GEORG FISCHER

Schaffhausen, 24 March 2010

Check against delivery.

114th Annual General Meeting of Georg Fischer AG
Address by Yves Serra, President and CEO

Ladies and gentlemen

At the last Annual General Meeting I told you we would have to be prepared for a long and deep recession. And indeed, with sales plummeting by one third, 2009 was a difficult year for Georg Fischer.

GF AgieCharmilles, as a machine tool manufacturer, was especially hard hit because many customers scaled back investment outlays or put spending on the back burner. GF Automotive, as an automotive supplier, suffered from the steep cuts in production of passenger vehicles and trucks, especially in the first eight months of 2009. GF Piping Systems was better able to absorb the drop in sales because the Corporate Group is more broadly diversified and its markets are less cyclical.

We reacted swiftly and proved that GF is capable of overcoming the worst recession in two generations. Thanks to the measures we initiated immediately, we reported an operating profit before exceptional items in the second half and generated a positive cash flow of CHF 94 million for the full year.

The extraordinary situation called for extraordinary measures. Cutting some 2,000 jobs was not an easy decision for us. But it was unavoidable in order to cope with this exceptionally severe recession.

The crisis also enabled us to eliminate weaknesses and adjust our structures to current trends. GF is entering 2010 a leaner company and is better positioned in growth markets.

The 2009 figures for Georg Fischer were announced three weeks ago and were published in the Annual Report in full detail. I would like to take this occasion to explain the most important figures and the background.

The share of GF Piping Systems is increasing Chart

As predicted back in July 2009, sales plummeted by about one third to CHF 2.9 billion. The slump affected primarily the USA and Europe, our largest market. The downturn in Asia, by contrast, was more moderate. In China, we were even able to increase sales.

The share of GF Piping Systems in total sales increased from 28 percent to 37 percent – in other words almost ten percentage points. This trend is in line with our strategy and stemmed from the acquisitions that were made for GF Piping Systems in 2008 and from the downturn in sales for vehicles and machine tools.

Successful turnaround in 2nd half Chart

We were able to limit the operating loss before exceptional charges to CHF 58 million thanks to cost savings of CHF 430 million. In the second half, even though sales stagnated at a low level, we improved earnings in the three Corporate Groups and were able to report an overall operating profit before exceptional items.

We also have to factor in the one-off costs of the structural programme announced in May 2009, amounting to CHF 90 million, and goodwill impairments of CHF 53 million. After exceptionals, therefore, we reported an operating loss of CHF 201 million.

Liquidity secured – net debt reduced Chart

We put the medium-term financing of the Corporation on a sound basis by floating a CHF 300 million bond in August and concluding a new syndicated loan of CHF 420 million in October.

In addition to securing external financing, we exploited every opportunity to generate cash from internal sources. We lowered net current assets by CHF 245 million through efficient management. This is well in excess of the CHF 100 million that we had forecast at the AGM in March 2009. We also reduced capital expenditure (CAPEX) by 39 percent or CHF 95 million. This reduction was likewise larger than the originally announced 30 percent.

Thanks to these measures, we generated a free cash flow of CHF 94 million, thereby considerably lowering our net debt. This was certainly a highlight in the midst of the crisis.

Structural programme on track – all measures implemented Chart

The structural programme we announced in May 2009 is on track. By end-2009 we had either implemented or at least initiated all the measures.

At GF AgieCharmilles we concentrated production of electric discharge machines in Ticino and shut down production in Geneva. In addition, we closed the Schaffhausen plant and merged the production of milling machines in Nidau, canton of Berne.

At GF Automotive we sold our light-metal foundry in Gleisdorf, Austria. We closed our aluminium foundry in Montreal, Canada, while at the Herzogenburg, Austria and Garching, Germany foundries new structures were put in place under new management. A restructuring programme is underway.

At GF Piping Systems we merged three production sites in Italy in one location. In Switzerland, we concentrated our building technology operations in Sissach following the acquisition of JRG at the end of 2008.

At this point I would like to say something about how our structural programme has affected personnel levels.

Our task in these difficult times is to take radical measures, which certainly entail difficult choices. The job cuts were implemented as planned. By end-2009, payroll had been reduced by 1,800 jobs. Where layoffs were unavoidable in order to adjust personnel capacity, we have made every effort to do so in a socially acceptable manner, in accordance with our corporate culture.

Turning to short-time work, this measure was introduced mainly at GF Automotive in Germany and GF AgieCharmilles in Switzerland, starting as of at the end of 2008.

In the course of the year, the number of employees on short-time work peaked at 6,000, and the maximum quarterly average was 4,500.

A word about further cost-saving measures. To signal that we are all in the same boat, 250 senior managers voluntarily decided to forgo 10 percent of their monthly salary. The members of the Board of Directors and I waived 20 percent of the cash remuneration or, in my case, the fixed salary.

Ladies and gentlemen, all in all we reduced costs in 2009 by CHF 430 million; that is equivalent to an improvement of 15 points in the EBIT margin.

Defying the recession Chart

GF Piping Systems limited the drop in sales to 12.9 percent. Some industrial applications of GF Piping Systems in the chemical and semiconductor industries were hit by the crisis, but the infrastructure market for water and gas and for building technology operations remained relatively stable for us. Before exceptional items, GF Piping Systems generated an EBIT margin of 7.5 percent. In local currencies it was as high as 9.2 percent, which was almost at the 2008 level.
On balance, GF Piping Systems responded very early and in the second half substantially increased profitability. The EBIT margin rose to almost 10 percent.

Successful integration – strong performance Chart

The acquisitions we made in the USA and Switzerland in 2008 have been successfully integrated and they reported gratifying profitability in the year under review. The brands have been merged and now benefit from joint distribution networks.

And, despite the recession, GF Piping Systems continued to invest in Asia. We inaugurated our first manufacturing plant in India in November. It specialises in gas and water infrastructure products.

Inventory reduction in Europe, growth in China Chart

GF Automotive suffered in particular from destocking by its customers. In the first six months, the market slump led to a huge drop in the production of passenger vehicles and especially trucks.

Sales revenue at GF Automotive plunged by 41.6 percent. Organically, i.e. in euros and adjusted for changes in the scope of consolidation, the drop was 36 percent.

The operating loss before exceptional items comes to minus CHF 60 million. If the one-off restructuring charges amounting to CHF 49 million are factored in, the operating loss after exceptionals comes to minus CHF 109 million.

GF Automotive made significant adjustments to its structures in 2009. This involved selling off or closing down two factories and also reducing the size of its workforce, including laying off almost all temporary staff.

Well positioned in China – no. 1 automotive market Chart

GF Automotive significantly strengthened its position in China in 2009 by opening a new iron foundry in Kunshan, near Shanghai. The light-metal foundry in Suzhou, which opened in 2005, is now being expanded for the third time. The automobile industry in China is growing by leaps and bounds; the domestic market is now the world's largest, with twelve million vehicles sold. In order to meet the buoyant demand, both foundries are operating at full throttle.

Worst market slump in history Chart

The global recession in the machine tool industry was the worst we have ever experienced. Sales revenue at **GF AgieCharmilles** plunged by 46.5 percent. The hardest hit markets were those in Europe and the USA. Towards year-end, however, there were signs of a recovery in Asia and Latin America.

The loss before exceptional charges came to minus CHF 81 million. In addition, the Corporate Group took restructuring charges of CHF 27 million and goodwill impairments of CHF 43 million. The result was an operating loss after exceptionals of minus CHF 151 million.

GF AgieCharmilles adjusted its structures to market conditions and geared up for the future. Now, electric discharge machines and milling machines each have a uniform product platform and a single production site in Switzerland. Despite the recession, despite the massive short-time work and despite the substantial reduction in payroll, GF AgieCharmilles managed to maintain its pace of innovation.

Let me illustrate this with an example:

New electric discharge machines for LEDs Chart

LED light sources are being increasingly used in car headlights, street lighting, flat screens for TVs and smartphones.

For the production of LEDs, in particular the semiconductors and lenses they incorporate, manufacturers need high-precision blanking tools and moulds with tolerances smaller than ever before possible. In cooperation with our customers in Asia, we examined these requirements very closely and revamped our electric discharge and milling machines especially to optimise precision. As a result, we have already landed a large number of orders in this industry.

Outlook for 2010 | Chart

Ladies and gentlemen, what do we expect for 2010?

In recent weeks and months, we have observed a slight recovery on the markets. This recovery is due in part to growth in Asia but can also be explained by a pick-up in demand in certain sectors in Europe, for instance the automotive industry. However, it is unclear how sustainable this rebound is, and a lot of uncertainty surrounds exchange rates and prices for raw materials.

Nevertheless, GF is entering 2010 leaner and better equipped because the structural measures have been largely implemented and the cost base substantially reduced. In the second half of 2009 we reached the break-even point, even though sales were less than CHF 1.5 billion.
That gives us confidence because the operating leverage should be felt even more strongly in the event of a market rebound.

In addition, we have additional volume in Asia from the new facilities that started operations in the course of 2009.

All in all, we expect to turn a profit again in 2010 provided the market recovery doesn't peter out.

Targets for 2012 confirmed | Chart

As regards the medium-term forecast, in other words for 2012, we repeat our guidance from May 2009: assuming a sustainable and substantial recovery as of 2011, we intend to post an EBIT margin of 8 percent, while net debt should be reduced to below CHF 400 million.

Why do we believe that we are well positioned to cash in on an upswing?
What are the drivers?

Well positioned for the upswing | Chart

- Lower cost base
- Big increase in the share of GF Piping Systems
- Massive expansion of presence in Asia
- Positive long-term trends

Sustainable cost reduction of CHF 350 million | Chart

First of all, we now have a much lower cost base and therefore considerable operational potential. The cost-savings target of CHF 350 million we announced in May was reached or even beaten by a wide margin in 2009 because we carried out various measures earlier than planned, including temporary cost savings.

In 2010, we will have substantially more sustainable savings thanks to the restructuring measures that have been implemented. At the same time, the temporary cost savings are decreasing, partly because we have less short-time work.

GF Piping Systems growing in line with strategy — Chart

Secondly, in accordance with our strategy, we increased the share of GF Piping Systems in total sales revenue from 24 percent in 2007 to 37 percent in 2009 by targeted acquisitions and targeted investments. The profitability of GF Piping Systems is much higher than that of the other Corporate Groups, and it is on the whole more resistant to a recession. It therefore makes sense to increase this share further.

Massive expansion of presence in Asia — Chart

Thirdly, even during the crisis we continued to expand our presence in Asia and brought four further plants on stream. There are now 2,200 employees working for Georg Fischer in 15 facilities and in 30 companies in Asia. All three Corporate Groups are well positioned in Asia to benefit from the growth in this region.

We invest where our markets are located. But we don't put all our eggs in one basket. We will continue to make targeted investments in the USA and Europe as well as in Schaffhausen.

Strong position in water business — Chart

Fourthly, the three Corporate Groups are benefiting from positive long-term trends. More than 80 percent of the products of GF Piping Systems have to do with the transport of water. The worldwide pent-up demand for investment in water infrastructure projects, be it new plant or repairs, is huge.

GF Piping Systems is now the number 1 player for these applications in Europe, America and Asia and is therefore well enough positioned to benefit from the trend there too. The largest plant for these products is located here in Schaffhausen, where we also invested in expanding production capacity, even last year.

Last but not least, GF Piping Systems has developed other new applications and market segments in which plastic products are replacing metal, for example, maintenance on cruise ships and the transport of coolants.

Oasis of the Seas sails with GF — Chart

For example, the Oasis of the Seas, the new flagship of the Norwegian-American Royal Caribbean Cruise Line and now the largest cruise ship in the world. We supplied the piping system for this giant of the seas, almost 370,000 fittings, 8,200 ball valves and 165 kilometres of piping.

Favourable market orientation — Chart

The market for automobiles is certainly not dead. On the contrary! In the period from 2010 to 2012, observers are expecting a recovery especially in mid-range to high-end cars and in trucks, two segments in which, as you can see, GF Automotive generates 80 percent of its sales revenue.

The curves you see on the chart below are based on forecasts by our customers. Even the lower end of the range implies strong growth in production in both segments, though starting from a very low level. Moreover, our two foundries in the fast-growing Chinese market will contribute additional volume in 2010.

Back to growth thanks to Asia Chart

We have adjusted structures to the market especially at GF AgieCharmilles. High-end products and core components are developed in Switzerland and manufactured at two locations. The entry-level products are developed and manufactured in China, at our locations in Beijing and Changzhou.

The map shows where GF AgieCharmilles has production and sales companies the world over. As you can see, its presence in Asia is strong, even in comparison with almost all its competitors, and the Corporate Group is poised to benefit from growth in this region. Asia's share of sales at GF AgieCharmilles was just under 30 percent in 2009, but it is set to grow strongly in the current year. GF AgieCharmilles has everything going for it in this region.

Conclusion Chart

2009 was a hard test for management and all the employees of GF. It showed how important courage, commitment and team spirit are, especially in exceptional situations. I thank all the employees of Georg Fischer for their achievement.

Let me sum up. Georg Fischer did its homework in 2009. We adjusted costs to the lower level of sales and are now more closely geared to markets and trends. That makes us confident for 2010 and further out. If the recovery proves to be sustainable, Georg Fischer has every chance of posting a net profit this year and of reaching its long-term profitability goal by 2012 – an EBIT margin of 8 percent.

We are all committed to this objective. Thank you.

Yves Serra, CEO