



Mid-Year Report  
2008

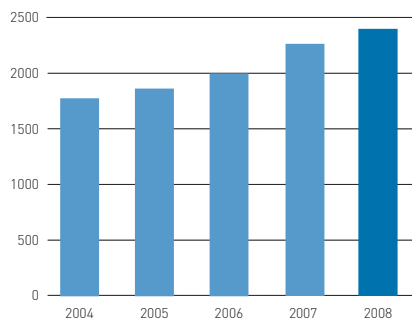


## Key figures as per June 30

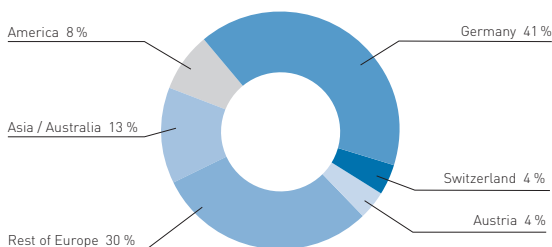
million CHF	Corporation		GF Automotive		GF Piping Systems		GF AgieCharmilles	
	2008	2007	2008	2007	2008	2007	2008	2007
Order intake	2 459	2 294	1 206	1 100	655	590	598	604
Sales	2 383	2 248	1 214	1 116	622	559	547	572
EBITDA	240	268	123	139	93	88	28	47
EBIT	157	193	72	89	72	73	20	39
Net profit	109	137						
Free cash flow	-212	30						
Investments <sup>1</sup>	92	69	65	37	18	25	6	5
Return on Sales (EBIT margin) %	6.6	8.6	5.9	8.0	11.6	13.1	3.7	6.8
Return on Net Operating Assets (RONOA) %	17	22	17	21	24	30	8	15
Number of employees	13 954	12 651	6 065	5 787	4 381	3 512	3 355	3 195

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

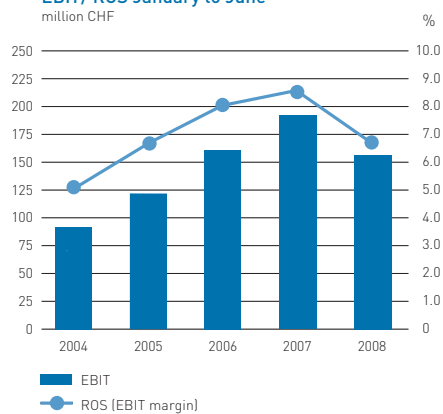
Sales January to June  
million CHF



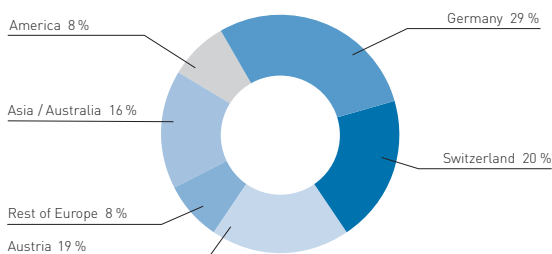
Sales January to June 2008 by region (in %)  
[100 % = CHF 2.38 billion]



EBIT/ ROS January to June  
million CHF



Employees as per June 30, 2008 by region (in %)  
[100 % = 13 954]



## Mid-Year Report as per June 30, 2008

# GF continues to grow, result affected by material costs and exchange rates

Georg Fischer achieved top-line growth of 6% in the first half of 2008, with sales amounting to CHF 2.4 billion. Currency effects and soaring material and energy costs had a negative impact of over CHF 60 million on earnings. Pricing and efficiency measures have been put in place as a counterbalance, but with a delayed effect. As a result, EBIT dropped to CHF 157 million (EBIT margin 6.6%) against CHF 193 million at mid-2007 (EBIT margin 8.6%). GF Piping Systems again put in a strong performance; the strategic acquisition Central Plastics is well on track. GF Automotive enjoyed sustained demand but is facing a steep increase in materials costs. GF AgieCharmilles achieved continuing high growth in the milling machine business, lengthening delivery times short-term, but a stagnating EDM (electric discharge machining) business and the weak dollar affected overall sales and margins.

At CHF 2,383 million, corporate sales were 6% up on the previous year (CHF 2,248 million). Adjusted for currency effects and for changes in the scope of consolidation, the growth rate stands at 7.5%. While GF Automotive and GF Piping Systems continued to grow, GF AgieCharmilles returned a slight decrease in sales. Corporate turnover in local currencies increased by 7% in Europe and by 8% in Asia, whilst the Americas showed no growth.

Earnings at mid-2008 are clearly below the record previous year's first half. Currency effects reduced EBIT by CHF 28 million, particularly at GF AgieCharmilles and GF Piping Systems. The GF Automotive result was affected by the soaring costs of iron scrap, coke and other materials to an amount of CHF 35 million. These external effects lowered the EBIT margin at mid-year by over two points.

Net profit totals CHF 109 million, corresponding to a reduction of 20% compared to previous year. Free cash flow stands at CHF -212 million. The main impact stems from the acquisitions of Central Plastics and the 50% stake in Georg Fischer Simona, which used funds totalling CHF 120 million. Additionally, investments in China and the overall sales growth

induced a considerable increase in working capital. Net debt therefore jumped up to CHF 573 million. Corporate headcount rose by 10%, partly as a result of acquisitions, partly from expansion moves in growth markets mainly in Asia.

## Corporate Groups

**GF Automotive** enjoyed sustained demand from both the passenger car and commercial vehicle sectors. Turnover grew 9% to CHF 1,214 million (11% in local currencies). Margins were affected as the price of iron scrap almost doubled between April and June 2008; these price increases can only be passed on to customers with a time lag. As a result EBIT at half-year stands at CHF 72 million, 19% below the previous year. In the Iron Castings division, the installation of additional melting capacity has permitted a further volume increase to meet demand. In the Light Metal Castings division, volume was increased to planned levels. This is also true for the Herzogenburg plant, where costs were reduced thanks to efficiency increases but have not yet reached planned levels.

The new iron material Sibodur® is proving to be a market success, and the first component made of SiMo 1000®, a high-temperature resistant alloy developed by GF, has been successfully launched, tapping into the major potential that exists in the market for low-emission engines. The combined development and production competence in light metal led to a large order for new 8-speed automatic gearboxes from the leading European gearbox manufacturer. A Chinese OEM placed orders for a further series of aluminium engine blocks from our plant in Suzhou.

Outlook: Bookings at GF Automotive remain strong, leading to continuing high workloads. Pricing measures will also compensate part of the material hikes. The construction of the iron foundry in Kunshan (China) is well on track for production start-up early next year.

**GF Piping Systems** remains on a growth path with sales of CHF 622 million (up 11 % against the previous year, 7 % adjusted for currency effects and acquisitions). Continuing high demand for water distribution and water treatment applications is driving growth. Strong sales in emerging markets are also making up for negative currency effects. The newly acquired Central Plastics Company in Shawnee (USA) is running well and has contributed CHF 41 million of sales in five months. Currency effects on margins have amounted to CHF 8 million so far. Nevertheless, EBIT stands at CHF 72 million, just short of last year's record figure of CHF 73 million.

Organic growth in excess of the very strong first half of 2007 was registered in Europe, Asia and the emerging markets whilst the American market slightly declined. In Europe, our market segment approach paid off in traditional areas such as water treatment and utilities as well as in more recent applications such as photovoltaic thin-film technology. Even the drop in the residential housing market could be mitigated with a better focus on commercial and high-rise buildings. The postponement of important semicon projects in Japan, Taiwan and Singapore dampened our performance in Asia despite outstanding 18 % growth in China, where investments in industry and in building construction continue to be high. In the USA cooling and refrigeration applications made up for the lack of new projects in microelectronics.

Outlook: GF Piping Systems expects continuing growth overall, driven by solid demand worldwide in most applications and by a strong presence in the emerging economies. Margins are also

on the rise thanks to price adjustments. New sales companies in Taiwan and Canada were established to better cater for local demand.

At **GF AgieCharmilles**, sales reached CHF 547 million (4 % below the previous year, up 1 % in local currencies). The Milling division is again enjoying high demand, mainly in Europe, which has resulted in lengthened delivery times and a higher order backlog at mid-year. By contrast the EDM business slowed down during the first-half, owing to weaker demand in parts of Asia; sales in Europe and America remained at a satisfactory level. The services, spare parts and tooling businesses, which are less exposed to market cycles, now make up a third of total sales. GF AgieCharmilles faced clearly unfavourable currency exchange rates during the first half of 2008, with a negative effect on margins amounting to CHF 18 million. The result is an EBIT of CHF 20 million as opposed to CHF 39 million last year.

Manufacturing capacity at the Beijing EDM plant was enlarged. The Chinese-built Cut 20/30 and Form 20/30 machines, which were launched at EMO 2007, are successful in the market and enjoying strong demand. The Form 2000 and Hyperspark IQ die-sinking machines, which feature an advanced zero-wear technology, were launched. The new HPM 600 HD (3 axes) and HPM 800 U (5 axes) high-performance milling machines have been well received by the market. The Milling plant in China is under construction and expected to start production in 2009.

Outlook: The second-half is traditionally stronger than the first at GF AgieCharmilles. Whilst currency effects may not

Georg Fischer is well-positioned worldwide in its three core businesses, each of which is enjoying sustained demand.

disappear, the order backlog at mid-year is high, giving GF AgieCharmilles a good chance to improve its performance during the second half.


### Outlook and measures

GF is well-positioned worldwide in its three core businesses, each of which is enjoying sustained demand despite certain indications of a downward economic trend. Barring unforeseen circumstances, GF Corporation should continue on its growth path during the second half of 2008 albeit at a more moderate pace. The volatile currency and raw material situation will probably continue to put pressure on margins.

Pricing measures are in place to counterbalance such effects, either as part of the sales contracts at GF Automotive or within the framework of already announced general price increases at GF Piping Systems and GF AgieCharmilles. Efficiency-enhancing programmes including the improvement of the net working capital have been set up in all three Groups. Moreover, new facilities are being built in Asia in all three Groups of GF, which, together with the recent acquisitions in North America, will further reduce currency exposure.



Martin Huber  
Chairman of the Board  
of Directors



Yves Serra  
President and  
Chief Executive Officer

## Balance sheet

million CHF	Notes	June 30, 2008	%	June 30, 2007	%	Dec. 31, 2007	%
Investment properties		22		23		23	
Property, plant and equipment for own use		1 081		1 017		1 080	
Intangible assets		369		266		282	
Investments in associates		1		1		1	
Other financial assets		6		28		8	
Deferred tax assets		49		46		46	
<b>Non-current assets</b>	(2.1)	<b>1 528</b>	<b>44</b>	<b>1 381</b>	<b>41</b>	<b>1 440</b>	<b>42</b>
Assets held for sale		4				4	
Inventories		788		724		709	
Trade accounts receivable		858		864		737	
Income taxes receivable		27		18		13	
Other accounts receivable		89		104		97	
Marketable securities		5		7		5	
Cash and cash equivalents		140		232		388	
<b>Current assets</b>	(2.2)	<b>1 911</b>	<b>56</b>	<b>1 949</b>	<b>59</b>	<b>1 953</b>	<b>58</b>
<b>Assets</b>		<b>3 439</b>	<b>100</b>	<b>3 330</b>	<b>100</b>	<b>3 393</b>	<b>100</b>
Share capital		101		203		201	
Share premium		170		186		167	
Retained earnings		1 184		1 037		1 127	
<b>Equity attributable to shareholders of Georg Fischer Ltd</b>		<b>1 455</b>	<b>43</b>	<b>1 426</b>	<b>43</b>	<b>1 495</b>	<b>44</b>
Minority interests		44	1	40	1	45	1
<b>Equity</b>	(2.3)	<b>1 499</b>	<b>44</b>	<b>1 466</b>	<b>44</b>	<b>1 540</b>	<b>45</b>
Banks		59		67		48	
Bonds		175		372		373	
Deferred tax liabilities		73		73		56	
Provisions		125		106		119	
Employee benefits		171		183		173	
Other non-current liabilities		44		42		36	
<b>Non-current liabilities</b>		<b>647</b>	<b>19</b>	<b>843</b>	<b>25</b>	<b>805</b>	<b>24</b>
Banks		232		190		178	
Bonds		199					
Employee benefits		47		39		48	
Trade accounts payable		424		388		454	
Current tax liabilities		105		104		102	
Other current liabilities		286		300		266	
<b>Current liabilities</b>		<b>1 293</b>	<b>37</b>	<b>1 021</b>	<b>31</b>	<b>1 048</b>	<b>31</b>
<b>Liabilities</b>	(2.4)	<b>1 940</b>	<b>56</b>	<b>1 864</b>	<b>56</b>	<b>1 853</b>	<b>55</b>
<b>Liabilities and equity</b>		<b>3 439</b>	<b>100</b>	<b>3 330</b>	<b>100</b>	<b>3 393</b>	<b>100</b>

## Income statement

million CHF	Notes	Jan. – June		Jan. – June		Jan. – Dec.	
		2008	%	2007	%	2007	%
<b>Gross sales</b>		2 420		2 284		4 563	
Sales deductions		-37		-36		-66	
<b>Sales</b>	(3.1)	2 383	100	2 248	100	4 497	100
Changes in inventory		18		23		17	
Other operating income		33		37		73	
<b>Income</b>		2 434	102	2 308	103	4 587	102
Cost of materials and products		-1 184		-1 093		-2 203	
Operating expenses		-434		-399		-817	
<b>Gross value added</b>		816	34	816	36	1 567	35
Personnel expenses		-576		-548		-1 083	
Depreciation		-77		-73		-151	
Amortization		-6		-2		-7	
<b>EBIT</b>	(3.2)	157	7	193	9	326	7
Interest income	(3.3)	2		6		11	
Interest expenses	(3.3)	-17		-20		-40	
Other financial result	(3.3)	-3		4		7	
Result of investment properties				2		6	
Result from investments				1		1	
<b>Profit before taxes</b>		139		186		311	
Income taxes	(3.3)	-30		-49		-66	
<b>Net profit</b>	(3.4)	109	5	137	6	245	5
thereof attributable to shareholders of Georg Fischer Ltd		100		129		232	
thereof attributable to minority interests		9		8		13	
Earnings per share in CHF	(3.4)	25		32		58	
Diluted earnings per share in CHF	(3.4)	25		32		58	

## Statement of changes in equity

million CHF

	Share capital	Share premium	Cumulative translation adjustments	Other retained earnings	Equity attributable to shareholders of Georg Fischer Ltd	Minority interests	Equity
<b>Balance as per December 31, 2006</b>	<b>302</b>	<b>194</b>	<b>-69</b>	<b>952</b>	<b>1 379</b>	<b>69</b>	<b>1 448</b>
Restatement first time adoption IFRIC 14 (Note 6)				-2	-2		-2
<b>Balance as per January 1, 2007 after Restatement</b>	<b>302</b>	<b>194</b>	<b>-69</b>	<b>950</b>	<b>1 377</b>	<b>69</b>	<b>1 446</b>
Realized gains			-1		-1		-1
Translation adjustments			28		28		28
<b>Net income recognized directly in equity</b>			<b>27</b>		<b>27</b>		<b>27</b>
Net profit for the period				129	129	8	137
<b>Total recognized income and expense for the period</b>			<b>27</b>	<b>129</b>	<b>156</b>	<b>8</b>	<b>164</b>
Changes in own shares	2	16			18		18
Reduction in par value / dividends	-101				-101	-9	-110
Acquisition / issue of minority interests, net		-24			-24	-28	-52
<b>Balance as per June 30, 2007</b>	<b>203</b>	<b>186</b>	<b>-42</b>	<b>1 079</b>	<b>1 426</b>	<b>40</b>	<b>1 466</b>
<b>Balance as per December 31, 2007 (adjusted)</b>	<b>201</b>	<b>167</b>	<b>-55</b>	<b>1 182</b>	<b>1 495</b>	<b>45</b>	<b>1 540</b>
Translation adjustments			-43		-43	-1	-44
<b>Net income recognized directly in equity</b>			<b>-43</b>		<b>-43</b>	<b>-1</b>	<b>-44</b>
Net profit for the period				100	100	9	109
<b>Total recognized income and expense for the period</b>			<b>-43</b>	<b>100</b>	<b>57</b>	<b>8</b>	<b>65</b>
Changes in own shares		3			3		3
Reduction in par value / dividends	-100				-100	-9	-109
<b>Balance as per June 30, 2008</b>	<b>101</b>	<b>170</b>	<b>-98</b>	<b>1 282</b>	<b>1 455</b>	<b>44</b>	<b>1 499</b>

## Cash flow statement

million CHF	Notes	Jan. – June 2008	Jan. – June 2007	Jan. – Dec. 2007
Profit before taxes		139	186	311
Financial result		18	10	22
Depreciation		77	73	151
Amortization		6	2	7
Other non-cash income and expenses		15	8	9
Increase in provisions, net		28	15	43
Use of provisions		-19	-14	-28
Changes in				
Inventories		-99	-62	-56
Trade accounts receivable		-142	-107	6
Other accounts receivable		6	-3	
Trade accounts payable		-23	-29	37
Other non-interest-bearing liabilities		42	48	16
Interest paid		-15	-18	-34
Income taxes paid		-40	-28	-58
<b>Cash flow from operating activities</b>		<b>-7</b>	<b>81</b>	<b>426</b>
Additions to				
Property, plant and equipment		-90	-68	-217
Intangible assets		-2	-1	-17
Other financial assets			-1	-1
Disposals of				
Property, plant and equipment		2	10	17
Other financial assets		1	5	25
Purchase / disposal of marketable securities		1		1
Cash flow from acquisitions and divestitures	(4)	-120	-1	-1
Interest received		3	5	10
<b>Cash flow from investing activities</b>		<b>-205</b>	<b>-51</b>	<b>-183</b>
<b>Free cash flow</b>	(4)	<b>-212</b>	<b>30</b>	<b>243</b>
Changes in own shares		-2	14	-7
Par value reduction / dividends paid		-109	-110	-111
Increase in bank loans		16	1	11
Repayment of bank loans		-9	-9	-35
Acquisition of minority interest in GF AgieCharmilles			-52	-52
Changes in other interest-bearing liabilities		76	20	4
<b>Cash flow from financing activities</b>		<b>-28</b>	<b>-136</b>	<b>-190</b>
Translation adjustment on cash and cash equivalents		-8	5	2
<b>Net cash flow</b>		<b>-248</b>	<b>-101</b>	<b>55</b>
Cash and cash equivalents at beginning of year		388	333	333
<b>Cash and cash equivalents at end of period</b>		<b>140</b>	<b>232</b>	<b>388</b>

## 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 minority 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 June 30, 2008 (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 December 31, 2007.

The consolidated interim statements were approved for issue by the Board of Directors on July 14, 2008.

The accounting principles applied in the interim financial statements are consistent with those used in the 2007 annual report, except where noted below:

Effective January 1, 2008, Georg Fischer adopted the newly issued IFRIC 11 “Group and Treasury Share Transactions”, IFRIC 12 “Service Concession Arrangements” and IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. The adoption of IFRIC 11 and IFRIC 12 had no effect on the consolidated interim financial statements.

However the adoption of IFRIC 14 led to a restatement as of January 1, 2007. The financial effects of this restatement are described in the notes to the consolidated financial statements.

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 Group management and the expected impact of each standard and interpretation is presented at the foot of the following table.

Standard/Interpretation		Effective date	Planned application by Georg Fischer
IFRIC 13 – Customer Loyalty Programmes	*	July 1, 2008	Reporting year 2009
IAS 1 rev. – Presentation of Financial Statements	**	January 1, 2009	Reporting year 2009
IAS 23 rev. – Borrowing Costs	*	January 1, 2009	Reporting year 2009
IFRS 8 – Operating Segments	**	January 1, 2009	Reporting year 2009
Amendment to IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations	*	January 1, 2009	Reporting year 2009
Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	*	January 1, 2009	Reporting year 2009
Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements	*	January 1, 2009	Reporting year 2009
IFRS 3 rev. – Business Combinations	***	July 1, 2009	Reporting year 2010
IAS 27 amended – Consolidated and Separate Financial statements	***	July 1, 2009	Reporting year 2010

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

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

\*\*\* The revised standards are only effective for future acquisitions as of reporting year 2010.

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. In the consolidated interim financial statements estimates and assumptions made by the management are not different from those made in the consolidated financial statements for the year ended December 31, 2007. Income tax expense is recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

## Notes to the consolidated financial statements

### 1 Changes in scope of consolidation

During the period under review the scope of consolidation changed as follows:

#### Additions (acquisitions)

as of January 1, 2008

Georg Fischer Simona Fluoropolymer Products GmbH, Ettenheim;  
Acquisition of remaining 50 % share  
(sales pro rata half year 2008: CHF 5 million)  
GF Piping Systems

as of February 1, 2008

Central Plastics Group  
(sales pro rata half year 2008: CHF 41 million)  
GF Piping Systems:  
– GF Central Plastics LLC, Shawnee  
– GF Connectra LLC, Gainesville  
– GF Central Plastics SA, Buenos Aires  
– Georg Fischer Ltd, Wellington  
– Central Plastics Co, Tianjin

#### Additions (formations)

as of January 14, 2008

Chang Zhou AgieCharmilles Machine Tool Co Ltd, Chang Zhou  
GF AgieCharmilles

as of March 21, 2008

Georg Fischer Piping Systems Beijing Co Ltd, Beijing  
GF Piping Systems

as of May 9, 2008

GF Piping Systems Ltd, Taiwan  
GF Piping Systems

### Acquisition of Central Plastics

Georg Fischer Corp, El Monte (USA), acquired 100 % of the capital of Central Plastics Company in Shawnee (USA). The agreement was signed on January 7, 2008. Approval of the transaction by the US Federal Trade Commission and by the Department of Justice was given at the end of January, so that the transaction was closed on February 1, 2008.

Central Plastics, founded in 1955, generated sales of CHF 97 million in 2007 and employs more than 500 people worldwide. In addition to the headquarters in Shawnee, the company has production sites and sales offices in Gainesville (USA), Tianjin (China), Buenos Aires (Argentina), and Wellington (New Zealand). Central Plastics manufactures and sells plastic and metal fittings including accessories for use in gas and water utilities and in the oil industries. Its main markets are the USA, Canada and Latin America. Central Plastics was integrated into the Business Unit America of GF Piping Systems.

The costs of the acquisition encompasses the contractually agreed purchase price in cash, equivalent to CHF 104 million, transaction costs of CHF 1 million plus a conditional increase in the purchase price of CHF 21 million, depending on the business performance in the 2008 fiscal year. Half of the conditional purchase price increase was recognized as acquisition costs which resulted in expected total acquisition costs of CHF 116 million. Therefore the final goodwill amount can only be determined after the end of the fiscal year 2008.

The values of the assets and liabilities acquired are as follows:

million CHF	Carrying amount of the acquired assets and liabilities	Allocation of the purchase costs	Acquired assets and liabilities
Property, plant and equipment	15	5	20
Intangible assets			
– Customer relationships		14	14
– Brand name		15	15
– Product technology		5	5
– Non-competition agreement		1	1
– Goodwill		63	63
Inventories	16	1	17
Trade accounts receivable	9		9
Other receivables	1		1
Cash and cash equivalents	2		2
<b>Total assets</b>	<b>43</b>	<b>104</b>	<b>147</b>
Deferred tax liabilities	-3	-16	-19
Other non-interest-bearing liabilities	-8		-8
Interest-bearing liabilities	-4		-4
<b>Net assets</b>	<b>28</b>	<b>88</b>	<b>116</b>

Since the acquisition date the EBIT of Central Plastics amounts to CHF 6 million – corresponding to a EBIT margin of 14.6%. After the effects of the purchase price allocation the EBIT is at CHF 3.4 million and the net profit at CHF 2.0 million. Sales of Central Plastics amount to approximately CHF 50 million for the first six months, corresponding to an EBIT of CHF 4 million, after the effects of the purchase price allocation. The net profit for the six month period amounts to CHF 3 million.

Calculation of the fair value of the identifiable assets and liabilities of Central Plastics, and therefore of the goodwill at the time of acquisition, was performed by independent consultants.

The identifiable intangible assets consist primarily of customer relationships and the CPC brand name. The value of the customer relationships includes contractual and non-contractual relationships, and was identified and measured by applying the Multiperiod Excess Earnings Method (MEEM). The brand name comprises the corporate name, corporate symbol and corresponding slogans, and is based on comparable user and license fees of third parties. Deferred taxes on the valuation differences resulting from the purchase price allocation were calculated at a tax rate of 39%. The CHF 63 million goodwill arising from the acquisition amounts to 54% of the purchase price and essentially reflects the value of the expected buyer-specific synergies, growth in market share and employees taken on. The goodwill is not tax-deductible.

## 2 Balance sheet

Total assets grew by a marginal 1% to CHF 3.44 billion compared with end 2007.

### 2.1 Non-current assets

Non-current assets rose by CHF 88 million. This increase was solely attributable to the intangible assets item. The CHF 87 million growth in intangible assets was essentially due to additional goodwill from the acquisition of Central Plastics. Property, plant and equipment for own use was virtually unchanged. Regarding the financial effects of IFRIC 14 on non-current assets see note 6.

### 2.2 Current assets

Current assets declined by CHF 42 million compared with December 2007. Inventories and trade accounts receivable grew significantly, firstly due to seasonal considerations and secondly as a result of the growth in sales. Cash and cash equivalents declined by CHF 248 million in overall terms as a result of the par value repayment made in June and the use of funds for acquisition purposes.

## 2.3 Equity

Equity fell by CHF 41 million compared with the end of 2007 to CHF 1.50 billion. The positive contribution from net profit was offset by the par value repayment of CHF 100 million. Furthermore, currency changes resulted in a CHF 44 million reduction in equity. The equity ratio remained at the high level of 44%.

Regarding the financial effects of IFRIC 14 on equity see note 6.

## 2.4 Liabilities

Current liabilities to banks went up by CHF 54 million due to the increase in net current assets. Trade accounts payable declined by CHF 30 million to CHF 424 million.

### Net debt

million CHF	June 30, 2008	Dec. 31, 2007
Banks	291	226
Bonds	374	373
Employee benefits	47	48
Other interest-bearing liabilities	6	10
<b>Interest-bearing liabilities</b>	<b>718</b>	<b>657</b>
Marketable securities	5	5
Cash and cash equivalents	140	388
<b>Net debt</b>	<b>573</b>	<b>264</b>

Net debt as per June 30, 2008 was CHF 573 million, representing an increase of CHF 309 million in relation to December 2007. Compared with the position in June 2007 the increase was only CHF 119 million, which equates almost exactly to the funds invested in acquisitions during this period.

## 3 Income statement

### 3.1 Sales

Sales increased by 6% in the first half of 2008 to CHF 2.38 billion. It should be noted however that growth of 2% (CHF 46 million) was attributable to changes in the scope of consolidation. On the other hand, sales lost 3.5% (CHF 78 million) to currency effects. Real growth in local currencies, and after adjustment for the changes in the scope of consolidation, therefore came to 7.5%. The greatest contribution to growth was made by GF Automotive, which gained 11% in local currencies.

### 3.2 EBIT

Currency effects had a distinct impact on profitability, in particular at GF Piping Systems and GF Agie Charmilles. The overall negative impact on EBIT in the first half amounted to CHF 28 million – equivalent to 1.2 percentage points of the EBIT margin.

As GF Automotive is unable to pass higher raw materials prices onto customers immediately, in the first half of 2008 Georg Fischer had to absorb the additional materials costs resulting from increases in the price of iron scrap. The price of a tonne of scrap doubled to EUR 550 between April and June 2008. The financial effect of the delay in passing on price increases amounted to CHF 11 million in the six months ended June.

The problems which arose in connection with the production start-up for a new part in Herzogenburg have not yet been fully resolved. Though the manufacturing costs have steadily been reduced, this casting is still generating negative margins.

EBIT came to CHF 157 million (CHF –36 million), which is well below the prior-year level. The EBIT margin declined from 8.6% to 6.6%.

Regarding the financial effects of IFRIC 14 on EBIT see note 6.

### 3.3 Financial result and Taxes

At CHF 17 million, interest expenses were CHF 3 million lower than in the prior-year period. Income taxes amounted to CHF 30 million, equivalent to a tax rate of only 21.6% (prior-year period: 26.3%). Structural tax optimization measures contributed to this significant improvement.

Regarding the financial effects of IFRIC 14 on taxes see note 6.

### 3.4 Net profit and Earnings per share

Net profit fell by 20% compared with the prior-year period to CHF 109 million. Earnings per share were CHF 25 (prior-year period: CHF 32).

#### 4 Free cash flow

Free cash flow was strongly negative at CHF –212 million (prior-year period: CHF 30 million). The acquisitions of Central Plastics in a net amount of CHF 114 million and the 50% shareholding in Georg Fischer Simona (CHF 5 million) as well as the settlement of the final portion of the purchase price of the acquisition of EDC Inc reduced free cash flow by CHF 120 million. The growth in sales resulted in a sharp rise in trade accounts receivable of CHF 142 million. Inventories increased by CHF 99 million due to seasonal factors and also a sharp rise in raw material prices. Investment in property, plant and equipment was CHF 22 million higher in this first half compared with the previous year, amounting to CHF 90 million. These factors, combined with a lower result, resulted in the massive deterioration in free cash flow.

Regarding the financial effects of IFRIC 14 on the cash flow statement see note 6.

#### 5 Segment information

Segment information is included on page 2.

#### 6 Implications of the first-time application of IFRIC 14

IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", was introduced on January 1, 2008. This resulted in a revision of the figures for the previous year, whereby the transitional effects as at January 1, 2007 were recognized against retained earnings. As of that date, the application of IFRIC 14 resulted due to the decapitalisation of prepaid employer contributions for Swiss pension plans in changes in balance sheet, income statement, statement of changes in equity and cash flow statement for the first half of 2007 and financial year 2007. These previous-year statements were adjusted as shown below to reflect subsequent effects.

##### Balance sheet:

million CHF	January 1, 2007	June 30, 2007	December 31, 2007
Other financial assets	-2.2	-1.1	-2.2
Deferred tax assets	+0.4	+0.2	+0.4
<b>Equity</b>	<b>-1.8</b>	<b>-0.9</b>	<b>-1.8</b>

##### Income statement:

million CHF	January 1, 2007	June 30, 2007	December 31, 2007
Social expenses		+1.1	
Deferred tax income		-0.2	
<b>Net profit</b>		<b>+0.9</b>	

##### Cash flow statement:

million CHF	January 1, 2007	June 30, 2007	December 31, 2007
Profit before taxes		+1.1	
Other non-cash income and expenses		-1.1	-2.2
<b>Cash flow from operating activities</b>			<b>-2.2</b>
Additions to other financial assets			+2.2
<b>Free cash flow</b>			<b>+0.0</b>

#### 7 Events after the balance sheet date

With effect from July 1, 2008 Georg Fischer Ltd acquired Alfa Plastics Inc, Brampton, Canada, for a price of CHF 1 million. Alfa Plastics generated sales of CHF 4 million in the financial year 2007 and will strengthen the distribution and service organization of the Business Unit America of GF Piping Systems.

The following change was announced on July 4, 2008: Jürg Krebsler, Head of GF AgieCharmilles and for 14 years a member of Georg Fischer's Executive Committee, will, at his own request, relinquish his post on August 1, 2008. He will be succeeded by Michael Hauser, who will also join the Executive Committee. Jürg Krebsler will lead important projects associated with the further strategic development of the Corporation, primarily in Asia.

There have been no further events between June 30, 2008 and July 14, 2008 that would require an adjustment to the carrying amounts of assets and liabilities or would need to be disclosed under this heading.

#### Disclaimer

The statements in this report 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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