



## Mid-Year Report 2004

Press Release of July 19, 2004



## Mid-Year Report as per June 30, 2004

### Georg Fischer on track

**The first half of the year showed a marked improvement in key figures compared with the previous year: new orders were up 16%, sales up 11% and operating profit was doubled. Net debt fell sharply. The restructuring plan and success in recovering markets are having a clear impact. A similar trend can be expected in the second half.**

**Financial statements as per June 30, 2004.** Georg Fischer performed well in the first half of 2004, even though the main market Europe, above all Germany, has still not given any significant impetus and has seen some steep price rises for scrap iron, coke and energy. The improvement was driven by market success in Asia, the gradual recovery in America and the execution of the restructuring plan. Consolidated sales rose by CHF 171 million in the first six months of the current fiscal year to CHF 1,767 million. EBIT before special charges increased by CHF 41 million to CHF 83 million. The gain on divestments exceeded the costs of the restructuring plan, producing EBIT of CHF 92 million. Net profit rose even more sharply to CHF 48 million. Despite the expansion in sales, net debt showed an encouraging trend and now stands at CHF 882 million. Divestments as part of the restructuring plan contributed some CHF 60 million to the decrease. At the end of June, Georg Fischer signed a syndicated loan for CHF 250 million with a consortium of banks, thus ensuring the company's financing for the coming years.

**Restructuring plan on track.** The restructuring has been completed by and large. Compared with the previous year, the headcount has decreased by 10%. In some cases, production plants were sold in whole or in part instead of being closed as planned. All Corporate Groups have launched programs, particularly in the areas of procurement and shared services. The costs of the restructuring plan are in line with the plan. The sustainable improvement in earnings announced for the end of 2005 is within reach.

**Corporate Groups.** GF Automotive again achieved significant growth, even though the hoped-for upswing in the market turned out to be weak. The passenger vehicle market is still in the slow lane, especially in Germany, but demand for commercial vehicles, particularly in Asia and Eastern Europe, is powering ahead. GF Automotive raised sales by 11% to CHF 885 million. EBIT before special charges came to CHF 49 million, resulting in an EBIT margin of 5.5%.

The sales increase at GF Piping Systems is attributable first and foremost to double-digit growth in Asia and America. In the industrial sector the Corporate Group benefited from the rebound in the semiconductor industry. The water and gas utilities business continues to grow, though expansion in Western Europe is slow. Sales were up 8% over the previous year to CHF 412 million. Together with the positive impact of the restructuring plan, this produced EBIT before special charges of CHF 33 million and a significantly better EBIT margin of 8%.

GF Machine Tools (Agie Charmilles), a highly cyclical company, benefited the most from the improved economic conditions. Strong growth continued particularly in China, whereas the upswing has yet to materialize in Latin America and Southern Europe. However, demand for high-margin product areas and markets was still too sluggish. Sales rose 15% to CHF 466 million. Thanks to the upturn in sales and the impact of the restructuring plan, EBIT before special charges, which had been negative the previous year, rose CHF 16 million to CHF 8 million, and the Group reported a positive result.

### Key figures as per June, 30

million CHF	Corporation		GF Automotive		GF Piping Systems		GF Machine Tools	
	2004	2003	2004	2003	2004	2003	2004	2003
Order intake	<b>1 924</b>	1 653	<b>990</b>	822	<b>431</b>	398	<b>500</b>	416
Sales	<b>1 767</b>	1 596	<b>885</b>	794	<b>412</b>	380	<b>466</b>	404
EBITDA	<b>169</b>	136	<b>101</b>	83	<b>51</b>	43	<b>21</b>	6
EBIT before special charges	<b>83</b>	42	<b>49</b>	31	<b>33</b>	19	<b>8</b>	-8
EBIT	<b>92</b>	42	<b>37</b>	31	<b>35</b>	19	<b>8</b>	-8
Net profit	<b>48</b>	7	-	-	-	-	-	-
Number of employees	<b>12 360</b>	13 685	<b>6 008</b>	6 643	<b>3 163</b>	3 407	<b>3 023</b>	3 204

**Market highlights.** GF Automotive is building a new plant in Suzhou, China, for light-metal die-cast components destined for the local manufacturing facilities of European and Chinese customers. The capacity can be expanded stepwise as required. The Chinese automotive market is expected to grow by about 20% a year. GF's competence as a supplier in the European commercial vehicle market was underscored by the award of MAN's "Trucknology Supplier 2003" prize.

With the introduction of a new push-fit connection system, GF Piping Systems has taken a decisive innovation step, lending additional momentum to the expansion of the Building Technology unit. The development of new applications for industrial systems, for example in water treatment, is advancing steadily.

The diesinking machine for the entry level price segment launched in May 2004 by Agie Charmilles and produced in China is based on a new platform concept. Three further machine types based on this product generation – all of them to be manufactured in China – will reach the market in the next few months. The Beijing plant, which is running at full capacity, will be expanded from 650 to 1,000 machines a year.

**Outlook for 2004.** The half-year result confirms that we are on the right path with our restructuring efforts. The measures included in the restructuring plan will be largely completed by the end of 2004 and will impact fully on the bottom line in 2005. For the second half of this year we anticipate few changes in the economic environment and expect a result similar to the first-half performance.

*Martin Huber*

Martin Huber  
Chairman of the  
Board of Directors

*Kurt E. Stirnemann*

Kurt E. Stirnemann  
President and  
Chief Executive Officer

## Balance sheet

million CHF	Notes	June 30, 2004	%	June 30, 2003	%	Dec. 31, 2003	%
Property, plant and equipment		1 018		1 110		1 054	
Intangible assets		259		366		271	
Investments in associates		4		22		4	
Other financial assets		131		137		157	
Deferred tax assets		50		53		53	
<b>Non-current assets</b>		<b>1 462</b>	<b>48</b>	<b>1 688</b>	<b>52</b>	<b>1 539</b>	<b>51</b>
Inventories		548		585		537	
Trade accounts receivable		682		662		604	
Other accounts receivable		109		139		92	
Marketable securities		12		12		12	
Cash and cash equivalents		230		140		256	
<b>Current assets</b>		<b>1 581</b>	<b>52</b>	<b>1 538</b>	<b>48</b>	<b>1 501</b>	<b>49</b>
<b>ASSETS</b>	<b>2)</b>	<b>3 043</b>	<b>100</b>	<b>3 226</b>	<b>100</b>	<b>3 040</b>	<b>100</b>
Share capital		335		335		335	
Share premium		129		130		128	
Retained earnings		419		542		381	
<b>Shareholders' equity</b>	<b>2)</b>	<b>883</b>	<b>29</b>	<b>1 007</b>	<b>31</b>	<b>844</b>	<b>28</b>
<b>Minority interests</b>	<b>2)</b>	<b>86</b>	<b>3</b>	<b>90</b>	<b>3</b>	<b>88</b>	<b>3</b>
Banks		285		302		328	
Mortgages		6		7		7	
Subordinated convertible bond		152				150	
Other debenture loans		196		395		398	
Deferred tax liabilities		78		80		80	
Provisions		75		76		76	
Employee benefits		143		107		141	
Other non-current liabilities		51		62		40	
<b>Non-current liabilities</b>		<b>986</b>	<b>32</b>	<b>1 029</b>	<b>32</b>	<b>1 220</b>	<b>40</b>
Banks		219		477		242	
Mortgages		1		1		1	
Other debenture loans	2)	205					
Employee benefits		31		31		34	
Restructuring provisions		24				41	
Trade accounts payable		294		258		305	
Current tax liabilities		46		55		41	
Other current liabilities		268		278		224	
<b>Current liabilities</b>		<b>1 088</b>	<b>36</b>	<b>1 100</b>	<b>34</b>	<b>888</b>	<b>29</b>
<b>Liabilities</b>		<b>2 074</b>	<b>68</b>	<b>2 129</b>	<b>66</b>	<b>2 108</b>	<b>69</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3 043</b>	<b>100</b>	<b>3 226</b>	<b>100</b>	<b>3 040</b>	<b>100</b>

## Income statement

million CHF	Notes	Jan.–June 2004	%	Jan.–June 2003	%	Jan.–Dec. 2003	%
<b>Gross sales</b>		<b>1 789</b>		<b>1 616</b>		<b>3 297</b>	
Sales deductions		-22		-20		-40	
<b>Sales</b>	3)	<b>1 767</b>	<b>100</b>	<b>1 596</b>	<b>100</b>	<b>3 257</b>	<b>100</b>
Changes in inventory		4		-3		-15	
Other operating income		21		26		58	
<b>Income</b>		<b>1 792</b>	<b>101</b>	<b>1 619</b>	<b>101</b>	<b>3 300</b>	<b>101</b>
Cost of materials and products		-793		-689		-1 458	
Operating expenses		-326		-295		-570	
<b>Gross value added</b>	3)	<b>673</b>	<b>38</b>	<b>635</b>	<b>40</b>	<b>1 272</b>	<b>39</b>
Personnel expenses		-504		-499		-990	
Depreciation		-75		-77		-158	
Amortization	3)	-11		-17		-28	
<b>EBIT before special charges</b>	3)	<b>83</b>	<b>5</b>	<b>42</b>	<b>3</b>	<b>96</b>	<b>3</b>
Special charges							
Restructuring plan		9				-131	
Impairment Goodwill Die Casting						-61	
<b>EBIT</b>		<b>92</b>	<b>5</b>	<b>42</b>	<b>3</b>	<b>-96</b>	<b>-3</b>
Financial result	3)	-25		-22		-46	
Result of investment properties		1					
<b>Profit/(loss) before taxes</b>		<b>68</b>		<b>20</b>		<b>-142</b>	
Income taxes	3)	-17		-13		-7	
<b>Net profit/(loss) before minority interests</b>		<b>51</b>		<b>7</b>		<b>-149</b>	
Minority interests		-3				2	
<b>Net profit/(loss)</b>		<b>48</b>	<b>3</b>	<b>7</b>	<b>0</b>	<b>-147</b>	<b>-5</b>
Profit/(loss) per share in CHF		14		2		-44	
Diluted profit/(loss) per share in CHF		13		3		-44	

## Statement of changes in equity

million CHF	Share capital	Share premium	Retained earnings (excl. transl. diff.)	Cumulative translation adjustment	Shareholders' equity	Minority interests
<b>Balance as of December 31, 2002</b>	<b>334</b>	<b>130</b>	<b>598</b>	<b>-108</b>	<b>954</b>	<b>100</b>
Changes in own shares	1				1	
Net profit			7		7	
Changes in fair value of financial assets			1		1	
Dividends						-11
Translation adjustment				44	44	1
<b>Balance as of June 30, 2003</b>	<b>335</b>	<b>130</b>	<b>606</b>	<b>-64</b>	<b>1 007</b>	<b>90</b>
<b>Balance as of December 31, 2003</b>	<b>335</b>	<b>128</b>	<b>474</b>	<b>-93</b>	<b>844</b>	<b>88</b>
Changes in own shares		1			1	
Net profit			48		48	3
Changes in fair value of financial assets			4		4	
Dividends						-5
Translation adjustment				-14	-14	
<b>Balance as of June 30, 2004</b>	<b>335</b>	<b>129</b>	<b>526</b>	<b>-107</b>	<b>883</b>	<b>86</b>

## Cash flow statement

million CHF	Jan. - June 2004	Jan. - June 2003	Jan. - Dec. 2003
<b>Cash flow from operating activities</b>	<b>88</b>	<b>95</b>	<b>370</b>
<b>Cash flow from investing activities</b>	<b>-9<sup>1)</sup></b>	<b>-54</b>	<b>-130</b>
<b>Cash flow from financing activities</b>	<b>-103</b>	<b>-47</b>	<b>-131</b>
Translation adjustment on cash and cash equivalents	-2	4	5
<b>Net cash flow</b>	<b>-26</b>	<b>-2</b>	<b>114</b>
Cash and cash equivalents at beginning of year	256	142	142
<b>Cash and cash equivalents at end of period</b>	<b>230</b>	<b>140</b>	<b>256</b>

<sup>1)</sup> Incl. proceeds from divestments of CHF 64 million

## Notes to the consolidated financial statements

The accounting principles applied in the Mid-year Report correspond to the corporate accounting principles detailed in the 2003 Annual Report and are in compliance with International Financial Reporting Standards (IFRS) and IAS 34. No changes to the accounting principles were made in the period under review.

On July 13, 2004, the Mid-year Report was authorized for issue by the Board of Directors.

### 1 CHANGES IN SCOPE OF CONSOLIDATION

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

#### Additions

as of January 1, 2004	ACM East China (HK) Ltd, Hong Kong Agie Charmilles China (Shenzen) Ltd, Shenzhen Agie Charmilles China (Tianjin) Ltd, Beijing
-----------------------	---

#### Disposals

as of January 1, 2004	Georg Fischer Logimatik AG, Schaffhausen Georg Fischer Speditionslogistik AG, Schaffhausen Bostomatic Corp, Davidson, NC Charmilles Technologies Manufacturing Corp, Owosso, MI ELOX Corporation, Davidson, NC
as of March 31, 2004	Georg Fischer Immobilien Service AG, Schaffhausen
as of April 30, 2004	George Fischer (Lincoln) Ltd, Lincoln

### 2 BALANCE SHEET

Despite steep growth in sales, total assets remained stable at CHF 3.04 billion in comparison with year-end 2003. The volume-related increase in current assets was offset in particular by the effects of divestments. Investments in property, plant and equipment, amounting to CHF 72 million, were CHF 3 million below the depreciation in the period under review. Net debt was further reduced by a significant CHF 44 million owing to the free cash flow of CHF 43 million and has fallen by CHF 219 million since June 30, 2003. This has resulted in a major improvement in the balance sheet structure and the corresponding key ratios. Shareholders' equity including minority interests rose CHF 37 million compared with end 2003 to CHF 969 million. The equity ratio including minority interests is now 32%.

In the period under review, two important steps were taken to safeguard the company's financing. In February, Agie Charmilles concluded a medium-term syndicated loan for CHF 160 million with a bank consortium. At the end of June 2004, Georg Fischer successfully completed negotiations for a syndicated loan amounting to CHF 250 million.

Given the Corporation's high cash position, this will enable it to repay the CHF 208 million convertible debenture loan maturing in January 2005 without any trouble. The new maturity structure will safeguard financing for the next several years.

### Net debt

million CHF	June 30, 2004	June 30, 2003
Banks	504	779
Mortgages	7	8
Debenture loans	553	395
Employee benefit plans	51	54
Other interest-bearing liabilities	9	17
<b>Interest-bearing liabilities</b>	<b>1 124</b>	<b>1 253</b>
Marketable securities	12	12
Cash and cash equivalents	230	140
<b>Net debt</b>	<b>882</b>	<b>1 101</b>

### 3 INCOME STATEMENT

Sales climbed 11% to CHF 1.77 billion. Exchange rate movements had a positive impact amounting to CHF 41 million. Gross value added relative to sales fell to 38% owing to huge price rises for some raw materials (in particular scrap iron) and for energy. As a result of the impairment of the goodwill for Die Casting at the end of last year, amortization fell by about one third to CHF 11 million. EBIT before special charges came to CHF 83 million, doubling the year-back figure. The EBIT margin is 4.7%.

Financial result fell slightly short of the previous year's figure, owing to exchange rate fluctuations, slightly higher interest rates and costs in connection with the new syndicated loans. Taxes amounting to CHF 17 million equate to a tax rate of 25%.

### 4 FREE CASH FLOW

million CHF	Jan.-June 2004	Jan.-June 2003	Jan.-Dec. 2003
EBITDA	169	136	282
Cash payments for special charges	-34		-24
Changes in net working capital	-44	-32	91
Investments in property, plant and equipment (Capex)	-72	-64	-147
Proceeds from divestments	64	9	19
Current income taxes/ interest result, net	-40	-39	-60
<b>Free cash flow</b>	<b>43</b>	<b>10</b>	<b>161</b>

### Corporate Profile Georg Fischer – “Adding Quality to People’s Lives”

Georg Fischer, Schaffhausen, Switzerland, is an international industrial corporation that has 13,000 employees at 200 locations in 30 countries and generates annual sales of around CHF 3.3 billion. The Corporation makes a direct contribution to the quality of life. As people become increasingly mobile, they have ever greater demands for comfort and safety in their vehicles. With its heavy-duty cast parts made of light metal and iron, **GF Automotive** makes it possible to build lightweight passenger and commercial vehicles. A reliable supply of clean water is becoming a crucial challenge. **GF Piping Systems** facilitates the supply of drinking water worldwide and enables the safe transport of liquids and gases for industrial purposes. Large-scale production of consumer goods requires great precision and demanding manufacturing technologies. **GF Machine Tools** provides machines and system solutions to manufacture the necessary moulds and tools.

### Contacts for information:

#### Investor Relations

Daniel Bösiger  
Phone: +41 (0)52 631 21 12  
Fax: +41 (0)52 631 28 16  
daniel.boesiger@georgfischer.com

#### Communications

Markus Sauter  
Phone: +41 (0)52 631 26 97  
Fax: +41 (0)52 631 28 63  
markus.sauter@georgfischer.com

#### Corporate Publications

Dr. Bernd Niedermann  
Phone: +41 (0)52 631 26 98  
Fax: +41 (0)52 631 28 63  
bernd.niedermann@georgfischer.com

You can order Georg Fischer publications on the Internet at [www.georgfischer.com](http://www.georgfischer.com) or directly from any of the above-mentioned addresses.

### Dates:

Media Conference and  
Financial Analysts Conference  
of the business year 2004  
March 1, 2005

Annual General Meeting  
of the business year 2004  
March 22, 2005

### Press photos:

High-resolution pictures  
can be downloaded from  
[www.georgfischer.com](http://www.georgfischer.com).

Georg Fischer Ltd  
Amsler-Laffon-Strasse 9  
CH-8201 Schaffhausen

Phone: +41 (0)52 631 11 11

### 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.