GEORG FISCHER

Media Release

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Annual financial statements 2009 Georg Fischer Ltd:

Difficult year - turnaround in the second half 2009

- **Turnover drop of 35 percent**
- **Restructuring programme successfully implemented**
- **Positive operating result before special charges in second half-year**
- **Positive Free cash flow of CHF 94 million**

The global economic crisis in 2009 had a far-reaching impact on Georg Fischer. Sales fell to CHF 2,906 million, 35 percent below the previous year. Adjusted for currency effects and changes in the scope of consolidation, sales were down 33 percent.

GF AgieCharmilles was the hardest hit Corporate Group as customers sharply reduced their investments across-the-board. GF Automotive was also seriously affected especially in the first half. Car and truck manufacturers sought to reduce inventories in response to the massive drop in demand in the European and North American markets. GF Piping Systems was less affected owing to its broad end-market diversification and its less cyclical demand pattern.

A comprehensive restructuring programme was swiftly launched in the first half in order to secure cash and sharply reduce costs. As a result, the Corporation reported a positive cash flow of CHF 94 million for the full-year 2009 and costs were cut by CHF 430 million compared with the previous year. After restructuring charges of CHF 90 million and goodwill impairment of CHF 53 million, the operating loss came to CHF 201 million. The operating loss before these special charges came to CHF -58 million.

This includes currency losses of CHF 24 million stemming especially from the significant depreciation of the euro compared to the CHF. In the second half, the operating result turned positive owing mainly to the cost-cutting measures which were taken.

The net loss for 2009 amounted to CHF -238 million (previous year CHF +69 million). The Board of Directors proposes to the Annual Shareholders Meeting to forgo any dividend for this year owing to the 2009 loss and the uncertain market conditions.

Restructuring programme successfully implemented
The downturn which affected GF AgieCharmilles and GF Automotive was the worst in 70 years. Customers focused on securing internal liquidity as credit conditions worsened in the first half. Destocking and sharp investment cuts by most customers led right to serious undercapacity in most plants of the two Corporate Groups from the beginning of the year. GF Piping Systems was also affected especially in its industrial applications but managed to limit the sales drop to 13 percent.

The restructuring programme launched by the Executive Committee in the first half of the year was unprecedented in its scope and reach, aiming at a sustainable reduction in overall costs by CHF 350 million. The cost savings of CHF 430 million made in 2009 also include temporary measures such as short-time work and salary cuts for the senior management and the Board of Directors.

Most of the measures of the restructuring programme have already been implemented and the remainder are in place for full implementation early 2010. At year-end 2009, the headcount reduction amounted to 1,845, well in line with the company's plan calling for a reduction of 2,300 by mid 2010. All the restructuring charges have been booked to the 2009 account.

Key figures as per 31 December 2009

	Corporation		GF Piping Systems		GF Automotive		GF AgieCharmilles	
million CHF	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Order intake	**2 906**	4 462	**1 130**	1 320	**1 256**	2 076	**520**	1 066
Sales	**2 906**	4 465	**1 066**	1 224	**1 261**	2 161	**578**	1 080
EBITDA [1]	**106**	400	**129**	168	**37**	183	**-67**	50
EBIT before special charges [1]	**-58**	227	**80**	122	**-60**	78	**-81**	34
Special charges [1]	**-143**	-93	**-23**		**-49**	83	**-70**	8
EBIT	**-201**	134	**57**	122	**-109**	-5	**-151**	26
Return on Sales (EBIT margin) % [2]	**-2.0**	5.1	**8.0**	10.0	**-5**	4	**-14**	3.0
Net profit	**-238**	69						
Number of employees	**12 481**	14 326	**4 317**	4 736	**5 476**	6 123	**2 543**	3 319

1 The previously reported figures were reclassified to conform with the current year's presentation
2 Before special charges

Corporate Groups

GF Piping Systems reported sales of CHF 1,066 million, a decline of 13 percent versus 2008 (17 percent adjusted for currency fluctuations and changes in the scope of consolidation). After a slow first quarter, turnover stabilized and even slightly increased during the second half. Geographically, sales in Europe showed the biggest fall especially in Eastern Europe and Russia, whereas Switzerland remained solid. Turnover in America was also down owing to the poor economic climate. Sales in Asia recovered in the second half, especially in China.

The planned cost-cutting measures have been fully implemented, including the merger in Italy of two manufacturing operations into one location in Busalla. Special charges of CHF 13 million were booked as well as a goodwill write-off of CHF 10 million. As a result, operating profit after one-off special charges stood at CHF 57 million.

Operating profit before special charges improved significantly in the second half, owing mainly to the prompt cost-cutting measures, reaching CHF 80 million (EBIT margin: 7.5 percent) for the full year.

Customers are still hesitant to build up inventories, but the backlog of investments in water infrastructure, new builds and repairs, is huge. As a clear leader in this sector, GF Piping Systems should benefit from this situation going forward. New plants were opened in China and India in 2009, and new market segments such as cooling lines, ship maintenance systems and renewable energies were established. They will add to the momentum. GF JRG, acquired in October 2008, has also been successfully integrated within GF Piping Systems and performed very well.

GF Automotive was seriously affected by the across-the-board customer destocking in the first half which quickly followed the market downturn. Once the destocking phase was over, the automotive-related output recovered somewhat. Truck manufacturing levels, however, remained very low, affecting capacity utilisation in the iron foundries.
Sales in CHF stood at 1,261 million or 42 percent below previous year. The operating loss before special charges stood at CHF 60 million (previous year profit of CHF 78 million) but showed a sharp improvement during the second half as cost-cutting measures started to show their effect.

The key measures of the restructuring plan have been implemented, including the sale of the aluminium foundry in Gleisdorf (Austria) and the closure of the aluminium plant in Montreal (Canada), which was moved to China. The restructuring of the aluminium foundries in Garching (Germany) and Herzogenburg (Austria) started in 2009 and will last until mid-2010. Restructuring charges of CHF 49 million were booked, leading to a loss after special charges of

CHF 109 million. The activity level in the last few months in Europe has shown a positive trend, though from a low level. This is also true for mid-class and premium cars, segments which hardly were boosted by scrappage schemes in 2009 and which comprise a substantial part of the sales of GF Automotive. Consequently, short-time work has been reduced or lifted altogether in several plants. The light metal plant of Suzhou, China is running at full capacity, operates successfully and is proceeding with its third extension. The new iron foundry in Kunshan started operation in May and is ramping up production in order to meet the brisk demand.

GF AgieCharmilles suffered the worst market slump ever recorded in the machine-tool business. Sales plunged by 47 percent to CHF 578 million. All markets suffered, especially in Europe and the USA. In the second half, however, demand in Asia and South America started to pick up.

Far-reaching restructuring measures has been taken. The EDM product line was unified to avoid redundancies. Production capacities in Switzerland were sharply reduced with the closure of two machine manufacturing plants out of four in Schaffhausen and Geneva and all sales companies were streamlined. The overall personnel reduction came to 23 percent in 2009. The full effect, however, will show up on the bottom line as of the second half of 2010.

Despite all these measures, EBIT before special charges came to CHF -81 million. Special restructuring charges of CHF 27 million were booked and a goodwill impairment of CHF 43 million was taken, leading to an overall operating loss of CHF -151 million.

GF AgieCharmilles has adapted its organization to the underlying shift of its markets towards Asia. The operational responsibility for all activities in that region, i.e. R&D, production and sales, is now concentrated under one divisional head, based in Shanghai. Also, despite intensive short-time work all through the year, a whole range of new products were exhibited at the EMO show in Milan last October. They include in particular an innovative 3D laser structuring machine, a world first, and new electro-erosion machines focused on very precise applications such as the LED market.

Positive free cash flow and secured financing
Securing liquidity was the main priority in 2009 in the face of difficult financial markets situation. Net working capital was reduced by CHF 245 million. CAPEX was cut by 39 percent or about CHF 100 million. This was more than the 30 percent announced.

As a result and despite the losses, a positive free cash-flow of CHF 94 million has been achieved, and net debt actually decreased to CHF 472 million at year end. Moreover, the medium-term financing of the Corporation was secured in the second half through the successful placement of a CHF 300 million bond and the conclusion of a CHF 420 million syndicated loan. The equity ratio itself remained a high 40 percent (previous year: 43 percent), reflecting a solid balance sheet.

Strategic course maintained
Despite the recession, Georg Fischer continued to implement its strategy in 2009, which is to expand GF Piping Systems, continue investments in future growth markets, especially in Asia, and foster innovation across-the-board.

The share of GF Piping Systems in the total sales of the Corporation increased in 2009 to 37 percent versus 28 percent the previous year. This was due in part to the deep recession in the automotive and machine-tool sectors but also to the acquisitions concluded in 2008 and integrated in 2009.

With 15 plants in Asia and two more coming on stream in 2010 in China, Georg Fischer is well-positioned to take advantage of the growth in that region going forward. Already in 2009 fully 15 percent of its sales were generated in Asia, up from 12 percent in 2008.

Outlook

The restructuring programme announced in May 2009 has been largely implemented and the remaining measures will be fully carried out as planned by mid-2010. The cost base was substantially reduced in 2009, and Georg Fischer enters 2010 as a leaner and fitter company. As shown in the second half of 2009, break-even can be achieved at the present volume. The operational leverage in the event of a market recovery is therefore substantial.

Regarding 2010, demand has slightly improved in the last few weeks and months on the back of rising production and investment levels in Asia as well as in several sectors in Europe, including the car industry. Uncertainties definitely remain, however, regarding currency and raw material trends. All in all, the sustainability of this rebound needs to be confirmed during the course of the year. If that were the case, achieving a positive net result for the year would be possible.

Medium-term, GF sees grounds for optimism as Georg Fischer is well-positioned to benefit from its strong Asia presence as well as from long-term trends in water conservation, mobility and production efficiency. Given the sustainable cost base reduction, the company reiterates its 2012 objective of an EBIT margin of eight percent, assuming a sustained market recovery as of 2011.

Important dates

Annual General Meeting for the financial year 2009:
Wednesday, 24 March 2010, 3:30 p.m., Steel Foundry Assembly Hall, Schaffhausen
Publication of mid-year report 2010: Monday, 19 July 2010

For further information, please contact

Bettina Schmidt, Head of Corporate Communications
Phone +41 (0) 52 631 26 74
Fax +41 (0) 52 631 28 63
bettina.schmidt@georgfischer.com

Corporate Profile Georg Fischer - "Adding Quality to People's Lives"

Georg Fischer is focused on its three core businesses GF Piping Systems, GF Automotive and GF AgieCharmilles. Founded in 1802, the company is headquartered in Switzerland and has some 130 companies, 50 of them production facilities, in 30 countries. Its 12,000 employees generated sales revenue of 3 billion Swiss francs in 2009. The Corporation makes a direct contribution to the quality of life. Comfort, mobility and precision are the key market requirements that Georg Fischer satisfies with its products and services. You'll find further information at www.georgfischer.com.

GEORG FISCHER

Financial overview

Corporation	million CHF 2009	million CHF 2008
Order intake	2 906	4 462
Orders on hand at year end[1]	475	560
Income statement		
Sales	2 906	4 465
EBITDA[2]	106	400
EBIT before special charges[2]	-58	227
Special charges[2]	–143	–93
EBIT	–201	134
Net profit / loss for the year	–238	69
Cash flow		
Additions to property, plant and equipment	148	243
Cash flow from operating activities	242	197
Free cash flow	94	–197
Statement of financial position		
Assets	2 866	3 291
Net Operating Assets (NOA)	1 575	1 906
Equity	1 152	1 404
Net debt	472	546
Key figures		
Return on Equity (ROE) %	–19	5
Equity %	40	43
Return on Net Operating Assets (RONOA) %[3]	–3	12
Return on Sales (EBIT margin) %[4]	–2.0	5.1
Cash flow from operating activities in % of sales	8	4
Employees at year end	12 481	14 326

Holding (statutory accounts)	million CHF	million CHF
Net profit / loss for the year	–118	77
Share capital	82	103
Market capitalization as per December 31	1 073	972

Key figures per registered share	CHF	CHF
Net profit / loss for the year	–61	14
Distribution (proposed)[5]	0	5
Equity attributable to shareholder of Georg Fischer Ltd	273	337
Share price at year end	262	240

1 In 2008 change of definition for GF Automotive

2 The previously reported figures were reclassified to conform with the current year's presentation

3 Calculated on EBIT before special charges / NOA adjusted by impairment on Goodwill

4 Before special charges

5 In 2008 as reduction in par value

Georg Fischer Ltd, 8201 Schaffhausen/Switzerland
Phone +41 (0) 52 631 26 74, Fax +41 (0) 52 631 28 63