



# Half-Year Report 2008

Geberit Group

 **GEBERIT**

## Key Figures First Half of 2008

|                             |         |
|-----------------------------|---------|
|                             | MCHF    |
| Sales                       | 1,291.6 |
| Change in %                 | -1.5    |
| Operating cashflow (EBITDA) | 364.2   |
| Change in %                 | +5.1    |
| Margin in %                 | 28.2    |
| Operating profit (EBIT)     | 324.6   |
| Change in %                 | +6.3    |
| Margin in %                 | 25.1    |
| Net income                  | 255.8   |
| Change in %                 | +12.3   |
| Margin in %                 | 19.8    |
| Net cashflow                | 312.0   |
| Change in %                 | +9.5    |
| Free cashflow               | 124.4   |
| Change in %                 | +12.0   |
|                             | CHF     |
| Earnings per share          | 6.51    |
| Change in %                 | +13.2   |
|                             | MCHF    |
| Net debt                    | -4.5    |
| Gearing in %                | -0.3    |
| Equity                      | 1,308.7 |
| Equity ratio in %           | 61.7    |
| Number of employees         | 5,679   |

## To our Shareholders

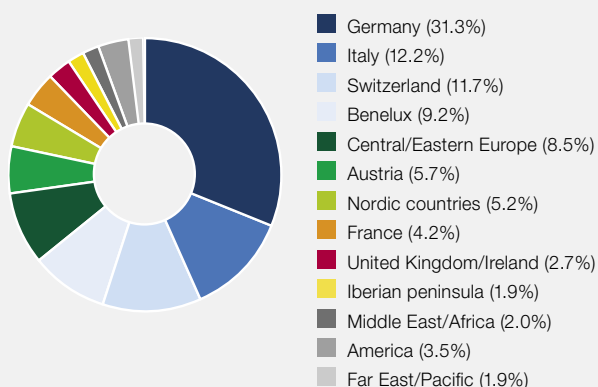
The Geberit Group has achieved very gratifying results in the first half of 2008. Sales development was characterized by strong performance in Geberit's developing and growth markets as well as by declines in the major markets Germany and Italy. This resulted in a decline in sales of 1.5% to CHF 1,291.6 million in Swiss francs and a slight rise of 2.7% in local currencies and adjusted for disinvestments. Operating cashflow (EBITDA) improved by 5.1% to CHF 364.2 million, operating profit (EBIT) grew by 6.3% to CHF 324.6 million. Net income reached CHF 255.8 million, corresponding to an increase of 12.3%. For 2008 as a whole, the Management expects currency-adjusted and organic sales growth in line with medium-term targets of four to six percent, operating results at the high level of prior years and a comparatively overproportionate increase in earnings per share.

### Consolidated sales

In the first six months of 2008, sales of the Geberit Group were CHF 1,291.6 million compared to CHF 1,311.2 million in the prior year. This corresponds to a decrease of 1.5% in Swiss francs. Currency losses had a significant influence on this figure. Expressed in local currencies, there was a slight increase of 0.9%. In currency-adjusted and organic terms, growth amounted to 2.7%.

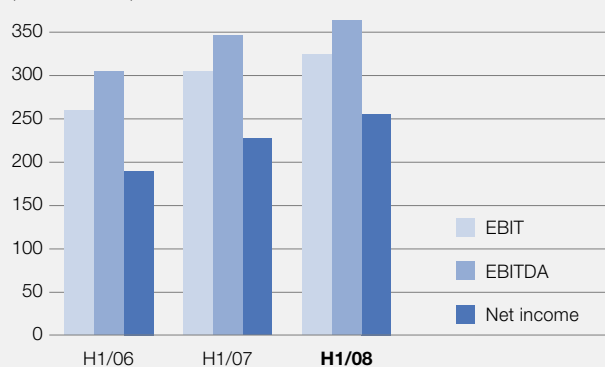
Sales in the second quarter rose by 2.1% following a drop of 4.9% in the prior quarter. Expressed in local currency and adjusted for business areas disinvested in 2007, the increase was an impressive 7.2% compared to -1.5% in the first quarter of 2008.

Sales by markets as of June 30, 2008



EBIT, EBITDA, Net income 2006–2008

(in CHF million)



## Sales by markets and product areas

Currency-adjusted and organic growth in Europe was 1.9% with very widely varying developments in the individual markets. Extremely dynamic growth was achieved in the United Kingdom/Ireland (+50.4%), Central/Eastern Europe (+16.4%), the Nordic countries (+13.6%), France (+12.9%), as well as the Benelux countries (+9.6%). Switzerland (+5.6%) and Austria (+1.9%) also posted growth. Sales on the Iberian peninsula remained at the prior year's level. On the other hand, the two largest markets, Italy (-2.3%) and Germany (-8.2%), reported a decline in sales. The regions Far East/Pacific (+32.1%) and Middle East/Africa (+22.2%) succeeded in building on their positive results of the prior year. At -0.8%, developments in America remained encouraging in view of the difficult economic climate.

Sales in the sanitary systems product area rose by 3.4% (currency-adjusted and organically 5.9%) to CHF 738.3 million. The piping systems product area, on the other hand, saw sales fall by 7.3% (currency-adjusted and organically -1.4%) to CHF 553.3 million.

## Earnings situation

The profitability of operating business activities showed a very gratifying development in the first half of 2008. The slight drop in sales was more than compensated for by positive product-mix and net-price effects as well as strict cost management. Operating cashflow (EBITDA) improved by 5.1% compared to the prior year to CHF 364.2 million. The EBITDA margin rose from 26.4% to 28.2%. Operating profit (EBIT) increased by 6.3% to CHF 324.6 million, equating to an EBIT margin of 25.1% compared with 23.3% in the prior year. The improved financial result and a considerably lower tax rate led to a 12.3% rise in net income to CHF 255.8 million. The return on sales rose accordingly, from 17.4% in the prior year to 19.8%. Earnings per share improved slightly overproportionately compared with net income by 13.2% to CHF 6.51.

## Financial situation

The financial situation remained very solid. Compared with the year-end 2007, the positive net cash amount fell by CHF 171.7 million to CHF 4.5 million as planned, as a result, among other things, of the ongoing share buyback program. The equity ratio rose slightly from 61.1% as of the end of 2007 to 61.7%.

## Number of employees

As of the end of June 2008, the Geberit Group had a total of 5,679 employees worldwide. This was 335 or 6.3% more than at the end of 2007. The main reasons behind this increase were a substantial expansion in directly productive personnel in various plants – mainly

in China and in Slovenia – in order to cope with the higher sales volumes and increases in sales staff in the United Kingdom.

### Investments in property, plant and equipment

Investments in property, plant and equipment in the first half of 2008 totaled CHF 57.1 million (prior year CHF 29.3 million). The reasons for the considerably higher investment volume compared to the prior year were primarily the expansion of infrastructure in production and logistics already announced as well as – to a lesser extent – increased investments in machineries, tools, and research and development.

### R&D expenses

Expenses for research and development (R&D) rose slightly to CHF 23.9 million (prior year CHF 23.0 million), equivalent to 1.9% of sales. This figure includes a series of major, ongoing R&D projects.

### Share buyback

At the beginning of 2008, the Management decided to implement a share buyback program. Via a separate trading line, shares with a total value of a maximum of 5% of the share capital recorded in the Commercial Register are to be repurchased, less withholding tax. As of June 30, 2008, 73.1% of the entire buyback volume – equivalent to CHF 231.9 million – had been repurchased at an average price of CHF 153. The expected buyback volume is around CHF 310 million.

### Changes on the Board of Directors

The General Meeting held on April 30, 2008, elected Hartmut Reuter, CEO of the Rieter Group, as a new member of the Board of Directors to replace the former Chairman of the Board of Directors, Kurt E. Feller, who has retired after reaching the age limit specified in the articles of incorporation.

### Outlook for the entire year 2008

The uncertain development in many important markets with a general downward tendency and the very volatile trend in raw material prices continue to make forecasts for the entire year very difficult. Geberit is assuming a general weakening of the building sector in Western Europe as well as continued unclouded development in Eastern Europe, Asia and the Middle East. The situation in North America will remain unsatisfactory, above all in the residential construction sector. For 2008 as a whole, the Management expects currency-adjusted and organic sales growth in line with medium-term targets of four to six percent, operating results at the high level of prior years and a comparatively overproportionate increase in earnings per share.

August 12, 2008



Günter F. Kelm  
Chairman



Albert M. Baehny  
CEO

# Geberit Group

## Condensed Consolidated Balance Sheets

|   | 30.6.2008      | 31.12.2007     | 30.6.2007      |
|---|----------------|----------------|----------------|
|   | MCHF           | MCHF           | MCHF           |
| <b>Assets</b>                                 |                |                |                |
| Cash and cash equivalents                     | 180.7          | 450.1          | 119.0          |
| Accounts receivable                           | 302.6          | 178.9          | 283.1          |
| Inventories                                   | 215.5          | 226.3          | 218.4          |
| <b>Total current assets</b>                   | <b>698.8</b>   | <b>855.3</b>   | <b>620.5</b>   |
| Property, plant and equipment                 | 537.3          | 529.3          | 532.5          |
| Deferred tax assets                           | 42.5           | 48.9           | 64.9           |
| Financial assets and other non-current assets | 37.7           | 36.0           | 35.1           |
| Goodwill and intangible assets                | 804.5          | 828.8          | 845.7          |
| <b>Total non-current assets</b>               | <b>1,422.0</b> | <b>1,443.0</b> | <b>1,478.2</b> |
| <b>Total assets</b>                           | <b>2,120.8</b> | <b>2,298.3</b> | <b>2,098.7</b> |
| <b>Liabilities and equity</b>                 |                |                |                |
| Short-term debt                               | 2.5            | 2.9            | 2.5            |
| Trade accounts payable                        | 101.8          | 93.3           | 114.3          |
| Tax liabilities and tax provisions            | 111.1          | 78.8           | 96.7           |
| Other current provisions and liabilities      | 121.5          | 143.2          | 103.1          |
| <b>Total current liabilities</b>              | <b>336.9</b>   | <b>318.2</b>   | <b>316.6</b>   |
| Long-term debt                                | 173.7          | 271.0          | 279.1          |
| Deferred tax liabilities                      | 77.6           | 80.1           | 89.6           |
| Other non-current provisions and liabilities  | 223.9          | 224.6          | 226.8          |
| <b>Total non-current liabilities</b>          | <b>475.2</b>   | <b>575.7</b>   | <b>595.5</b>   |
| <b>Total equity</b>                           | <b>1,308.7</b> | <b>1,404.4</b> | <b>1,186.6</b> |
| <b>Total liabilities and equity</b>           | <b>2,120.8</b> | <b>2,298.3</b> | <b>2,098.7</b> |

## Consolidated Income Statements

|  | Quarter 1.4.–30.6. |              | Six months 1.1.–30.6. |                |
|--|--------------------|--------------|-----------------------|----------------|
|  | 2008               | 2007         | 2008                  | 2007           |
|  | MCHF               | MCHF         | MCHF                  | MCHF           |
| Sales  | 648.5              | 635.0        | 1,291.6               | 1,311.2        |
| Cash discounts and customer bonuses          | 73.1               | 71.5         | 145.9                 | 148.3          |
| <b>Revenue from sales</b>                    | <b>575.4</b>       | <b>563.5</b> | <b>1,145.7</b>        | <b>1,162.9</b> |
| Cost of materials                            | 189.5              | 208.5        | 381.4                 | 416.7          |
| Personnel expenses                           | 119.7              | 122.4        | 234.8                 | 239.7          |
| Depreciation expense                         | 18.2               | 18.0         | 35.9                  | 36.2           |
| Amortization of intangible assets            | 1.9                | 2.6          | 3.7                   | 5.1            |
| Other operating expenses, net                | 87.7               | 82.0         | 165.3                 | 159.9          |
| Total operating expenses, net                | 417.0              | 433.5        | 821.1                 | 857.6          |
| <b>Operating profit (EBIT)</b>               | <b>158.4</b>       | <b>130.0</b> | <b>324.6</b>          | <b>305.3</b>   |
| Finance costs, net                           | 0.2                | 3.5          | (2.4)                 | 7.1            |
| Profit before income tax expenses            | 158.2              | 126.5        | 327.0                 | 298.2          |
| Income tax expenses                          | 32.7               | 28.7         | 71.2                  | 70.4           |
| <b>Net income from continuing operations</b> | <b>125.5</b>       | <b>97.8</b>  | <b>255.8</b>          | <b>227.8</b>   |
| Net income from discontinued operations      | 0.0                | 0.0          | 0.0                   | 0.0            |
| <b>Net income</b>                            | <b>125.5</b>       | <b>97.8</b>  | <b>255.8</b>          | <b>227.8</b>   |
| – Attributable to shareholders               | 125.5              | 97.8         | 255.8                 | 227.8          |

# Geberit Group

## Statement of Comprehensive Income

|  | Quarter 1.4.–30.6. |              |       |              | Six months 1.1.–30.6. |              |       |              |
|--|--------------------|--------------|-------|--------------|-----------------------|--------------|-------|--------------|
|  | 2008               |              | 2007  |              | 2008                  |              | 2007  |              |
|  | MCHF               | MCHF         | MCHF  | MCHF         | MCHF                  | MCHF         | MCHF  | MCHF         |
| Net income according to the income statement           |                    | 125.5        |       | 97.8         |                       | 255.8        |       | 227.8        |
| Other comprehensive income, net of tax:                |                    |              |       |              |                       |              |       |              |
| a) Cumulative translation adjustments                  |                    |              |       |              |                       |              |       |              |
| Gain/(Loss) arising during the year                    | 22.6               |              | 23.3  |              | (42.1)                |              | 32.5  |              |
| Tax  | (0.3)              |              | (0.4) |              | 0.2                   |              | (0.5) |              |
| Total cumulative translation adjustments, net of tax   |                    | 22.3         |       | 22.9         |                       | (41.9)       |       | 32.0         |
| b) Cashflow hedge accounting                           |                    |              |       |              |                       |              |       |              |
| Gain/(Loss) arising during the year                    | 1.7                |              | 1.4   |              | 1.9                   |              | 2.0   |              |
| Tax  | (0.5)              |              | (0.5) |              | (0.6)                 |              | (0.7) |              |
| Total cashflow hedge accounting, net of tax            |                    | 1.2          |       | 0.9          |                       | 1.3          |       | 1.3          |
| <b>Total comprehensive income for the current year</b> |                    | <b>149.0</b> |       | <b>121.6</b> |                       | <b>215.2</b> |       | <b>261.1</b> |
| – Attributable to shareholders                         |                    | 149.0        |       | 121.6        |                       | 215.2        |       | 261.1        |

## Condensed Consolidated Statements of Equity

|                                     | Attributable to the shareholders |                          |                 |                   |                  |                              |            | Minority interest | Total equity |
|-------------------------------------|----------------------------------|--------------------------|-----------------|-------------------|------------------|------------------------------|------------|-------------------|--------------|
|                                     | Ordinary shares                  | Capital in excess of par | Treasury shares | Retained earnings | Hedge accounting | Cum. translation adjustments |            |                   |              |
|                                     | MCHF                             | MCHF                     | MCHF            | MCHF              | MCHF             | MCHF                         | MCHF       |                   |              |
| <b>Balance at December 31, 2006</b> | <b>4.2</b>                       | <b>356.0</b>             | <b>(236.2)</b>  | <b>901.9</b>      | <b>(4.6)</b>     | <b>44.6</b>                  | <b>0.0</b> | <b>1,065.9</b>    |              |
| Total comprehensive income 2007     |                                  |                          |                 | 227.8             | 1.3              | 32.0                         |            | 261.1             |              |
| Dividends                           |                                  |                          |                 | (159.0)           |                  |                              |            | (159.0)           |              |
| Other, net                          |                                  | 15.8                     | 2.8             |                   |                  |                              |            | 18.6              |              |
| <b>Balance at June 30, 2007</b>     | <b>4.2</b>                       | <b>371.8</b>             | <b>(233.4)</b>  | <b>970.7</b>      | <b>(3.3)</b>     | <b>76.6</b>                  | <b>0.0</b> | <b>1,186.6</b>    |              |
| <b>Balance at December 31, 2007</b> | <b>4.2</b>                       | <b>369.2</b>             | <b>(247.8)</b>  | <b>1,206.3</b>    | <b>(1.8)</b>     | <b>74.3</b>                  | <b>0.0</b> | <b>1,404.4</b>    |              |
| Total comprehensive income 2008     |                                  |                          |                 | 255.8             | 1.3              | (41.9)                       |            | 215.2             |              |
| Dividends                           |                                  |                          |                 | (206.9)           |                  |                              |            | (206.9)           |              |
| (Purchase)/Sale of treasury shares  |                                  | 4.3                      | (224.2)         |                   |                  |                              |            | (219.9)           |              |
| Convertible Bond                    | 0.1                              | 103.9                    |                 | 14.3              |                  |                              |            | 118.3             |              |
| Other, net                          |                                  | (2.4)                    |                 |                   |                  |                              |            | (2.4)             |              |
| <b>Balance at June 30, 2008</b>     | <b>4.3</b>                       | <b>475.0</b>             | <b>(472.0)</b>  | <b>1,269.5</b>    | <b>(0.5)</b>     | <b>32.4</b>                  | <b>0.0</b> | <b>1,308.7</b>    |              |

## Condensed Consolidated Statements of Cashflows

|   | Quarter 1.4.–30.6. |                | Six months 1.1.–30.6. |                |
|---|--------------------|----------------|-----------------------|----------------|
|   | 2008               | 2007           | 2008                  | 2007           |
|   | MCHF               | MCHF           | MCHF                  | MCHF           |
| <b>Net cash from operating activities</b>           | <b>156.6</b>       | <b>140.1</b>   | <b>189.3</b>          | <b>146.5</b>   |
| (Acquisitions)/disposals of subsidiaries, net       | (0.1)              | 0.5            | 1.6                   | (14.4)         |
| Purchase of PP&E and intangible assets              | (39.8)             | (17.6)         | (57.1)                | (29.3)         |
| Proceeds from sale of PP&E and intangible assets    | 0.6                | 4.5            | 1.1                   | 6.3            |
| Other, net  | 5.3                | 2.1            | 7.9                   | 9.7            |
| <b>Net cash from/(used in) investing activities</b> | <b>(34.0)</b>      | <b>(10.5)</b>  | <b>(46.5)</b>         | <b>(27.7)</b>  |
| Repayments of borrowings                            | (0.2)              | (30.2)         | (3.1)                 | (53.3)         |
| Proceeds from borrowings                            | 30.0               | 30.0           | 30.1                  | 30.0           |
| Dividends   | (206.9)            | (159.0)        | (206.9)               | (159.0)        |
| (Purchase)/Sale of treasury shares                  | (66.5)             | 7.0            | (215.4)               | 0.3            |
| Other, net  | (6.5)              | (7.1)          | (6.8)                 | (8.9)          |
| <b>Net cash from/(used in) financing activities</b> | <b>(250.1)</b>     | <b>(159.3)</b> | <b>(402.1)</b>        | <b>(190.9)</b> |
| Effects of exchange rates on cash                   | 5.2                | 6.2            | (10.1)                | 8.7            |
| <b>Net increase/(decrease) in cash</b>              | <b>(122.3)</b>     | <b>(23.5)</b>  | <b>(269.4)</b>        | <b>(63.4)</b>  |
| Cash and cash equivalents at beginning of period    | 303.0              | 142.5          | 450.1                 | 182.4          |
| <b>Cash and cash equivalents at end of period</b>   | <b>180.7</b>       | <b>119.0</b>   | <b>180.7</b>          | <b>119.0</b>   |

# Annex to the Half-Year Report

## General

The financial figures published were determined in accordance with the same valuation principles as the audited financial statements as at December 31, 2007. With the exception of the balance sheet as at December 31, 2007, the figures are unaudited. The half-year report is prepared in accordance with the requirements of IAS 34.

In accordance with the requirements of IAS 18, the Group reclassified the outbound freight costs and some smaller cost positions, which formerly have been part of „sales deductions“, newly to „other operating expenses, net“. In accordance with IAS 8 this mistake was also corrected for the previous year figures. Therefore, the position „sales deductions“ was renamed to „cash discounts and customer bonuses“ and decreased by MCHF 52.7 (PY: MCHF 52.0). The positions „other operating expenses, net“ and „revenue from sales“ have increased accordingly.

In connection with the antitrust case „Bathroom Fittings and Fixtures“ from the European Community Commission which has been pending since 2004, Geberit was asked in April 2008 to submit certain sales information. From Geberit's point of view the complaints raised against Geberit are not justified. Geberit still expects that the pending proceedings will not significantly influence its financial situation or operating results. However, based on the currently available information, a reliable forecast as to the proceedings' outcome cannot be made yet. The Commission's decision is expected to be issued by the end of 2008 / beginning of 2009. As at June 30, 2008, no provision for a possible fine out of this antitrust case was booked.

Geberit considered the changes in the capital market regarding the recognition of actuarial gain and losses according to IAS 19 for the half-year closing. There is no need for an adjustment.

As at the balance sheet date, 27,858 (thereof in 2008: 24,923) fractions of the Convertible Bond at a nominal value of MCHF 139.3 (thereof in 2008: MCHF 124.6) were converted into 1,402,792 (thereof in 2008: 1,255,061) shares. As at June 30, 2008, the total number of issued Geberit shares therefore amounts to 43,002,792 and the carrying amount of the Convertible Bond to MCHF 29.3.

## Distribution

The general meeting has resolved a distribution of a dividend of CHF 5.20 for the year 2007. The dividend distribution took place on May 6, 2008.

## Effect of new IFRS standards

The revised standard IAS 1 – Presentation of Financial Statements – published in the 3<sup>rd</sup> quarter 2007 was early adopted by the Group in 2008. Mainly the „Statement of Comprehensive Income“ has been changed accordingly. The standard has no impact on the consolidated half-year figures. IFRS 8 – Operating Segments – was published in November 2006 and will be effective for accounting periods beginning on or after January 1, 2009. The Group does not plan an early adoption of the standard. Geberit introduced IFRIC 14 as at January 1, 2008, and evaluated the surplus situation in its pension plans as at January 1, 2007, according to IFRIC 14. Based on this evaluation, the funding surplus attributable to the employer represents an economic benefit for the Group and is therefore capitalized in the balance sheet accordingly.

## Changes in Group organization and events after the balance sheet date

The Geberit Group has sold its Buechler Werkzeugbau AG subsidiary. The deconsolidation will take place by the end of August 2008. Buechler reported a high single-digit sales figure for 2007, largely to customers outside the Geberit Group.

## Treasury shares

In the course of the share buyback program 2008, 1,520,600 shares were repurchased at a total amount of MCHF 231.9 as of the end of June 2008. This corresponds to an average price of CHF 152.52 per share. On a net basis, the number of shares held in treasury increased by 1,437,698 to 3,466,267 against 31 December 2007.

## Segment information

| Segment information   | Switzerland | Germany | Italy | Other major European markets | Other European markets | Other markets | Corporate functions | Total   |
|-----------------------|-------------|---------|-------|------------------------------|------------------------|---------------|---------------------|---------|
|                       | MCHF        | MCHF    | MCHF  | MCHF                         | MCHF                   | MCHF          | MCHF                | MCHF    |
| <b>1.1.–30.6.2008</b> |             |         |       |                              |                        |               |                     |         |
| Intersegment sales    | 178.0       | 386.5   | 24.2  | 46.5                         | 12.5                   | 5.2           |                     |         |
| External sales        | 151.6       | 403.2   | 157.1 | 282.7                        | 200.9                  | 96.1          |                     | 1,291.6 |
| Revenue from sales    | 136.7       | 336.2   | 144.4 | 256.1                        | 179.5                  | 92.8          |                     | 1,145.7 |
| Segment result        | 84.8        | 130.5   | 17.0  | 29.0                         | 12.9                   | 5.7           | 44.7                | 324.6   |
| <b>1.1.–30.6.2007</b> |             |         |       |                              |                        |               |                     |         |
| Intersegment sales    | 148.2       | 357.2   | 20.8  | 51.1                         | 12.6                   | 3.4           |                     |         |
| External sales        | 143.6       | 446.4   | 163.3 | 283.9                        | 176.3                  | 97.7          |                     | 1,311.2 |
| Revenue from sales    | 128.4       | 372.6   | 150.1 | 259.9                        | 158.6                  | 93.3          |                     | 1,162.9 |
| Segment result        | 73.2        | 127.4   | 17.9  | 34.0                         | 9.1                    | 3.3           | 40.4                | 305.3   |

## Corporate Calendar

### 2008

|  |            |
|--|------------|
| Interim report 3 <sup>rd</sup> quarter | 30 October |
|--|------------|

### 2009

|  |            |
|--|------------|
| First information on the year 2008     | 20 January |
| Media and analysts' conference         | 12 March   |
| Interim report 1 <sup>st</sup> quarter | 29 April   |
| Annual general meeting                 | 30 April   |
| Dividend payment                       | 6 May      |

(Subject to minor changes)

This half-year report is published in German and English. The German version is binding. Please find further information on half-year results 2008 at [www.geberit.com](http://www.geberit.com). The annual report 2007 is available in German and English.

The statements in this review relating to matters that are not historical facts are forward-looking statements that are not guarantees of future performance and involve risks and uncertainties, including but not limited to: future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors and other factors beyond the control of the company.

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