

Ad hoc announcement pursuant to Art. 53 LR

Quarterly report as of 30 September 2022

Good results after nine months

Geberit AG, Rapperswil-Jona, 3 November 2022

In a continued demanding environment in the first three quarters of 2022, the Geberit Group posted good results. Net sales increased by 1.4% to CHF 2,725 million. Adjusted for highly negative currency effects, the increase was 8.2%. Following record results in the previous year, operating cashflow decreased by 14.2% to CHF 767 million, which corresponds to an operating cashflow margin of 28.1%. Net income decreased by 17.1% to CHF 541 million – with a return on net sales of 19.9%. For 2022 as a whole, Management expects mid to high single-digit growth in net sales in local currencies and an EBITDA margin of around 27%.

Consolidated net sales

In the first nine months of 2022, net sales for the Geberit Group increased by 1.4% to CHF 2,725 million. This increase was strongly affected by negative currency effects of CHF 184 million. Local currencies saw growth of 8.2%. This significantly above-normal growth was driven by sales price increases and stable volumes, which reached an all-time record level in the prior year due to the home improvement trend triggered by COVID-19. However, the successful launches of new products and strong growth in emerging markets outside of Europe had a positive effect on volume growth.

Net sales in the third quarter reached CHF 791 million, which is equivalent to a decline of 7.5% compared to the same quarter in the previous year. After currency adjustments, however, an increase of 1.6% was achieved, which was positively impacted by price increases. Volumes declined by 8%. This development was caused by the anticipated reduction in wholesale inventories due to the extraordinary price increases. However, these were stronger than expected. In addition, the renovation segment no longer benefitted from the home improvement trend triggered by COVID-19. In some European countries, there was also a shift in demand from sanitary to heating solutions due to the energy crisis.

Net sales by market and product area

Despite a strong equivalent period in the previous year, the *European markets* recorded positive growth rates in all countries and regions in the first nine months of 2022. As a whole, these markets grew by +7.8% after currency adjustments. Double-digit growth was posted in Italy (+16.7%), the Iberian Peninsula (+14.7%), Eastern Europe (+14.2%) and United Kingdom/Ireland (+12.7%). Pleasing growth rates were also experienced in Switzerland (+6.7%), the Nordic countries (+6.4%), Germany (+6.0%), France (+5.5%), Austria (+4.4%) and the Benelux countries (+4.1%). The *Middle East/Africa* region continued to grow very strongly at +29.5%. Growth was also achieved in *America* (+5.8%) as well as in the *Far East/Pacific* region (+7.3%) which was negatively affected by lockdowns and the slowdown of building construction activity in China.

In the product areas, *Piping Systems* saw significant double-digit growth of +13.6% after currency adjustments due to larger price increases and the successful launch of the new FlowFit piping system, while *Installation and Flushing Systems* grew by +7.2%. In *Bathroom Systems*, the increase in net sales was slightly lower at +4.2% due to the strong base effect from the previous year and comparatively lower price increases.

Results

Inflationary pressure continued in the third quarter of 2022. Although raw material prices trended sideways at a high level, energy prices in particular recorded unexpectedly strong growth in the third quarter with +184% in comparison with the same quarter in the previous year. The inflationary pressure of raw material and energy prices on the margin was, however, almost completely offset by price increases of 10%. In contrast, the margin was negatively impacted by volumes declining due to the reduction of inventories at wholesalers and costs returning to normal levels after the COVID-19 pandemic.

In the first nine months of 2022, the currency-adjusted prices for raw materials and energy rose by 21% and 131%, respectively, which resulted in additional costs of CHF 210 million. Due to the multi-level distribution channel seen in the sanitary industry, adjustments to the sales price can only be implemented with a delay, meaning it was not yet possible to fully compensate the higher raw material and energy prices in the first three quarters of 2022. Tariff-related increases in personnel expenses and the normalisation of the cost level after the COVID-19 pandemic also had a negative effect on operating margins. Operating cashflow (EBITDA) fell from its record level in the previous year, declining by 14.2% to CHF 767 million, which corresponds to an EBITDA margin of 28.1% (previous year 33.3%). Adjusted for negative foreign currency effects, the drop in EBITDA was 7.5%. Operating profit (EBIT) decreased by 16.0% to CHF 653 million, corresponding to an EBIT margin of 24.0% (previous year 28.9%). A financial result slightly below the level seen in the previous year and a higher tax rate led to a decline in net income of 17.1% to CHF 541 million, which corresponds to a return on net sales of 19.9% (previous year 24.3%). By comparison, earnings per share saw a less than proportional decrease of 15.2% to CHF 15.62 due to the positive impact of the accelerated share buyback programme.

Free cashflow decreased by 32.8% to CHF 412 million, which was primarily due to the strong negative currency effect, lower operating cashflow and negative effects from the changes in net working capital. Investments were at the same level as in the same period of the previous year.

Financial situation

The Geberit Group's financial situation remains very solid. The lower free cashflow and increased speed of the share buyback programme led to a planned increase in net debt (debt less liquid funds) by CHF 461 million to CHF 831 million compared with the figures after the first nine months of the previous year. The equity ratio decreased accordingly to 39.0% (previous year 52.7%).

Following the distribution of dividends in spring of this year and the accelerated share buyback programme, CHF 881 million was distributed to shareholders in the first nine months of 2022.

Outlook for the full year 2022

The ongoing geopolitical risks and the uncertainties in relation to the COVID-19 pandemic make it very difficult to provide an outlook. Macroeconomic risks have increased due to record-breaking inflation and higher interest rates. In addition, as a result of the improved situation in the supply chains, a further reduction in wholesale inventories can be assumed. In the fourth quarter, raw material prices relevant to Geberit are expected to fall slightly from the very high level seen in the third quarter, while energy prices in the fourth quarter are expected to be below the record prices seen in the third quarter.

As a result of weaker sales growth and operating margins in the third quarter – driven by the unexpectedly large extent of destocking at the wholesale level and the unexpectedly strong increase in energy prices – Management is forecasting mid to high single-digit net sales growth in local currencies and an EBITDA margin of around 27% for the full year 2022. This prudent outlook is shaped by the prevailing high macroeconomic uncertainties.

Geberit is very well equipped and positioned to meet current challenges and has repeatedly demonstrated in the past that as a company it is able to emerge stronger from crises and environments of high uncertainty and risk. Despite the significant uncertainties, Management's high level of confidence in the strong constitution of the Geberit Group is reflected in the very high distributions to shareholders in the first nine months of 2022, which totalled approximately CHF 880 million and equated to around 6% of the Geberit Group's current market capitalisation. Management is convinced that it can continue to achieve its medium-term targets of average annual net sales growth in local currencies of 4% to 6% and an average EBITDA margin of 28% to 30%.

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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 26 production facilities, of which 4 are located overseas. The Group is headquartered in Rapperswil-Jona, Switzerland. With around 12,000 employees in approximately 50 countries, Geberit generated net sales of CHF 3.5 billion in 2021. 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 September 2022

Millions of CHF	1/1 – 30/09/2022	1/1 – 30/09/2021
Net sales	2,725	2,688
Change in %	+1.4	+18.8
Change in %, currency-adjusted	+8.2	+17.0
Operating cashflow (EBITDA)	767	894
Change in %	-14.2	+23.1
Margin in % of net sales	28.1	33.3
Operating profit (EBIT)	653	777
Change in %	-16.0	+26.8
Margin in % of net sales	24.0	28.9
Net income	541	653
Change in %	-17.1	+29.6
Margin in % of net sales	19.9	24.3
Earnings per share (CHF)	15.62	18.41
Change in %	-15.2	+30.9
	30/09/2022	30/09/2021
Equity	1,412	2,020
Equity ratio in %	39.0	52.7
Net debt	831	370
	30/09/2022	31/12/2021
Number of employees	11,796	11,809

Please visit our website www.geberit.com for additional information.