

A strong rebound in sales and profitability

Georg Fischer emerged stronger from the economic downturn and capitalized in 2010 on the worldwide economic recovery. Sales went up 19 percent to CHF 3.45 billion in 2010. Adjusted for adverse currency effects, top line growth reached 27 percent. All three Corporate Groups showed a double-digit increase in sales. GF Automotive and GF AgieCharmilles, which had suffered the most from the 2009 recession, went up 23 percent and 25 percent respectively, whilst GF Piping Systems saw its top line rise by ten percent.

Sales grew unevenly in regional terms. Asia registered the biggest increase with 37 percent against 24 percent in the Americas and 14 percent in Europe. Headcount increased by 427 to 12,908 employees globally mainly on account of growth and new investments in Asia in the three Corporate Groups.

Personnel costs were held at the previous year's low level. The increase in sales could therefore be fully leveraged. Following an operating loss of CHF 58 million in 2009, Georg Fischer generated in 2010 an operating profit of CHF 180 million (5.2 percent EBIT margin), despite currency losses amounting to CHF 38 million.

All three Corporate Groups generated a clearly positive operational result. GF Automotive and GF AgieCharmilles swung back to black figures and GF Piping Systems even achieved a record result in 2010. We are pleased to have reached this important milestone, but we are well aware that further efforts are needed in order to meet our own expectations and those of our stakeholders.

The net result amounted to CHF 108 million (previous year CHF -238 million), and free cash flow also increased to CHF 150 million from CHF 94 million in 2009. Given the much improved results and cash flows achieved in 2010, the Board of Directors proposes to the Annual Shareholders Meeting a dividend of 10 CHF per share, to be made in the form of a par value repayment.

Structural program successfully completed by mid 2010

The comprehensive structural program launched by the Corporation in the first half of 2009 yielded the announced sustainable cost savings of CHF 350 million. Moreover, divestments of about CHF 50 million were achieved, as planned. In

particular, the Corporation sold for CHF 29 million the Meyrin (Switzerland) production facility of GF AgieCharmilles in November 2010, after the production of EDM machines had been successfully transferred to Losone (Switzerland) in the summer of 2010.

Continuity and stability as key assets

GF has mastered on its own the sharpest economic downturn of recent generations. Full credit is due for this to a motivated workforce and a high teamspirit but also to the trust placed in Georg Fischer by all its stakeholders, customers, investors, banks and suppliers.

Many industrial corporations like GF are particularly affected by economic cycles. Trust in the company is therefore a crucial factor for its stability and entrepreneurial success. The Board of Directors will in the future continue to foster and preserve this trust in an autonomous and independent Corporation.

All three Corporate Groups contribute to the positive result

GF Piping Systems reported sales of CHF 1.18 billion, an increase of ten percent versus 2009. In local currencies, the increase amounted to 16 percent. Business volume increased sharply in Asia. Demand in the US also picked up whereas growth remained uneven in Europe. In Northern Europe, demand was gratifying, but markets in South and Eastern Europe were flat.

Despite a significant adverse currency impact, operating profit went up 71 percent to CHF 137 million (EBIT margin 11.6 percent) against CHF 80 million in 2009 (EBIT Margin 7.5 percent).

The new products launched at the beginning of 2010, diaphragm valves, water turbidity and chlorine sensors, geothermal heating systems in China all contributed significantly to the growth rate.

In August, the tenth plant of GF Piping Systems in China was inaugurated. The 18,000 m² facility, located near Beijing, specializes in the production of piping systems for the domestic floor heating market.

At **GF Automotive**, passenger car related demand recovered strongly after the first quarter in 2010 on the back of healthy export figures at the main customers. Truck-related sales also started to recover significantly at mid-year but are still far below pre-crisis levels. Sales climbed to CHF 1.55 billion or 23 percent above previous year. In local currencies, the increase amounted even to 36 percent. Operating profit was clearly positive at CHF 37 million (previous year loss of CHF 60 million). Reflecting the strong growth of the Chinese automotive industry, the two Chinese plants in Kunshan and Suzhou have been growing continuously. The Suzhou plant is currently being extended to better meet the strong local demand.

GF AgieCharmilles grew substantially after the second quarter. Orders increased 48 percent in 2010 on the back of

significant demand growth in Asia but also a clear recovery in Europe and the US. Sales went up to CHF 721 million, which is 25 percent above previous year (31 percent in local currencies). The strong demand recovery worldwide put a strain on several suppliers. The situation improved during the second half but some supplier bottlenecks persisted.

Operating profit rose to CHF 22 million (against a CHF 81 million operating loss in 2009) including a CHF 13 million one-off profit derived from the sale of the Meyrin plant in November 2010.

The new plant of Changzhou, near Shanghai, will become operational during the first quarter of 2011. The 20,000 m² facility will focus on the production of milling machines, presently assembled at the Beijing plant, thus freeing space there to expand the production of electric discharge machines.



Martin Huber, Chairman of the Board of Directors, and Yves Serra, President and CEO.

Financial position strengthened anew

Despite the sharp rebound in sales and the expansion in Asia, capital expenditure (Capex) was kept below the 2009 level and net working capital increased only slightly. As a result, a positive free cash flow of CHF 150 million was generated in 2010. Net debt went down to CHF 321 million, already well below the 2012 target of CHF 400 million. Moreover, the long-term financial position of the company has been further strengthened through the successful placement in March 2010 of a CHF 200 million bond maturing in 2016 with an attractive coupon of 3 $\frac{3}{8}$ percent. The equity ratio remains at a high 40 percent, reflecting the solid balance sheet of the Corporation.

Strategic focus on performance and cyclicity reduction

All three groups of Georg Fischer are well positioned in their respective industrial sectors. Georg Fischer will therefore continue to nurture and strengthen their competitiveness and worldwide presence.

Boosting the presence of the three Corporate Groups in growth markets, in particular in Asia, remains a key thrust. The aim is to better serve local demand through a decentralized production and R&D structure but also to naturally hedge currency fluctuations.

Likewise, as shown at the Technology Day in September 2010, all three Corporate Groups will maintain a high pace of innovation, focusing particularly on solutions to conserve water and energy, reduce vehicle weight and deliver the highest precision in the machining of metal parts.

Lastly, Georg Fischer intends to grow its higher-margin and less cyclical GF Piping Systems business to at least 40 percent of its total turnover both organically and through bolt-on acquisitions.

The Corporation's objective for 2015 is to generate a return on invested capital exceeding 15 percent, an EBIT margin in the eight to nine percent range and to achieve a turnover of about CHF 5 billion.

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Positive outlook despite uncertainties

The business environment has continued to improve for all three Corporate Groups over the past six months. Overall orders climbed well above previous year's figures, a good starting point for 2011. Uncertainties do however persist regarding the sustainability of the present rebound, but also raw materials prices and a further strengthening of the Swiss franc.

Assuming a continuation of the worldwide economic recovery in 2011 under stable currency markets, we expect a further improvement of the top and bottom lines. Costs have been substantially reduced, especially in Switzerland and in Europe, and the increased presence of the Corporation in growth markets makes for a solid base going forward.

For 2012, Georg Fischer confirms its objective of an EBIT margin of eight percent and a further top line growth, assuming a continuing market recovery.

Personnel changes

At the Shareholders Meeting of March 2010, ex Federal Counsellor Flavio Cotti (70), Board member since the year 2000, retired and was replaced by Andreas Koopmann.

He brings a wealth of international know-how in the mechanical engineering industry and was CEO of a listed company in the French speaking part of Switzerland for more than ten years. He is also contributing his valuable experience as Vice Chairman of the Board of Directors of Nestlé and as a member of the Board of Directors of Credit Suisse.

At the end of July 2010, Jürg Krebs (62) retired from the Executive Committee, where he had served since 1994, first as Head of GF Piping Systems (1994 to 2003) and then as Head of GF AgieCharmilles (2003 to 2008). At the end of August 2010, Michael Hauser resigned as Head of GF AgieCharmilles and has been replaced by Jean-Pierre Wilmes, the former global Head of Sales of the machine-tool business.

Together with the Board of Directors and the Executive Committee, we thank Flavio Cotti, Jürg Krebs and Michael Hauser for their great commitment and wish them all the best for their future. We also wish Andreas Koopmann and Jean-Pierre Wilmes lots of success and satisfaction in their new positions.

Shared values create trust

First and foremost we thank all Georg Fischer employees for their commitment and flexibility at a time of great economic upheavals.

Nowadays, many teams are made up of employees from different geographic, cultural and language backgrounds. Therefore, the ability to work together sharing fundamental values and goals is and will be actively fostered at Georg Fischer. In particular, the trust between works councils and management, nurtured over the years, has proven to be very valuable in this demanding period. Georg Fischer could thus respond quickly to the recession and mobilize all energies towards innovation, customer service and team work. As a result, the Corporation could in 2010 capitalize on the worldwide economic recovery and resume its growth path.

Our gratitude also goes to our investors and banks whose support has enabled us to achieve a solid financing for Georg Fischer over the long term. Last, but not least, very special thanks to our customers. It is their constant trust and open feedback that enable us to continuously adapt our products and services to better serve their needs.

Martin Huber

Martin Huber
Chairman of the Board of Directors



Yves Serra
President and CEO