

Mid-year report June 30, 2003

Unsatisfactory result with no sign of market upswing. Structural adjustments being prepared.

The first-half result of the Georg Fischer Corporation was affected by persistent weakness of our markets. All three Corporate Groups reported unsatisfactory results despite more strenuous cost-cutting efforts. Automotive Products increased sales and profits thanks to new products. Piping Systems improved profits despite a downturn in sales volume. Hardest hit by the cyclical downturn was Agie Charmilles, which operates in the machine tool industry. The Corporation's net profit was slightly higher than the previous year.

As there is no economic upswing in sight, Georg Fischer will take further measures to deal with the situation. In line with the Corporation's strategy, we are planning structural adjustments aimed at increasing our earning power. Net debt will be reduced further by the disposal of assets that are not essential to operations or our strategy.

Economic slump weighs on first-half figures

Sales of the three Corporate Groups were, all told, higher than in the previous year. Owing to the poor economic situation (particularly in the machine tool sector), and to negative currency effects amounting to CHF 14 million, the Corporation's first-half EBIT came to CHF 42 million. This was not higher than the previous year despite strenuous cost-cutting efforts and the disposal of Coperion. Both Automotive Products and Piping Systems reported a higher operating profit than in the year-back six-month period. Automotive Products achieved this progress thanks to higher sales than in the previous year, while Piping Systems owes its success to cost-saving measures in the face of lower sales. The Manufacturing Technology Group is suffering from a dramatic market slump and the impact of exchange rates on profits. This led to a decline of almost 20% in sales and negative EBIT, which would have been worse had it not been for strict cost discipline. The Corporation's financial expenditure declined in comparison with the previous year partly owing to the deconsolidation of Coperion. Tax expenses stemmed from the good earnings of various companies. Net income came to CHF 7 million (previous year CHF 5 million). Net debt was CHF 86 million lower than a year ago.

Georg Fischer adjusting to new situation

We must work on the assumption that the economic environment and demand in our markets will not significantly improve in 2004 either. We are therefore planning a number of measures in order to achieve appropriate earnings and reduce net debt despite the persistently adverse environment. We will thus dispose of assets and activities that are not essential

to operations or our strategy and create structures in line with the new circumstances. Each of the Corporate Groups is planning to streamline its structures. The process will begin in the second half of this year and will be completed by the end of 2004. There are also plans to streamline the organizational structure and the use of joint resources.

Market strength and growth opportunities

Georg Fischer is servicing its market from a position of strength, providing leading technologies and reli-

Corporate key figures		
million CHF	2003 June 30	2002* June 30
Order intake	1 653	1 810
Orders on hand	755	851
Sales	1 596	1 732
EBITDA	136	139
EBIT	42	42
Net profit	7	5
Net operating assets (NOA)	2 000	2 152
Employees	13 685	14 617

* incl. Coperion

able solutions. With our products and services, we satisfy important needs worldwide: comfort and safety in vehicles, reliable distribution of water and heat, the high-grade mass production of consumer goods. Each of the Corporate Groups pioneers new applications. This gives rise to considerable development and growth opportunities.

Automotive Products Group

“Adding Quality to People’s Lives”

With this motto and the support of a modified corporate image, we will demonstrate our strengths and our forward-looking contribution to added value even more forcefully than before. Georg Fischer is an attractive company because our products and services anticipate market trends such as mobility, comfort and precision, offer technological advantages and stand for both quality and integrity.

Outlook for 2003

The second half of the year should produce a slightly higher operating profit from the ongoing business than the first half, even if the economic situation remains unchanged. The above-mentioned structural measures will result in one-off charges in 2003, but will ultimately improve the company's profitability. Net debt will be lowered by the end of the year.



Martin Huber
Chairman
of the Board of Directors



Kurt E. Stirnemann
President and CEO

Market and strategy: “Mobility”

Providing high-quality cast components and systems in iron and light metal for the automotive industry, Georg Fischer is no. 1 in the European market. Our unique offering of products and technologies is in line with market trends: lighter-weight vehicles, integrated casting solutions, competitive advantages from light metal, and growing demand from China and the rest of Asia. Two strategic thrusts are designed to secure growth: a larger number of cast components per vehicle and expansion in China.

Results as at June 30, 2003

Running counter to the market trend, sales and order intake were above the year-back level thanks to a number of new projects. However, some of the new project launches were delayed and had lower volumes than planned. The start-up costs and a steep rise in scrap-metal prices prevented a more pronounced improvement in operating profit. New orders for light-metal structural components

Key figures	2003	2002
	June 30	June 30
million CHF		
Order intake	822	744
Orders on hand	615	551
Sales	794	705
EBITDA	83	72
EBIT	31	22
Net operating assets (NOA)	841	816
Employees	6 643	6 473

are strengthening a fast-growing components segment.

Outlook for 2003

Vehicle demand has levelled off in the German domestic market since the start of the second quarter, and it is not expected to pick up in the second half of the year. The Group is adjusting structurally to this market situation. The strong proportion of Georg Fischer components in the new vehicle models can offset at least part of the market downturn, meaning that the Group should be able to just about repeat its first-half performance.

Piping Systems Group

Market and strategy: "Comfort"

Piping systems made of plastic or metal for water, gas and other liquids are manufactured to high standards in industrial applications, in gas and water distribution and in domestic installations. We cover the growing demand for integrated solutions globally through our versatile system offering. Global trends are opening up growth opportunities: the desire for clean drinking water especially in China, together with liberalization of the market, the use of plastic to replace other materials, plus growing demand for high-purity systems in the life sciences and the food industry. We are able to expand our strong position in all these applications.

Results as at June 30, 2003

Despite the 4% decline in sales, the Group increased EBIT compared with the previous year. Piping systems for gas and water distribution in Europe and China, where Georg Fischer is a market leader, posted a good result on higher sales. We intensified our

Key figures million CHF	2003 June 30	2002 June 30
Order intake	398	415
Orders on hand	35	35
Sales	380	397
EBITDA	43	37
EBIT	19	15
Net operating assets (NOA)	511	542
Employees	3 407	3 368

strategy of targeting particular applications and markets to achieve growth.

Outlook for 2003

We continue to expect no upswing in our main markets, Europe and the USA, though we do see growth in a number of specific segments and countries where the replacement of metal by plastic is making headway. We are also improving the Group's profitability by eliminating low-earning situations. We expect the second-half result to be in line with that in the first six months.

Manufacturing Technology Group

Market and strategy: "Precision"

Electric discharge machining and high-speed milling are required for the high-grade mass production of consumer goods and the manufacture of precision components. Growth opportunities in the mould and tool-making industry are being opened up by the increasing demand for plastic products and rapid model changes, along with ever more stringent requirements in terms of precision, speed and process automation. Our offering of services and systems reinforces our leadership in this market. We will expand our broad base in China, now the biggest destination for machine tools. As a technology leader, Agie Charmilles is contributing to the advance of micro- and nanotechnology, for instance in medical technology.

Results as at June 30, 2003

Owing to the persistently difficult market environment, sales revenues at Agie Charmilles fell in the first half by 19.2% to CHF 404 million. The drastic

Key figures million CHF	2003 June 30	2002 June 30
Order intake	416	509
Orders on hand	105	132
Sales	404	500
EBITDA	6	26
EBIT	-8	11
Net operating assets (NOA)	591	613
Employees	3 204	3 340

slump in demand in the Group's main markets, the weak US dollar and the generally depressed investment climate impacted unfavourably on its earnings situation, especially in Europe and North America. Costs have been lowered further through a rigorous savings drive, structural adjustments and short-time working. Nevertheless, the company posted an operating loss (EBIT) of CHF -8 million for the first half.

Outlook for 2003

Agie Charmilles is anticipating an improved result in the traditionally strong second half. A fourth-quarter upturn will nevertheless be essential if the company is to achieve a balanced overall operating result for 2003. To improve the earnings situation in the long term, structural changes are being prepared for the second half.

Balance sheet

million CHF	Notes	June 30, 2003	%	June 30, 2002	%	Dec. 31, 2002	%
Tangible fixed assets	(2)	1 110		1 139		1 094	
Intangible assets		366		462		367	
Investments		22		22		20	
Deferred tax assets		53		45		55	
Other financial assets		137		89		133	
Fixed assets		1 688	52	1 757	50	1 669	53
Inventories		585		636		556	
Trade accounts receivable		662		727		609	
Other accounts receivable		139		165		138	
Securities		12		58		11	
Cash and cash equivalents		140		139		142	
Current assets		1 538	48	1 725	50	1 456	47
Assets		3 226	100	3 482	100	3 125	100
Share capital		335		335		334	
Share premium		130		129		130	
Retained earnings		542		522		490	
Shareholders' equity	(2)	1 007	31	986	28	954	31
Minority interests	(2)	90	3	130	4	100	3
Banks		302		406		389	
Mortgages		7		8		7	
Loans		395		436		392	
Deferred tax liabilities		80		73		84	
Provisions		76		107		76	
Employee benefits		107		175		100	
Other accounts payable		62		42		51	
Long-term liabilities		1 029	32	1 247	36	1 099	35
Banks		477		341		327	
Mortgages		1		1		1	
Loans	(2)			100		47	
Employee benefits		31		30		29	
Trade accounts payable		258		283		275	
Current tax liabilities		55		60		39	
Other accounts payable		278		304		254	
Current liabilities		1 100	34	1 119	32	972	31
Liabilities		2 129	66	2 366	68	2 071	66
Liabilities and shareholders' equity		3 226	100	3 482	100	3 125	100

Income statement

million CHF	Notes	Jan.–June 2003	%	Jan.–June 2002	%	Jan.–Dec. 2002	%
Gross sales		1 616		1 753		3 457	
Sales deductions		-20		-21		-40	
Sales		1 596	100	1 732	100	3 417	100
Changes in inventory		-3		1		-13	
Other operating income		26		27		69	
Income		1 619	101	1 760	102	3 473	102
Costs for materials and products		-689		-759		-1 518	
Operating expenses		-295		-315		-618	
Gross value added		635	40	686	40	1 337	40
Personnel expenses		-499		-547		-1 062	
Depreciation	(2)	-77		-80		-154	
Amortisation		-17		-17		-41	
Earnings before interest and taxes (EBIT)	(3)	42	3	42	2	80	2
Value adjustment Coperion						-25	
Financial result	(3)	-22		-30		-66	
Result from investment properties				1		2	
Result from investments				-1			
Profit before taxes		20	1	12	1	-9	
Income taxes	(3)	-13		-3		-3	
Profit (incl. minority interests)		7		9	1	-12	
Minority interests	(3)			-4		-8	
Net profit (excl. minority interests)		7		5		-20	-1
Earnings per share in CHF		2		2		-6	
Diluted earnings per share in CHF		3		2		-4	

Statement of changes in equity

	Share capital	Share premium	Retained earnings (excl. transl. diff.)	Translation differences	Shareholders' equity	Minority interests
million CHF						
Balance at December 31, 2001	334	126	640	-57	1 043	136
Own shares, changes	1	3			4	
Net profit			5		5	4
Changes in fair value of financial assets			-10		-10	
Realised profit on financial assets			-2		-2	
Dividends			-24		-24	-7
Translation differences				-30	-30	-3
Balance at June 30, 2002	335	129	609	-87	986	130
Balance at December 31, 2002	334	130	598	-108	954	100
Own shares, changes	1				1	
Net profit			7		7	
Changes in fair value of financial assets			1		1	
Realised profit on financial assets						
Dividends						-11
Translation differences				44	44	1
Balance at June 30, 2003	335	130	606	-64	1 007	90

Cash flow statement

million CHF	Jan.–June 2003	Jan.–June 2002	Jan.–Dec. 2002
Cash flow from operating activities	95	34	323
Cash flow from investing activities	-54	-52	-156
Cash flow from financing activities	-47	-6	-186
Translation differences on cash and cash equivalents	4	-3	-5
Net cash flow	-2	-27	-24
Cash and cash equivalents at beginning of year	142	166	166
Cash and cash equivalents at end of period	140	139	142

Corporate accounting principles and notes

The accounting principles applied in the Mid-year Report correspond to the corporate accounting principles detailed in the 2002 Annual Report. No changes to the accounting principles were made in the period under review. The Mid-year Report is in compliance with IAS 34.

1 Changes in the scope of consolidation as per June 30, 2003

In the period under review, the scope of consolidation changed as follows:

Additions	Disposals
as per January 1, 2003	None
Sichuan Chinaust, China (new company)	

2 Balance sheet

Investment in tangible fixed assets came to CHF 64 million and was thus CHF 13 million lower than the depreciation in the first half of 2003.

Net debts decreased by CHF 86 million compared with the figure as per June 30, 2002, and increased by CHF 24 million due to currency fluctuations compared with the year-end figure 2002. In April 2003 the 2% convertible bond in the amount of CHF 47 million was repaid. The markedly higher exchange rate of the euro on the balance sheet date June 30, 2003, compared with December 31, 2002, was the main factor resulting in a CHF 44 million increase in equity. The equity ratio, including minority interests, amounts to 34%.

3 Income statement

EBITDA, the operating cash result, amounts to CHF 136 million, which is CHF 3 million less than in the comparable period of 2002. The weakening of the US dollar reduced the EBIT in the American and Asian markets by CHF 10 million in the Manufacturing Technology Group and by CHF 4 million in the Piping Systems Group.

The high income tax of CHF 13 million was due to profitable corporate subsidiaries without a legal basis for a tax consolidation. In the period under review, aperiodical tax expense was also incurred, whereas in the previous year the Corporation was able to book a reimbursement owing to changes in the tax law.

The minority interests in the result of the profitable corporate subsidiaries are offset by the minority interests in the net loss of the Agie Charmilles Group.

Financial result

million CHF	Jan.– June 2003	Jan.– June 2002	Jan.– Dec. 2002
Interest income	2	4	7
Interest expenses	-26	-36	-65
Other financial profit/loss	2	2	-8
Total	-22	-30	-66

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In preparing the Mid-year Report, management is required to make judgements, estimates and statements about expected future developments, which affect the reported amounts of assets and liabilities, income and expenses as well as the unrecognised contingent liabilities. Assets and liabilities are recognised when it is probable that a future economic benefit will flow to the Group or an outflow of resources embodying economic benefits will occur respectively. Actual developments may deviate from those judgements, estimates and assessments about the future.