

Half-Year Report as of 30 June 2019

Good results in the first half-year

Geberit AG, Rapperswil-Jona, 15 August 2019

The Geberit Group posted good results in the first half of 2019. Overall, sales decreased slightly by 0.2% to CHF 1627 million in the first six months of the year. However, currency-adjusted sales improved by 3.1%. Operating cashflow increased by 3.3% to CHF 501 million, which corresponds to an improvement in the operating cashflow margin of 100 basis points. Net income rose by 0.9% to CHF 365 million – with an increase in return on sales of 20 basis points. For 2019 as a whole, Management expects to achieve currency-adjusted sales growth of 3 to 4% and an operating cashflow margin of 28 to 29%.

Consolidated sales

In the first half of the year, the Geberit Group's sales decreased by 0.2% to CHF 1627 million. This includes negative currency effects of CHF 54 million. In local currencies, there was an increase of 3.1%. In the year-on-year comparison, a challenging but positive environment in the construction industry led to this positive sales growth, with successful market cultivation by Geberit the main factor in this growth.

Sales for the second quarter decreased by 1.3% to CHF 797 million; however, an increase of 2.6% was posted in currency-adjusted terms.

Sales by market and product area

Currency-adjusted sales in Europe, the largest region, rose by 3.2% in the first half of the year. The United Kingdom/Ireland (+10.6%), the Iberian Peninsula (+6.6%), Austria (+5.3%), the Benelux Countries (+5.2%) and Germany (+4.9%) made strong gains, with Switzerland (+2.0%), the Nordic Countries (+1.5%) and France (+0.9%) also recording increases. However, sales were down in Italy (-1.2%) and in Eastern Europe (-0.3%). Double-digit sales growth was posted in the Far East/Pacific region (+11.5%), while America reached the previous year's level (+0.1%) and sales in the Middle East/Africa region were down on the previous year (-4.0%).

In the product areas, sales in local currencies increased by 4.6% in Installation and Flushing Systems and 6.7% in Piping Systems. At -1.7%, sales in Bathroom Systems declined slightly.

Results

The results in 2019 are no longer impacted by one-off costs related to the Sanitec acquisition, which is why adjusted figures will no longer be shown as of the current year. Operating cashflow (EBITDA) increased by 3.3% to CHF 501 million, which corresponds to an EBITDA margin of 30.8% (previous year 29.8%). Operating profit (EBIT) increased by 1.7% to CHF 431 million, which corresponds to an EBIT margin of 26.5% (adjusted EBIT margin in 2018: 26.0%). The increased year-on-year operating results were above all attributable to price increases, higher sales volumes, an improved product mix and slightly lower raw material prices as well as to enhancements in efficiency and high cost discipline. In addition, a change to the IFRS accounting standard had a positive impact on the EBITDA development. Tariff-related increases in personnel expenses and the currency development had a negative impact. Compared with the operating results, net income rose disproportionately by 0.9% to CHF 365 million due to a higher tax rate – with a return on sales of 22.4% (adjusted return on sales in 2018: 22.2%). Earnings per share increased by 2.4% to CHF 10.14.

The higher year-on-year operating cashflow and positive effects from the change in net working capital led to a significant increase in free cashflow of 35.4% to CHF 257 million.

Financial situation

The Geberit Group's financial situation remains very solid. In April 2019, two new CHF bonds of CHF 125 million each were issued. These bonds were used to refinance an expiring bond and optimise the debt maturity structure. Despite the positive cashflow and as a result of the dividend payment and the ongoing share buyback programme, net debt (debt less liquid funds) increased as planned from CHF 555 million as at 31 December 2018 to CHF 773 million. At 46.1%, the equity ratio increased slightly in comparison with the value after the first half of the previous year (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 2019, around 702,000 shares, or 1.9% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 296 million, thereof CHF 19 million in the first six months of 2019.

Number of employees

At the end of June 2019, the number of people employed at the Geberit Group remained stable at 11,633 people worldwide (11,630 at the end of 2018). A reduction in production, which was primarily attributable to the termination of the remaining employment relationships as part of the closure of two ceramics plants in 2017, was offset by an increase in personnel in various sales companies.

Investments in property, plant and equipment

CHF 52 million (previous year CHF 55 million) was invested in property, plant and equipment in the first six months of 2019. This equates to 3.2% of sales (previous year 3.4%), with the bulk of this spending used for capacity expansions as well as to modernise and thus further increase production efficiency.

R&D expenses

Research and development (R&D) expenditures amounted to CHF 39 million (previous year CHF 38 million), equalling 2.4% of sales (previous year 2.3%).

Outlook for the full year 2019

The forecasts for the current year for the construction industry have not changed significantly in the first six months of 2019. The environment will remain challenging due to an increase in volatility and the slowdown of construction activity in individual markets. However, the individual regions and sectors will perform differently. The assessment of construction activity in Europe remains positive as a whole. Despite healthy demand, growth potential in Germany is likely to remain limited due to capacity constraints of installers. A favourable market environment can be seen in Austria and the Benelux Countries, although with weaker growth momentum. A stagnating market environment is expected in Italy and in France. The construction industry in Switzerland is set to decline slightly, but from a high level. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with the market environment predicted to stagnate overall in the best case. A downward trend is expected in the United Kingdom. The Eastern European markets are also performing differently, with a positive environment in Poland and a weak environment in Russia and Turkey, for example. In North America, modest growth is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with a decrease in residential construction. In the Far East/Pacific region, the Chinese residential construction sector should continue to perform positively; the construction industry in Australia is expected to decline, while the situation in India is viewed positively. The Middle East/Africa region is characterised by a weak market environment in the Gulf and the construction market in South Africa is stagnating. Uncertainties related to raw material markets are still high and make an outlook difficult. After higher raw material prices in the second quarter, a stable raw material price level is expected overall in the third quarter.

The objective for the Geberit Group in 2019 is to perform strongly across the entire product range and in all markets and, as in previous years, to gain market shares. For 2019 as a whole, Management

expects to achieve currency-adjusted sales growth of 3 to 4% and an operating cashflow margin of 28 to 29%.

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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 29 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 sales of CHF 3.1 billion in 2018. The Geberit shares are listed on the SIX Swiss Exchange and have been included in the SMI (Swiss Market Index) since 2012.

Key financial figures as of 30 June 2019

Millions of CHF	1/1 – 30/06/2019	1/1 – 30/06/2018
Sales	1627	1630
Change in %	-0.2	+11.0
Change in %, currency-adjusted	+3.1	+4.3
Operating cashflow (EBITDA)	501	485
Change in %	+3.3	+11.6
Margin in % of sales	30.8	29.8
Operating profit (EBIT)	431	423 ¹⁾
Change in %	+1.7	+11.5
Margin in % of sales	26.5	26.0
Net income	365	362 ¹⁾
Change in %	+0.9	+13.1
Margin in % of sales	22.4	22.2
Earnings per share (CHF)	10.14	9.90 ¹⁾
Change in %	+2.4	+13.9
	30/06/2019	31/12/2018
Equity	1685	1745
Equity ratio in %	46.1	49.8
Net debt	773	555
Number of employees	11,633	11,630

1) For better comparability with 2019 figures: 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.