1% in Installation and Flushing Systems, 5.2% in Piping Systems and 2.6% in Bathroom Systems.

Results

In comparison with previous years, the operating cashflow (EBITDA) is no longer impacted in 2018 by one-off costs related to the Sanitec acquisition. For better comparability, adjusted figures are only shown for operating profit and net income, as well as for earnings per share. EBITDA increased by 11.6% to CHF 485 million, which corresponds to an EBITDA margin of 29.8% (adjusted EBITDA margin in 2017: 29.6%). Adjusted operating profit (adj. EBIT) increased by 11.5% to CHF 423 million, which corresponds to an adjusted EBIT margin of 26.0% (previous year 25.8%). The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of the two plants in France in the previous year as well as to continuous enhancements in efficiency, while higher raw material prices as well as tariff- and capacity-related increases in personnel expenses had a negative impact. Due to the optimised natural hedging, currency fluctuations did not have a major impact on the operating margins. Adjusted net income rose – slightly above the level seen in the operating results – by 13.1% to CHF 362 million, with an adjusted return on sales of 22.2% (previous year 21.8%). Adjusted earnings per share grew by 13.9% to CHF 9.90 (previous year CHF 8.69). One-off costs arising from the Sanitec acquisition/integration amounted to CHF 19 million as regards EBIT and CHF 15 million as regards net income.

Despite negative effects from the growth-related increase in net working capital, further payments from the restructuring provisions and higher investments in property, plant and equipment, the considerably higher operating cashflow led to an increase in free cashflow of 19.0% to CHF 191 million.

Financial situation
The Geberit Group's financial situation remains very solid. As a result of the dividend payment and the ongoing share buyback programme, net debt (debt less liquid funds) increased as planned from CHF 483 million as at 31 December 2017 to CHF 783 million despite the positive cashflow. Accordingly, the equity ratio also decreased from 49.1% as at the end of 2017 to 45.9%.

The share buyback programme, launched on 6 June 2017, was continued. As part of this programme, shares to the value of up to CHF 450 million are to be repurchased, less withholding tax, over a maximum period of three years. The shares are repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 30 June 2018, around 380,150 shares, or 1.0% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 166 million, thereof CHF 74 million in the first six months of 2018.

Number of employees
At the end of June 2018, the Geberit Group employed 11,910 people worldwide, which is 201 employees or 1.7% more than at the end of 2017 (11,709). The majority of this is attributable to seasonal increases in employees in the production plants and to various sales companies expanding in connection with specific sales activities.

Investments in property, plant and equipment
CHF 55 million (previous year CHF 44 million) was invested in property, plant and equipment in the first six months of 2018. This equates to 3.4% of sales (previous year 3.0%), with the bulk of this spending used for capacity expansions and to further increase production efficiency.

R&D expenses
Research and development (R&D) expenditures amounted to CHF 38 million (previous year CHF 36 million), equalling 2.3% of sales (previous year 2.5%).

Outlook for the full year 2018
The forecasts for the construction industry have not changed significantly in the first six months of 2018. Overall, the markets should be favourable in 2018. However, the individual regions and sectors will perform differently. In Europe, the recovery should continue. Despite healthy demand, growth potential in Germany is likely to remain limited due to capacity constraints of installers. A favourable market environment is expected for Austria, France and the Benelux Countries, although the indicators for residential construction have weakened in France. The construction industry in Switzerland should remain stable at a high level. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with the market predicted to stagnate overall. The Eastern European markets are also predicted to perform differently, with a positive environment expected in Poland and a stabilisation anticipated in Russia, for example. An easing of the market environment is expected in Italy, whereas a downward trend is foreseeable in the United Kingdom as a result of the uncertainty in relation to Brexit. In North America, a moderate recovery is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with growth in residential construction. In the Far East/Pacific region, the Chinese residential construction sector has been performing better since the beginning of the second half of 2017; the construction industry in Australia is expected to stagnate and the business climate in India is likely to become more challenging. In terms of the Middle East/Africa region, the Gulf States should recover. However, the construction market in South Africa is likely to stagnate.

Fluctuations in the Swiss francs compared to the other important currencies used by the Geberit Group have virtually no impact on operating margins due to natural currency hedging. Uncertainties related to raw material markets have increased but raw material prices are likely to continue to rise in the third quarter of 2018 and exceed their prior-year level in the second half of 2018.

The results achieved by the Geberit Group in the first six months are reason enough to be confident about 2018 as a whole, with positive results, a strong performance across the entire sanitary product business and in all markets and, as in previous years, market share gains. The effect of increased raw material prices will continue to present a challenge. For 2018 as a whole, Management expects to achieve currency-adjusted sales growth of around 4% and an operating cashflow margin at the previous year's level.

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About Geberit

The globally operating Geberit Group is a European leader in the field of sanitary products. Geberit operates with a strong local presence in most European countries, providing unique added value when it comes to sanitary technology and bathroom ceramics. The production network encompasses 30 production facilities, of which 6 are located overseas. The Group is headquartered in Rapperswil-Jona, Switzerland. With around 12,000 employees in around 50 countries, Geberit generated sales of CHF 2.9 billion in 2017. The Geberit shares are listed on the SIX Swiss Exchange and have been included in the SMI (Swiss Market Index) since 2012.

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Key financial figures as of 30 June 2018

Millions of CHF	1/1 – 30/06/2018	1/1 – 30/06/2017
Sales	1630	1469
Change in %	+11.0	-0.7
Change in %, currency-adjusted	+4.3	+2.8
Operating cashflow (EBITDA)	485	435 1)
Change in %	+11.6	-1.6
Margin in % of sales	29.8	29.6
Adj. operating profit (EBIT) 2)	423	380
Change in %	+11.5	-2.7
Margin in % of sales	26.0	25.8
Operating profit (EBIT)	405	315
Change in %	+28.7	-14.9
Adj. net income 2)	362	320
Change in %	+13.1	-4.0
Margin in % of sales	22.2	21.8
Net income	347	258
Change in %	+34.4	-18.4
Adj. earnings per share (CHF) 2)	9.90	8.69
Change in %	+13.9	-3.9
Earnings per share (CHF)	9.49	7.01
Change in %	+35.4	-18.3

	30/06/2018	31/12/2017
Equity	1701	1837
Equity ratio in %	45.9	49.1
Net debt	783	483
Number of employees	11,910	11,709

1) For better comparability with 2018 figures: adjusted for costs in connection with the Sanitec acquisition and integration

2) Adjusted for costs in connection with the Sanitec acquisition and integration

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