

Schaffhausen, 24 March 2010

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## **114th Annual General Meeting of Georg Fischer AG Address by Martin Huber, Chairman of the Board**

Ladies and gentlemen

The figures that we will present to you today starkly reflect the global economic crisis that loomed up a year ago, a crisis that has left deep marks especially on GF Automotive and GF AgieCharmilles.

The Corporation's sales slumped by about one third – in some market segments, the decline was at times over 50 percent – and the measures taken to cope with this drop in sales led to a net loss of CHF 240 million. This loss is the result of a scenario that was far worse than any "worst case" that we had expected from a recession.

Following the massive plunge in sales in the last quarter of 2008, we quickly planned and initiated radical measures and we implemented them systematically in 2009. In the meantime, it has become apparent that these measures, some of them very painful, were necessary and have produced results. The positive EBIT in the second half of the year and the very strong free cash flow over the entire year are proof of the turnaround.

Lots of things had to be questioned, changed or adjusted during the crisis. But we never questioned our strategic course.

In these circumstances, we were able to rely on experienced and solid management at all levels, a decentralised managerial team with thorough knowledge of the markets and the business, a team that was able to adjust rapidly to new situations and drive the necessary changes without losing the long-term objectives from sight. The senior management of Georg Fischer usually holds a meeting after the annual results have been published. It is mainly managing directors from all over the world who get together at this so-called Corporate Conference. This year, the topic was the difficult year in 2009. This chapter was then closed, and preparations were made for 2010. It was very impressive to hear about the incredibly difficult tasks that confronted these managers in the past year and the commitment and creativity that each of them, and their teams, displayed in their area of responsibility to overcome the crisis.

The traditional managerial values that I spoke about at last year's AGM have proved their worth: honesty, open and timely communication, trust and the role model function.

In the past twelve months, Georg Fischer has benefited greatly from the trust built up over many years. Trust between employees and managers, trust between staff representatives and management, trust between the Executive Committee and the Board of Directors, and not least trust between business partners and the Corporation were of inestimable value during the crisis when we had to renegotiate the syndicated loan with the banks and successfully float a CHF 300 million bond.

Open and timely communication, both within the Corporation and outside, is of great significance in good times and bad. Frank and credible communication is based on a basic attitude of honesty. This means: we say what we do, we do what we say and we lay our cards on the table when we learn of new facts. Last year, we had a lot of bad news to communicate outside the firm but especially inside. It was very important to inform our employees frankly and as early as possible about the situation in the Corporation and the measures we planned to take.

In a crisis, honesty within the company plays a crucial role. Only if we are honest – and that also implies honesty towards ourselves – and are willing to accept the problems as they are, can we, as managers, act quickly and effectively. Honesty is essential inside the company and outside too, and it creates trust.

Lastly, a manager's function as a role model carries great weight, especially in a crisis. This is true first and foremost of the manager's own commitment and dedication in difficult times and of the concern he or she shows for the well-being of the employees affected by the changes. Anyone who has gone through this crisis knows how difficult it is to have to take leave of loyal employees, managers and colleagues who have been with GF many years. And that's why it was so important that managers the world over and the Board of Directors showed their solidarity by forgoing part of their salary.

Our long-standing partnerships have stood the test in this crisis. The relations with our customers and business partners faced a host of different challenges, but even in the crisis they continued to function reliably.

Given the far-reaching changes that were necessary to deal with the crisis, the shift of operations from one location to another, the closing or disposal of companies and the dismissal of employees, we certainly also made mistakes that were, or still are, painful for those affected. We are sorry for this. What counts, though, is that we learn quickly from our mistakes. Knowing how to deal with mistakes is also part of managing the crisis.

Many shareholders have also told us that they would have been prepared, as shareholders, to help the Corporation, had it been necessary. We are pleased that the crisis did not force us to rush into an unfavourable capital market transaction.

Nevertheless, one thing we have learned from the past, difficult year is that in future we want to be in a position to react swiftly in order to secure the financing of the Corporation. In point 5 on the agenda, therefore, we are submitting for the approval of today's Annual General Meeting a proposal to amend the Articles of Association in order to create authorised and conditional capital. We are submitting this proposal because we firmly believe it is in the best interest of Georg Fischer for the Corporation to have greater flexibility in raising capital.

The structure of our shareholder base remained very stable last year. We still have some 13,000 small shareholders, some of them of many years' standing, who remained loyal to us even in the crisis year 2009. I thank all of you sincerely for your loyalty.

Management and the Board of Directors have passed this extremely difficult test admirably – we can say that now. Our corporate culture and our sustainable business practices were instrumental in bringing us safely through the storm.

Thank you for your attention.

I now give the floor to Yves Serra, the President and CEO of Georg Fischer. He will review the 2009 business year from the operational viewpoint and outline the prospects for 2010.

Address by Yves Serra

I thank Yves Serra for his report.

Yves Serra and I have endeavoured to show you concretely what the year 2009 brought our way and the upheavals it caused at Georg Fischer. At this point in time, it is difficult to predict what 2010 will bring our way. It is still unclear when the upturn will begin and, above all, how strong it will be. Only one thing is certain: this economic crisis has left in its wake an economic world that will look very different from the one before and it will even accelerate the breakneck pace of economic growth in Asia.

We will still have to face many challenges in 2010, but the Georg Fischer Corporation is now in excellent shape, solidly financed, well managed and thus in a position to grasp the opportunities that will arise after the crisis. Georg Fischer is emerging strengthened from this crisis and will master its future as an independent company thanks to a clear strategy, an experienced international management team and a corporate culture that gives people sufficient space for growth and has thus proved its worth in difficult times.

Last year, although we were aware of the extremely severe recession looming, we proposed distributing a dividend of five CHF per share in the form of a par value repayment. We thus remained true to our dividend policy of paying out around one third of net profit as a dividend.

Still true to our dividend policy, we now propose forgoing a dividend payout since the Corporation has posted a loss. It is with great reluctance that we make this proposal especially in view of the Corporation's many loyal and often long-standing small shareholders.

However, it is in the long-term interest of the shareholders if Georg Fischer can now use its solid and healthy equity base to complete the necessary radical changes in the structural programme and capitalise on the opportunities arising in the future. This creates ideal conditions for profitable growth that will enhance the enterprise's value.

Our task now is to concentrate again fully on the market and our customers, to unlock the promise of the future with innovative products and services and take advantage of every opportunity that the gradual recovery of the economy will bring our way. We are all focused on these goals.

We now turn to the items of business on the agenda for this year's Annual General Meeting.

Martin Huber  
Chairman of the Board of Directors