



Mid-Year
Report 2006

Cover picture:
Sample pan for new materials
at GF Piping Systems

Mid-Year Report as per June 30, 2006

Georg Fischer reports strong advance

Georg Fischer continued on its growth path in the first half of 2006. At CHF 1.99 billion, sales were 8% higher than the previous year. The Corporation once again achieved a substantial improvement in earnings: at CHF 161 million, EBIT was 32% up on the previous year's figure. The EBIT margin of 8.1% is within the target range for 2007 stipulated at the start of the structural program in 2004. Barring any unexpected deterioration in economic conditions, a similar result can be expected for the second half of the year.

The Corporation's sales amounted to CHF 1.993 billion, representing a 7.6% increase on the previous year (CHF 1.852 billion). This improvement is attributable to the success of growth programs in the three Corporate Groups, underpinned by favourable economic circumstances in all markets. GF Piping Systems posted a particularly impressive 14% growth rate, though GF Machine Tools (+8%) and GF Automotive (+5%) also posted further gains. In the core European market, the increase in sales compared with the previous year amounted to around 5%, while the equivalent figure for Asia was 27% and for the Americas about 10%.

The volume increase along with numerous measures taken to optimize the cost structure within the Corporate Groups led to another significant improvement in the Corporation's earnings. Operating profit (EBIT) amounted to CHF 161

million, a rise of 32% on the previous year (CHF 122 million), despite a substantial increase in the price of raw materials and energy. All Corporate Groups contributed to this increase in profit: GF Piping Systems with an EBIT margin of 12%, GF Automotive at 8% and GF Machine Tools at 6%.

At CHF 117 million, net profit was 54% up on the previous year (CHF 76 million). Net debt fell again compared with the previous year as well as the end of 2005, amounting to CHF 379 million as per June 30, 2006. Free cash flow was exceptionally high at CHF 78 million. In addition to the improved cash flow from business operations, proceeds of CHF 57 million from disposals contributed to this good result.

Corporate Groups

GF Automotive again reported growth and lifted profitability. Sales rose 5% versus the previous year to CHF 968 million, while EBIT was 32% up on the previous year at CHF 75 million. As a result, the EBIT margin grew significantly from 6.2% in the prior year to 7.7% in the first half of 2006. This is a good figure by industry standards, particularly in light of the higher costs of raw materials and energy. Delays in closing the Munich plant put additional pressure on the results.

GF Piping Systems reported the biggest increase in sales and earnings. At CHF 483 million, sales were 14% higher than the previous year (17% if disposals are taken into account), while EBIT rose 54% to CHF 57 million – representing an improvement in the EBIT margin from 8.7% in the previous year to 11.8%. GF Piping Systems is currently benefiting from numerous measures to boost efficiency, and its efforts in the market place are having an impact.

GF Machine Tools was also operating in a favourable economic environment. Sales grew 8.0% to CHF 541 million (previous year: CHF 501 million), while EBIT amounted to CHF 33 million (previous year: CHF 29 million). This corresponds to an EBIT margin of 6.1% (previous year: 5.7%). The high order backlog and healthy market prospects mean the business is well placed for the second half of the year.

Market highlights

GF Automotive has established a foothold in the Chinese market. Following Chery's decision to contract Georg Fischer to manufacture the engine blocks for its newly developed engines, the Corporate Group is in discussion with additional customers. At the Suzhou plant, which opened in the autumn, the second phase of expansion will therefore go ahead earlier than planned. In Europe, GF Automotive performed well in a slightly expanding market.

GF Piping Systems saw growth across all product areas and market regions. Growth rates in new markets such as Australia, India and Russia were especially encouraging. The systematic bundling of product offers for individual market segments, for instance chemical processing technology and microelectronics, is proving effective.

GF Machine Tools made gains in Asia and Europe; recovery is also under way in Southern Europe. Demand on the American market flattened out slightly. Electric discharge machines are showing particularly strong growth in mould and tool making in Asia and – through increasingly significant applications in the manufacture of precision components – at a global level. High-speed milling remains a success story worldwide – not least thanks to new products. Automation is enjoying strong demand for new standard products offering an attractive price/performance mix.

Key figures as per June 30

million CHF	Corporation		GF Automotive		GF Piping Systems		GF Machine Tools	
	2006	2005	2006	2005	2006	2005	2006	2005
Order intake	2 031	1 907	957	931	508	442	565	534
Sales	1 993	1 852	968	926	483	425	541	501
EBITDA	233	202	121	110	72	53	41	37
EBIT	161	122	75	57	57	37	33	29
Return on Sales (EBIT margin) %	8.1	6.6	7.7	6.2	11.8	8.7	6.1	5.7
Net profit	117	76						
Number of employees	12 199	12 335	5 698	5 818	3 155	3 185	3 197	3 171

Outlook for 2006

From a current perspective, it looks as if there will be little material change in our markets. Barring any unexpected deterioration in overall economic conditions, it should be possible to achieve a similar set of results in the second half of the year.



Martin Huber
Chairman of the Board
of Directors



Kurt E. Stirnemann
President and
Chief Executive Officer

Balance sheet

million CHF	June 30, 2006	%	June 30, 2005	%	Dec. 31, 2005	%
Investment properties	26		33		31	
Property, plant and equipment for own use	960		996		990	
Intangible assets	250		248		250	
Investments in associates	1		1		1	
Other financial assets	74		114		61	
Deferred tax assets	53		36		57	
Non-current assets	1 364	43	1 428	46	1 390	45
Assets held for sale					60	
Inventories	621		599		568	
Trade accounts receivable	759		723		656	
Income taxes receivable	17		10		11	
Other accounts receivable	94		92		103	
Marketable securities	8		15		10	
Cash and cash equivalents	318		217		276	
Current assets	1 817	57	1 656	54	1 684	55
Assets	3 181	100	3 084	100	3 074	100
Share capital	298		306		306	
Share premium	240		139		137	
Retained earnings	758		551		655	
Equity attributable to shareholders of Georg Fischer Ltd	1 296	41	996	32	1 098	36
Minority interests	103	3	98	3	104	3
Equity	1 399	44	1 094	35	1 202	39
Banks	79		203		115	
Subordinated convertible bond			156		158	
Other bonds	371		370		370	
Deferred tax liabilities	69		72		69	
Provisions	96		93		93	
Employee benefits	166		159		162	
Other non-current liabilities	33		29		28	
Non-current liabilities	814	26	1 082	35	995	32
Banks	180		207		187	
Subordinated convertible bond	15					
Employee benefits	35		31		39	
Trade accounts payable	332		296		342	
Current tax liabilities	77		55		54	
Other current liabilities	329		319		255	
Current liabilities	968	30	908	30	877	29
Liabilities	1 782	56	1 990	65	1 872	61
Liabilities and equity	3 181	100	3 084	100	3 074	100

Income statement

million CHF	Jan. – June 2006		Jan. – June 2005		Jan. – Dec. 2005	
		%		%		%
Gross sales	2 022		1 877		3 738	
Sales deductions	-29		-25		-46	
Sales	1 993	100	1 852	100	3 692	100
Changes in inventory	-5		2		-5	
Other operating income	40		30		68	
Income	2 028	102	1 884	102	3 755	102
Cost of materials and products	-917		-847		-1 699	
Operating expenses	-364		-327		-654	
Gross value added	747	37	710	38	1 402	38
Personnel expenses	-514		-508		-999	
Depreciation	-70		-79		-146	
Amortization	-2		-1		-5	
EBIT	161	8	122	7	252	7
Interest expenses	-14		-24		-48	
Other financial result, net	3		4		4	
Result of investment properties	3				-4	
Profit before taxes	153		102		204	
Income taxes	-36		-26		-29	
Net profit	117	6	76	4	175	5
thereof attributable to shareholders of Georg Fischer Ltd	107		67		155	
thereof attributable to minority interests	10		9		20	
Earnings per share in CHF	29		20		46	
Diluted earnings per share in CHF	29		18		41	

Statement of changes in equity

million CHF	Share capital	Share premium	Cumulative translation adjustments	Changes in fair value of financial assets	Other retained earnings	Equity attributable to shareholders of Georg Fischer Ltd	Minority interests	Equity
Balance as per December 31, 2004	335	129	-105	3	568	930	93	1 023
Changes in fair value of financial assets				5		5		5
Translation adjustments			13			13	2	15
Net income recognized directly in equity			13	5		18	2	20
Net profit for the period					67	67	9	76
Total recognized income and expense for the period			13	5	67	85	11	96
Changes in own shares	5	10				15		15
Reduction in par value/dividends	-34					-34	-6	-40
Balance as per June 30, 2005	306	139	-92	8	635	996	98	1 094
Balance as per December 31, 2005	306	137	-83	15	723	1 098	104	1 202
Changes in fair value of financial assets				1		1		1
Transfer to income statement				-6		-6		-6
Translation adjustments			1			1		1
Net income recognized directly in equity			1	-5		-4		-4
Net profit for the period					107	107	10	117
Total recognized income and expense for the period			1	-5	107	103	10	113
Changes in own shares	3	14				17		17
Capital increase from convertible bond	49	89				138		138
Reduction in par value/dividends	-60					-60	-12	-72
Changes in minority interests							1	1
Balance as per June 30, 2006	298	240	-82	10	830	1 296	103	1 399

Cash flow statement (condensed)

million CHF	Jan. – June 2006	Jan. – June 2005	Jan. – Dec. 2005
Cash flow from operating activities	54	25	298
Cash flow from investing activities	24 ¹	-49 ¹	-114
Free cash flow	78	-24	184
Cash flow from financing activities	-35	-205	-356
Translation adjustment on cash and cash equivalents	-1	4	6
Net cash flow	42	-225	-166
Cash and cash equivalents at beginning of year	276	442	442
Cash and cash equivalents at end of period	318	217	276

¹ Including proceeds from divestitures, net of CHF 67 million (previous year: CHF 2 million)

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, as well as joint ventures and associated companies (hereafter “Georg Fischer”). They cover the six-month period ended June 30, 2006 (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, 2005.

The consolidated interim statements were approved for issue by the Board of Directors on July 12, 2006.

The accounting principles applied in the interim financial statements are consistent with those used in the 2005 annual report, except where noted below:

Effective January 1, 2006, Georg Fischer implemented the amendments of IAS 19 “Employee benefits”, IAS 21 “The Effects of Changes in Foreign Exchange Rates”, and IAS 39 “Financial instruments”, together with the newly issued IFRS 6 “Exploration for and Evaluation of Mineral Resources”, IFRIC 4 “Determining whether an Arrangement contains a Lease” and IFRIC 6 “Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”, without this having a material effect on the consolidated interim financial statements.

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, 2005. 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 (formations)

as of April 6, 2006

Shanghai Chinaust Automotive Plastics Corp Ltd
China

GF Piping Systems

as of April 6, 2006

Shanghai Georg Fischer Chinaust Plastics Fittings Corp Ltd
China

GF Piping Systems

as of June 1, 2006

Agie Charmilles Makine Ticaret Limited Şirketi

Turkey

GF Machine Tools

Disposals (divestitures)

as of March 31, 2006

Georg Fischer Schwab Beteiligungs GmbH, Pfullingen
Germany

GF Piping Systems

as of March 31, 2006

Georg Fischer Schwab GmbH & Co KG, Pfullingen

Germany

GF Piping Systems

2 Balance sheet

Total assets grew by around CHF 100 million compared with end 2005. This increase was entirely attributable to the growth in current assets, which is a seasonal occurrence and is due to the higher level of sales.

Non-current assets were CHF 26 million lower than the figure for December 2005. Investment in property, plant and equipment amounted to only CHF 43 million in the six months to June, while depreciation totalled CHF 70 million in the period under review.

Current assets rose by CHF 161 million in relation to June 2005. CHF 101 million of this was due to the increase in cash and cash equivalents. It should be noted that although the CHF 60 million reduction in par value had been deducted from equity, payout was not made until the beginning of July. The in-

vestment in Coperion, reclassified in the second half of 2005 as asset held for sale, and other assets totalling CHF 60 million, were divested under the period of review. The increase in current assets is otherwise largely attributable to higher inventories (up CHF 22 million) and trade accounts receivable (up CHF 36 million).

Compared with end 2005, equity grew strongly by CHF 197 million. Much of this was due to the conversion of the 3.5% convertible bond 2003–2008. By the balance sheet date, 90% of bonds had been converted into shares in Georg Fischer Ltd, resulting in a CHF 138 million increase of equity. The number of shares as per June 30, 2006 amounted to 4,043,412. The par value reduction reduced equity by CHF 60 million. The equity ratio climbed five percentage points to 44%.

Compared with December 2005 non-current liabilities shrank of CHF 181 million, primarily due to the conversions. Current liabilities rose by CHF 91 million, in particular because other current liabilities showed a seasonal increase of CHF 74 million.

The maturity structure has once again improved due to the conversion of the convertible bond. The maturities are distributed relatively evenly over the period 2007–2010.

Net debt

million CHF	June 30, 2006	Dec. 31, 2005
Banks	259	302
Bonds	386	528
Employee benefits	49	52
Other interest-bearing liabilities	11	10
Interest-bearing liabilities	705	892
Marketable securities	8	10
Cash and cash equivalents	318	276
Net debt	379	606

Net debt as per June 30, 2006 was CHF 379 million, representing an improvement of CHF 227 million in relation to December 2005.

3 Income statement

Sales in the first half of 2006 increased 7.6% to CHF 1,993 million compared with the prior year period. After adjusting for changes in the scope of consolidation and currency effects, organic growth amounted to 6.5%.

The price of raw material left its mark on the books of GF Automotive in particular. The aluminium prices have risen sharply in the past three quarters. In recent months, however,

they have stabilized at a high level. Since these increases cannot be passed on to customers immediately, there was a negative effect in the first half; however, this should disappear in the second half provided prices do not rise any further. That is one of the reasons why gross value added as a percentage of sales was one percentage point lower than in the previous year.

At CHF 70 million, depreciation was in line with its longer-term average. The previous year had been affected by an additional CHF 8 million of extraordinary depreciation in connection with the closure of the pressure die-casting plant in Munich.

The impact of currency effects on sales and EBIT was positive. Although the price of the US dollar and those Asian currencies which track the dollar had fallen since the beginning of the year, the average exchange rate in the first half of the current year was higher than in 2005. If the previous year's exchange rates were to be applied, sales would be lower by CHF 36 million and EBIT down by CHF 3 million.

EBIT came to CHF 161 million, representing a 32 % increase on the same period in 2005. The EBIT margin climbed from 6.6% to 8.1%.

Interest expenses were almost halved at CHF 14 million. As well as low net debt, we benefited from the effect of the convertible bond conversion. The so far recognized accretion that had been created in respect of the redemption value, which would have amounted to 113% at the end of the term, could be released. This resulted in an additional financial gain of CHF 6 million.

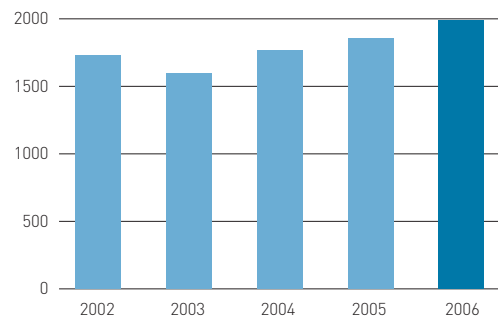
Income taxes amounted to CHF 36 million, equivalent to a tax rate of 24 % (previous year period: 25 %).

Net profit stood at CHF 117 million, which equates to a 54 % increase.

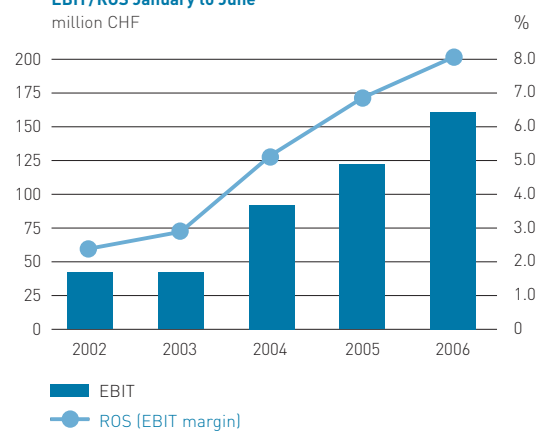
4 Free cash flow

Free cash flow amounted to a positive CHF 78 million, following a negative CHF 24 million in the same period of 2005. Non-recurring positive effects came from the sale of Georg Fischer Rohrverbindungstechnik GmbH, which was concluded at the end of 2005 but did not impact on cash until January, and the disposal of the investment in Coperion. These extraordinary factors increased free cash flow by CHF 57 million.

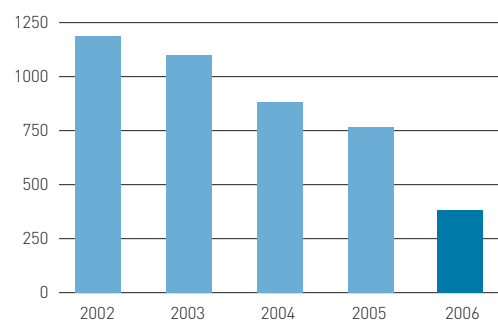
Sales January to June
million CHF



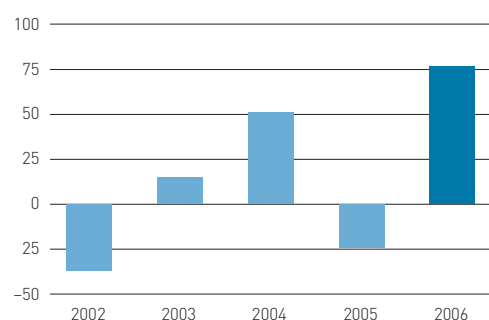
EBIT/ROS January to June
million CHF



Net debt as per June 30
million CHF



Free cash flow January to June
million CHF



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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On our website you can download the recording of the Analysts' Telephone Conference held on July 17, 2006.

February 27, 2007
Publication of Annual Report
2006, Media and Financial
Analysts Conference

March 21, 2007
Annual General Meeting of
the fiscal year 2006

July 17, 2007
Publication of Mid-Year Report

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