



## Mid-Year Report 2010



## Key figures as per 30 June

million CHF	Corporation		GF Piping Systems		GF Automotive		GF AgieCharmilles	
	2010	2009	2010	2009	2010	2009	2010	2009
Order intake	1 844	1 365	617	563	839	549	388	253
Orders on hand	556	439	70	70	349	272	137	97
Sales	1 691	1 448	584	529	781	626	326	293
EBITDA	149	19	87	55	65	4		-39
EBIT before special charges	73	-63	65	30	20	-44	-7	-46
Special charges		59		10		39		6
EBIT	73	-122	65	20	20	-83	-7	-52
Net profit/(loss)	41	-139						
Investments <sup>1</sup>	37	75	18	20	17	51	1	1
Free cash flow	-6	-125						
Return on sales (EBIT margin) % <sup>2</sup>	4.3	-4.4	11.1	5.7	2.6	-7.0	-2.1	-15.7
Return on invested capital (ROIC) %	7.2	-13.2	16.1	4.1	6.6	-23.5	-4.5	-21.5
Number of employees	12 423	13 015	4 513	4 490	5 351	5 523	2 411	2 855

1 Investments equal the purchase cost of property, plant and equipment and intangible assets acquired.

2 In the year 2009 based on EBIT before special charges.

## Mid-Year Report of Georg Fischer Ltd as per 30 June 2010

# Strong improvement in sales and profitability

During the first half of 2010, all three Corporate Groups of Georg Fischer were able to capitalise on a clear market recovery, especially in Asia. Thanks to the resulting turnover growth, which improved our plants' load, and also thanks to our low cost base after the comprehensive restructuring of 2009, profitability improved considerably. Sales were overall 17 percent above the previous year (23% in local currencies), and operating profit (EBIT) reached CHF 73 million against a loss of CHF 122 million in the first half of 2009. The structural programme announced in May 2009 has now been almost completed and the cost base sustainably reduced well in line with the initial objective.

Georg Fischer generated sales of CHF 1,691 million in the first half of 2010, compared to CHF 1,448 million in the same period of 2009. Adjusted for currency fluctuations and changes in the scope of consolidation, the growth amounts to 23 percent. GF Piping Systems grew overall by 10 percent despite a long and cold winter in Europe, which affected its infrastructure business. GF Automotive grew 25 percent as vehicle manufacturers ramped up production in the first half year after reducing stocks in 2009. Order intake at GF AgieCharmilles also grew substantially as customers started to invest again, especially in the booming economies of Asia and Latin America.

Operating profit (EBIT) before special charges rose by CHF 136 million to CHF 73 million, corresponding to an EBIT margin of 4.3 percent. There were no additional restructuring costs to book in the first six months of 2010. The appreciation of the Swiss franc led to a negative impact on EBIT of CHF 13 million. Net profit amounted to CHF 41 million and earnings per share improved to CHF 9 (previous year: CHF -35).

Total assets grew to CHF 3.1 billion. This is a consequence of the strong sales growth and the increase in cash. Trade accounts receivable rose by CHF 137 million to CHF 568 million, whereas inventories remained almost unchanged at CHF 600 million. Our cash position has been expanded by CHF 156 million mainly on account of the issuance of a bond in April. Free cash flow came to CHF -6 million compared to CHF -125 million in June 2009.

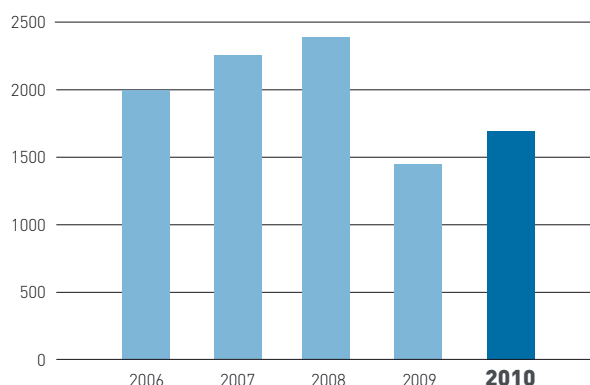
Financing is on a very solid base. The Corporation successfully issued a 3<sup>3</sup>/<sub>8</sub> percent bond 2010-2016 in the amount of CHF 200 million, improving the maturity profile considerably. Net debt stands at CHF 485 million, considerably lower than

CHF 702 million at mid-year 2009. The equity ratio is down to 36 percent due to currency impacts and the growth of total assets (end of 2009: 40%).

### Cost base clearly lowered

The programme to reduce operational costs sustainably by CHF 350 million (compared to the 2008 base) by 2012 has been largely implemented, thus greatly lowering our cost base. Since short-time work was greatly reduced during the first half of 2010, most of the savings are now of a sustainable nature. Overall 2,100 jobs have been reduced compared to our objective of 2,300. On the other hand, new plants were brought on stream in Asia, especially at GF Piping Systems and GF Automotive, adding approximately 250 employees to the payroll in that booming region.

Sales January to June  
million CHF



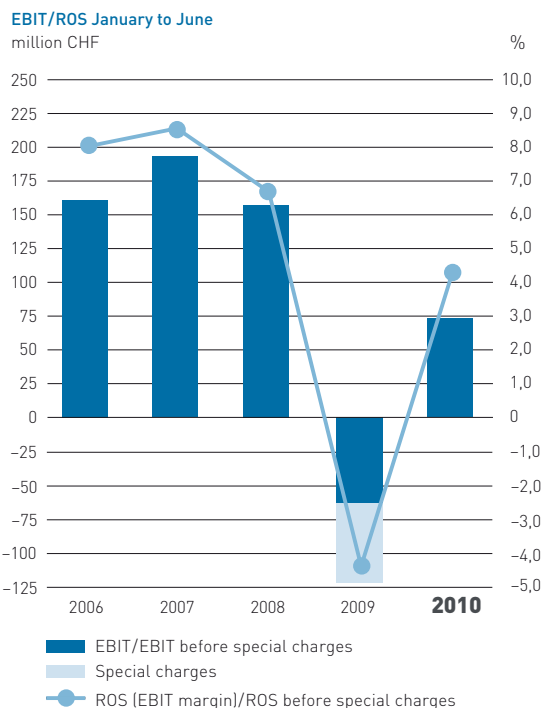
### Corporate Groups

**GF Piping Systems** reported sales of CHF 584 million for an increase of 10 percent compared to the previous year (14% adjusted for currency fluctuations). Sales in Asia sharply increased on the back of strong demand in all sectors, whilst demand in America also clearly recovered. In Europe, the growth pattern was more uneven, with export-oriented industrial applications fast picking up, but infrastructure and building-related revenues stagnating. Operating profit came to CHF 65 million, more than doubling the previous year's figure of CHF 30 million for a double-digit ROS of 11 percent.

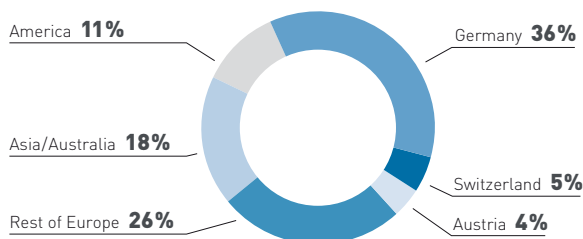
A new 20,000 sqm plant will be inaugurated in Beijing in August dedicated to the production of pipes for the residential construction sector. This will bring the total amount of manufacturing facilities in Asia to twelve at GF Piping Systems, in effect a doubling of the footprint in the last five years.

**GF Automotive** benefited from the substantial production increase of its key customers especially in the premium and mid-range car business. Sales went up 25 percent (in local currencies 35%) against a decline of almost 50 percent in the first half of 2009. EBIT turned positive at CHF 20 million against a loss before special charges of CHF 44 million in the first six months of 2009. Foundries in Europe are now running at higher capacity than the previous year but are still far from the peak levels of 2007/2008. The two Chinese plants are themselves operating at full capacity and being expanded in order to meet the rising demand in that country.

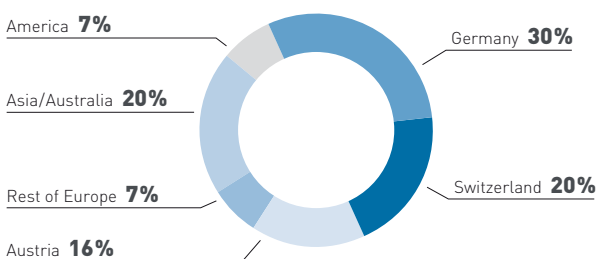
**GF AgieCharmilles** Order intake at GF AgieCharmilles went up 53 percent compared to the very low first half of 2009 (-58%). Customers in Asia resumed their investments in machine tools, as the production of mobile phones, light-emitting diodes (high efficient light) and other electronic devices rose strongly. In the USA and in Europe, orders have also been recovering in recent months as customer confidence slowly returns. Sales went up a more modest 11 percent as production had to be ramped up from very low levels but the backlog is back to higher levels, a good sign for the second half of 2010. The operational result is still negative at CHF -7 million, a major improvement however over the large operational loss of CHF 46 million of the first half of last year. The restructuring has been completed with the Swiss production of EDM machines concentrated in one site. The production in China of EDM and milling machines is also being steadily increased in line with the growing importance of that region.



**Sales 2010 by region (in %)**  
(100% = CHF 1691 million)



**Employees 2010 by region (in %)**  
(100% = 12 423)



## Outlook

The overall market outlook is by and large positive, but with significant regional differences. Demand in Asia is particularly strong and Georg Fischer fully participates in this growth thanks to the investments made in 2009 and earlier. Demand in America is on a good trend as well. In Europe, industrial activity is also rebounding. This is particularly true for the export-oriented sectors, including the car industry, whereas domestic demand may remain subdued.

However, given the remaining uncertainties in the markets, costs and cash outlays will continue to be strictly managed.

Assuming that demand continues to recover and currency markets stabilise, the company expects in the second half-year of 2010 a similar result as in the first half.

The strategy and the mid-term financial goals of Georg Fischer remain unchanged. The Corporation will continue to invest in the growth markets, especially in Asia, increase its innovation tempo and develop its less cyclical activities, in particular GF Piping Systems.

*Martin Huber*

Martin Huber  
Chairman of the Board of Directors

Yves Serra  
President and CEO



## Statement of financial position

million CHF	Notes	30 June 2010	%	31 Dec. 2009	%
Investment properties		39		41	
Property, plant and equipment for own use		971		1 065	
Intangible assets		273		277	
Other financial assets		7		8	
Deferred tax assets		53		56	
<b>Non-current assets</b>	(2.1)	<b>1 343</b>	<b>43</b>	1 447	50
Inventories <sup>1</sup>		600		614	
Trade accounts receivable		568		431	
Income taxes receivable		13		15	
Other accounts receivable <sup>1</sup>		97		87	
Marketable securities		6		5	
Cash and cash equivalents		472		316	
<b>Current assets<sup>1</sup></b>	(2.2)	<b>1 756</b>	<b>57</b>	1 468	50
<b>Assets<sup>1</sup></b>		<b>3 099</b>	<b>100</b>	2 915	100
Share capital		82		82	
Share premium		182		181	
Retained earnings		821		844	
<b>Equity attributable to shareholders of Georg Fischer Ltd</b>		<b>1 085</b>	<b>35</b>	1 107	38
Non-controlling interests		41	1	45	2
<b>Equity</b>	(2.3)	<b>1 126</b>	<b>36</b>	1 152	40
Bank liabilities	(2.5)	135		127	
Bonds	(2.5)	494		297	
Deferred tax liabilities		72		73	
Provisions		69		76	
Employee benefits		146		160	
Other non-current liabilities		12		17	
<b>Non-current liabilities</b>		<b>928</b>	<b>30</b>	750	25
Bank liabilities	(2.5)	134		164	
Bonds	(2.5)	157		157	
Provisions		53		77	
Employee benefits		37		42	
Trade accounts payable		312		274	
Current tax liabilities		57		38	
Other current liabilities <sup>1</sup>		295		261	
<b>Current liabilities<sup>1</sup></b>		<b>1 045</b>	<b>34</b>	1 013	35
<b>Liabilities<sup>1</sup></b>	(2.4)	<b>1 973</b>	<b>64</b>	1 763	60
<b>Liabilities and equity<sup>1</sup></b>		<b>3 099</b>	<b>100</b>	2 915	100

<sup>1</sup> Certain previously reported figures were adjusted to conform with the current year's presentation, for details see "Corporate accounting principles".

## Income statement

million CHF	Notes	Jan. – June 2010	%	Jan. – June 2009	%	Jan. – Dec. 2009	%
<b>Gross sales</b>		<b>1 725</b>		1 483		2 975	
Sales deductions		-34		-35		-69	
<b>Sales</b>	(3.1)	<b>1 691</b>	<b>100</b>	1 448	100	2 906	100
Other operating income		15		26		51	
<b>Income<sup>1</sup></b>		<b>1 706</b>	<b>101</b>	1 474	102	2 957	102
Cost of materials and products		-786		-637		-1 326	
Changes in inventory <sup>1</sup>		-18		-68		-79	
Operating expenses		-293		-285		-553	
<b>Gross value added</b>		<b>609</b>	<b>36</b>	484	33	999	34
Personnel expenses		-460		-465		-893	
<b>EBITDA</b>		<b>149</b>	<b>9</b>	19	1	106	4
Depreciation		-71		-75		-152	
Amortisation		-5		-7		-12	
<b>EBIT before special charges</b>		<b>73</b>	<b>4</b>	-63	-4	-58	-2
Restructuring expenses				-59		-90	
Impairment on goodwill						-53	
<b>EBIT</b>	(3.2)	<b>73</b>	<b>4</b>	-122	-8	-201	-7
Interest income	(3.3)	1		1		2	
Interest expense	(3.3)	-20		-15		-35	
Other financial result	(3.3)			-1		-7	
Result of investment properties				3		4	
Share of results of associates				2		1	
<b>Profit/(loss) before taxes</b>		<b>54</b>	<b>3</b>	-132	-9	-236	-8
Income taxes	(3.3)	-13		-7		-2	
<b>Net profit/(loss)</b>	(3.4)	<b>41</b>	<b>2</b>	-139	-10	-238	-8
thereof attributable to shareholders of Georg Fischer Ltd		37		-141		-246	
thereof attributable to non-controlling interests		4		2		8	
Basic earnings/(loss) per share in CHF	(3.4)	9		-35		-61	
Diluted earnings/(loss) per share in CHF	(3.4)	9		-35		-61	

1 The line "Changes in inventories" is not reported within "Income" anymore. The previously reported figures have been adjusted.

## Statement of comprehensive income

million CHF	Jan. – June 2010	Jan. – June 2009	Jan. – Dec. 2009
<b>Net profit</b>	<b>41</b>	-139	-238
Other comprehensive income:			
Translation adjustments recognised in the reporting period	-63	28	-3
Cumulated translation adjustments transferred to the income statement		1	4
Changes in fair value of cash flow hedges recognised in the reporting period	3		
Income taxes on other comprehensive income	-1		
<b>Other comprehensive income, net of taxes</b>	<b>-61</b>	29	1
<b>Total comprehensive income</b>	<b>-20</b>	-110	-237
thereof attributable to shareholders of Georg Fischer Ltd	-23	-112	-244
thereof attributable to non-controlling interests	3	2	7

## Statement of changes in equity

million CHF	Share capital	Share premium	Cumulative translation adjustments	Cash flow hedging	Other retained earnings	Retained earnings	Equity shareholders Georg Fischer Ltd	Non-controlling interests	Equity
<b>Balance as per 31 December 2008</b>	101	167	-150	1 238	1 088	1 356	48	1 404	
<b>Net profit/(loss)</b>				-141	-141	-141	2	-139	
Other comprehensive income:									
Translation adjustments recognised in the reporting period			28		28	28		28	
Cumulated translation adjustments transferred to the income statement			1		1	1		1	
<b>Other comprehensive income, net of taxes</b>			29		29	29		29	
<b>Total comprehensive income</b>			29	-141	-112	-112	2	-110	
Disposal of own shares	1	11				12		12	
Share-related compensation		2				2		2	
Capital increase non-controlling interests							2	2	
Reduction in par value/dividends	-20					-20	-12	-32	
<b>Balance as per 30 June 2009</b>	82	180	-121	1 097	976	1 238	40	1 278	
<b>Balance as per 31 December 2009</b>	82	181	-148	992	844	1 107	45	1 152	
<b>Net profit</b>				37	37	37	4	41	
Other comprehensive income:									
Translation adjustments recognised in the reporting period			-62		-62	-62	-1	-63	
Changes in fair value of cash flow hedges recognised in the reporting period				3	3	3		3	
Income taxes on other comprehensive income				-1	-1	-1		-1	
<b>Other comprehensive income, net of taxes</b>			-62	2	-60	-60	-1	-61	
<b>Total comprehensive income</b>			-62	2	37	-23	3	-20	
Share-related compensation		1				1		1	
Reduction in par value/dividends							-7	-7	
<b>Balance as per 30 June 2010</b>	82	182	-210	2 1 029	821	1 085	41	1 126	

## Statement of cash flows

million CHF	Notes	Jan. – June 2010	Jan. – June 2009	Jan. – Dec. 2009
Net profit/(loss)		41	-139	-238
Income taxes		13	7	2
Financial result		19	15	40
Depreciation		71	75	152
Amortisation		5	7	12
Impairment on goodwill				53
Non-cash restructuring expenses			51	32
Other non-cash income and expenses		-14	27	25
Increase in provisions, net		7	8	52
Use of provisions		-31	-29	-51
Changes in				
Inventories <sup>1</sup>		6	127	191
Trade accounts receivable		-168	22	133
Other accounts receivable <sup>1</sup>		-12	10	29
Trade accounts payable		52	-187	-111
Other non-interest-bearing liabilities <sup>1</sup>		61	-5	-32
Interest paid		-7	-17	-36
Income taxes paid		-14	-17	-11
<b>Cash flow from operating activities</b>		<b>29</b>	<b>-45</b>	<b>242</b>
Additions to				
Property, plant and equipment		-35	-72	-148
Intangible assets		-2	-3	-3
Other financial assets		-1	-1	-1
Disposals of				
Property, plant and equipment			4	12
Other financial assets		2	1	1
Cash flow from acquisitions			-10	-9
Cash flow from divestitures				-1
Interest received		1	1	1
<b>Cash flow from investing activities</b>		<b>-35</b>	<b>-80</b>	<b>-148</b>
<b>Free cash flow</b>	(4)	<b>-6</b>	<b>-125</b>	<b>94</b>
Purchase of own shares				-2
Disposal of own shares			12	16
Capital increase non-controlling interests			2	2
Par value reduction/dividends paid		-7	-32	-33
Issue of bonds	(2.5)	197		297
Repayment of bonds			-200	-218
Increase of bank loans		5	340	358
Repayment of bank loans		-50	-10	-298
Changes in other interest-bearing liabilities (mainly current bank accounts)		20	-62	-131
<b>Cash flow from financing activities</b>		<b>165</b>	<b>50</b>	<b>-9</b>
Translation adjustment on cash and cash equivalents		-3	2	-2
<b>Net cash flow</b>		<b>156</b>	<b>-73</b>	<b>83</b>
Cash and cash equivalents at beginning of year		316	233	233
<b>Cash and cash equivalents at end of period</b>		<b>472</b>	<b>160</b>	<b>316</b>

1 Certain previously reported figures were adjusted to conform with the current year's presentation, for details see "Corporate accounting principles".

## Corporate accounting principles

### Basis of preparation of the consolidated interim financial statements

The consolidated interim financial statements are those of Georg Fischer Ltd and all Swiss and foreign subsidiaries in which it holds – either directly or indirectly – more than 50% of the voting rights or for which it has operational and financial management responsibility. Those entities are fully consolidated. Joint ventures in which Georg Fischer Ltd has a direct or indirect participation of 50%, or where the Georg Fischer Corporation exercises joint control, are included in the consolidated financial statements using the proportionate consolidation method. Investments in associates in which the Georg Fischer Corporation has a non-controlling interest of at least 20% but less than 50% or over which it otherwise has significant influence, are included in the consolidated financial statements using the equity method of accounting. The consolidated interim financial statements cover the six-month period ended 30 June 2010 (hereafter “the interim period”) and are prepared in accordance with the International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”. These consolidated interim financial statements do not include all the notes contained in the consolidated annual financial statements, and for that reason should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009.

The consolidated interim statements were approved by the Board of Directors on 15 July 2010.

The accounting principles applied in the interim financial statements are consistent with those used in the 2009 annual report, except where noted in the following paragraph:

Effective 1 January 2010 Georg Fischer adopted the newly issued IFRIC 17 “Distributions of non-cash assets to owners” as well as the revised IFRS 3 “Business combinations”, IAS 27 “Consolidated and separate financial statements”, IAS 39 “Financial instruments: Recognition and measurement” and IFRS 2 “Share-based payment”. The adoption had no effect on the consolidated interim financial statements.

Georg Fischer uses cash flow hedges to mitigate foreign currency risks of highly probable anticipated future export sales. As of 1 January 2010 Georg Fischer applies “Hedge-Accounting” in the sense of IAS 39 for these cash flow hedges. The effective part of the changes in fair value of hedging instruments is recognised in comprehensive income, while any inefficient part is recognised immediately in the income statement. When the hedged item results in the recognition of an asset or a liability the gains or losses previously recognised in the comprehensive income are transferred to the income statement at the same time as the hedged transaction.

### Adjustment of previously reported figures

Starting with this report paid and received prepayments are disclosed in the statement of financial position in the lines “Other receivables” and “Other current liabilities” instead of “Inventories”. In order to conform with the current period’s presentation, the previously reported figures were reclassified.

The adjustments on the concerned lines of the statement of financial position are as follows:

million CHF	31 Dec. 2008	30 June 2009	31 Dec. 2009
Inventories	29	20	37
Other accounts receivable	13	14	12
Other current liabilities	42	34	49

For the statement of cash flows translation adjustments on the changes of the balance sheet items have been eliminated.

### Standards that have been approved but not yet applied

The following new and revised standards and interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements. Their impact on the consolidated financial statements of Georg Fischer has not yet been systematically analysed. However, a preliminary assessment has been conducted by management and the expected impact of each standard and interpretation is presented in the following table.

Standard / Interpretation		Effective date	Date planned for adoption by Georg Fischer
<b>New Standards and Interpretations</b>			
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	*	1 July 2010	Financial year 2011
IFRS 9 – Financial Instruments	***	1 January 2013	Financial year 2013
<b>Revised Standards and Interpretations</b>			
IAS 24 (rev. 2009) – Related party disclosures	**	1 January 2011	Financial year 2011
IAS 32/IAS 1 – Financial Instruments: Presentation/Presentation of Financial Statements (Classification of Rights Issues)	*	1 February 2010	Financial year 2011
IFRS 1 – First-time Adoption of IFRS	*	1 July 2010	n/a
IFRIC 14 – Prepayments of a Minimum Funding Requirement	*	1 January 2011	Financial year 2011
Various – Improvements to IFRSs (May 2010)	***	1 July 2010 1 January 2011	Financial year 2011

\* No impact or no significant impact is expected on the consolidated financial statements.

\*\* The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentation.

\*\*\* The impact on the consolidated financial statements can not yet be determined with sufficient reliability.

The preparation of the consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the consolidated interim financial statements. If in future such estimates and assumptions, which are based on management's best judgement at the date of the consolidated interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the reporting period in which the circumstances change. Estimates and assumptions made by the management in the consolidated interim financial statements are not different from those made in the consolidated financial statements for the year ended 31 December 2009.

Income tax expense is recognised based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

## Notes to the consolidated interim financial statements

### Segment information as per 30 June

million CHF	GF Piping Systems		
	2010	2009	2008
Order intake	617	563	655
Orders on hand at end of period <sup>1</sup>	70	70	35
<b>Sales<sup>2</sup></b>	<b>584</b>	529	622
EBITDA	87	55	93
Depreciation	19	20	18
Amortisation	3	5	3
EBIT before special charges	65	30	72
Restructuring expenses		10	
<b>EBIT</b>	<b>65</b>	20	72

In accordance with IFRS 8 the operative segments consist of the three Corporate Groups GF Piping Systems, GF Automotive and GF AgieCharmilles.

1 In 2008 change of definition for GF Automotive.

2 Sales between segments are insignificant.

### Reconciliation to the segment information as per 30 June

million CHF	2010	2009	2008
<b>Sales</b>			
Total sales for reportable segments	1 691	1 448	2 383
Other sales			
Elimination of intercompany sales			
<b>Consolidated sales</b>	<b>1 691</b>	1 448	2 383
<b>EBIT</b>			
Total EBIT for reportable segments	78	-115	164
Other EBIT	-5	-7	-7
Elimination of intercompany profits			
Other unallocated amounts			
<b>Consolidated EBIT</b>	<b>73</b>	-122	157
Interest income	1	1	2
Interest expense	-20	-15	-17
Other financial result		-1	-3
Result of investment properties		3	
Share in the result from associated companies		2	
<b>Profit/(loss) before taxes</b>	<b>54</b>	-132	139

GF Automotive			GF AgieCharmilles			Total segments		
2010	2009	2008	2010	2009	2008	2010	2009	2008
839	549	1 206	388	253	598	1 844	1 365	2 459
349	272	941	137	97	205	556	439	1 181
<b>781</b>	626	1 214	<b>326</b>	293	547	<b>1 691</b>	1 448	2 383
65	4	123	0	-39	28	152	20	244
44	46	49	6	7	7	69	73	74
1	2	2	1		1	5	7	6
20	-44	72	-7	-46	20	78	-60	164
	39			6			55	
<b>20</b>	-83	72	<b>-7</b>	-52	20	<b>78</b>	-115	164

## 1 Changes in scope of consolidation

In the period under review there have been no changes in the scope of consolidation.

## 2 Statement of financial position

Total assets increased by CHF 184 million or 6 % to CHF 3.1 billion compared with year-end 2009. The increase was fuelled in particular by the growth in current assets owing to higher sales and by the strong rise in liquidity.

### 2.1 Non-current assets

Non-current assets declined by CHF 104 million, which was due mainly to exchange rate factors and not primarily to divestments or a massive cutback in investments. As a result of the depreciation of the euro versus the Swiss franc, carrying amounts in the euro countries declined by CHF 81 million.

### 2.2 Current assets

Current assets rose to CHF 1.76 billion, up 20 % from the beginning of the year. This marks an increase of CHF 288 million. Sales growth was responsible for a corresponding increase in accounts receivable. Inventories were maintained at a relatively low level. In addition, liquidity was increased substantially by CHF 156 million to CHF 472 million, owing to the issuance of a CHF 200 million 3<sup>3</sup>/<sub>8</sub> % bond 2010–2016. Liquidity will be reduced when the remaining CHF 157 million from the 3<sup>1</sup>/<sub>2</sub> % bond which falls due in September of this year is repaid.

## 2.3 Equity

Equity fell by CHF 26 million compared with the end of 2009. Despite the positive result and the absence of a dividend payout, equity declined, essentially because of the impact of currency effects. Owing to the significant changes in exchange rates compared with end-2009, the translation of the foreign subsidiaries' equity into Swiss francs resulted in a CHF 63 million decline in equity.

This factor, plus the increase in total assets, resulted in a decline in the equity ratio from 40 % end-2009 to 36 % in the period under review.

## 2.4 Liabilities

The maturity profile of the Corporation's liabilities has substantially improved owing to the issuance of the CHF 200 million 3<sup>3</sup>/<sub>8</sub> % bond 2010–2016. Non-current liabilities increased by about CHF 180 million.

In the period under review, restructuring provisions amounting to CHF 16 million were used. No new restructuring provisions were accrued.

Current liabilities include the CHF 175 million 3<sup>1</sup>/<sub>2</sub> % bond that falls due in September 2010. Since bonds with a par value of CHF 18 million have already been repurchased in 2009 on the secondary market, the portion of this bond remaining on the balance sheet amounts to CHF 157 million. The growth in sales led to a corresponding increase in trade accounts receivable, which rose by CHF 38 million to CHF 312 million.

## 2.5 Financing

The issuance of a CHF 200 million 3<sup>3</sup>/<sub>8</sub>% bond in April 2010 has put the Corporation's financing on a more solid footing. Here-with net debt is completely covered by medium and long-term liabilities. In view of this new situation, the syndicated loan, which is more expensive than the bond, was reduced by CHF 220 million to CHF 200 million. This loan is not being used at present.

### Net debt

million CHF	30 June 2010	31 Dec. 2009
Banks	269	291
Bonds	651	454
Employee benefits	37	42
Other interest-bearing liabilities	6	6
<b>Interest-bearing liabilities</b>	<b>963</b>	<b>793</b>
Marketable securities	6	5
Cash and cash equivalents	472	316
<b>Net debt</b>	<b>485</b>	<b>472</b>

Net debt as at 30 June 2010 stood at CHF 485 million, an increase of CHF 13 million compared with end-December 2009. The increase is due largely to the negative free cash flow of CHF 6 million and dividends paid to minority shareholders. Georg Fischer's funding requirements are highly seasonal. As a result, net debt at end-June is always relatively high. In 2009, net debt at the half-year point stood at CHF 702 million.

## 3 Income statement

The income statement structure was adjusted last year for the period covering the implementation of the structural programme. In order to create transparency regarding one-off costs, a "Special charges" line was introduced. This line clearly separates out charges arising from the restructuring measures. EBIT before special charges reflects the operating result. EBIT includes all costs, including the charges for restructuring.

### 3.1 Sales

Sales in the first half rose sharply by 17% to CHF 1.69 billion. In comparison with end-December 2009, there were no effects stemming from the change in the scope of consolidation. Sales in the first half of 2009 included the CHF 19 million generated by the light-metal foundry in Gleisdorf, Austria, which has since been divested. Exchange rates shaved 4% (CHF 63 million) off sales. Adjusted for changes in the scope of consolidation, the real sales increase in local currencies was 23%.

### 3.2 EBIT

Unlike in the first half of 2009, when the result was heavily impacted by the restructuring measures, these had no effect in the period under review. Only costs that were covered by provisions accrued in the previous period were incurred. The EBIT trend was driven by the increase in volume and the restructuring effects which are reflected in the cost structure, even though not all the measures have exerted their full impact as yet. In view of the effects achieved to date, Georg Fischer is confident to be able to achieve the goal of sustainable cost savings of CHF 350 million versus the 2008 business year.

EBIT came to CHF 73 million, compared with the operating loss of CHF 63 million before exceptional charges reported in the same period the previous year. GF Piping Systems is already back at a high earnings level. GF Automotive has returned to profit, while GF AgieCharmilles is still in the red operationally, although the operating result has improved by about CHF 40 million. The Corporation posted an EBIT margin of 4.3%.

Exchange rate factors had a negative effect on the result, especially at GF Piping Systems. The overall negative impact of currency movements on EBIT came to CHF 13 million in the first half. The principal factor was the euro's depreciation against the Swiss franc.

### 3.3 Financial result and taxes

Interest expense was higher than the previous year despite the lower net debt, since the costs for the bonds issued in the last twelve months are higher than the costs for the used credit-lines under the old syndicated loan. In addition, the high levels of liquidity which Georg Fischer is holding in view of the repayment of a bond in September of this year had an effect on gross debt and hence on interest expense. At the same time, earnings from the investment of the liquidity were minimal.

Taxes for the first half came to CHF 13 million. The tax rate is 24%.

### 3.4 Net profit/(loss) and earnings/(loss) per share

Net profit came to CHF 41 million, a huge improvement of CHF 180 million. For the shareholders of Georg Fischer Ltd, this amounts to earnings per share of CHF 9 (previous year: loss per share of CHF 35).

#### 4 Free cash flow

Free cash flow came to CHF –6 million (previous year: CHF –125 million). This marked a considerable improvement over the previous year. The result is all the more remarkable since net working capital was up sharply as a consequence of the growth in sales revenue. Moreover, Georg Fischer's business is very seasonal, which means that its funding requirements are substantially higher in the first half than in the second six-month period.

#### 5 Events after the balance sheet date

There were no events between 30 June 2010 and 15 July 2010 that would require an adjustment to the carrying amounts of assets and liabilities or need to be disclosed under this heading.

**Disclaimer**

The statements in this publication relating to matters that are not historical facts are forward-looking statements that are not guarantees of future performance and involve risks, uncertainties and other factors beyond the control of the company.

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