

# Media Release

Schaffhausen, 28 May 2009, 7:00 a.m.

## **Georg Fischer battles the crisis and braces itself for the future**

**Georg Fischer has been heavily affected by the present economic crisis. In addition to the measures already taken GF has therefore launched a broad-based structural programme in order to effectively cut the Corporation's total costs by CHF 350 million. The objective is to post a positive operating result and a positive free cash flow in 2010, and to achieve an EBIT margin of 8% by 2012 at the latest. The programme, for which GF will take a one-off charge of about CHF 100 million in 2009, encompasses cost-cutting measures, capacity and structural adjustments, and divestments. It will be completed in the main by the end of 2009.**

In the wake of an unprecedented market slump, Georg Fischer reported a 38% drop in sales in the first quarter of 2009 versus the excellent first quarter of the previous year, and EBIT of CHF -46 million including one-off charges for restructurings. GF Piping Systems succeeded in containing the decline in sales (-18%), although the unusually cold winter impacted on the infrastructure business. GF Automotive has been suffering since October 2008 from its customers' huge sales downturn. As a result, sales dropped by 47%. The situation has stabilised at a low level in the meantime, but there are still no signs of an upswing. GF AgieCharmilles sales were 38% below the first quarter of 2008 because customers worldwide are very cautious about committing to new investments.

### **Far-reaching measures being taken**

In recent months, the Corporation has implemented sweeping savings measures that have led to a reduction of over 20% in operating and personnel expenses. Capacity and external expenses have been adjusted to the current sales level. In May, some 5,500 employees in Germany, Austria, France and Switzerland have been on short-time work. Where short-time work is not possible, working hours have been reduced and wages adjusted accordingly. The fixed salaries of the Corporation's Executive Committee members and its 250 senior managers have been temporarily reduced by 10% as of May 2009. The CEO and members of the Board of Directors will waive 20% of their fixed salary or cash compensation.

In addition, organisational and structural measures have been initiated by all three Corporate Groups.

**GF Piping Systems** is concentrating production at GF TPA in Italy at a single location in Busalla. The production sites, warehouse and administration in the Bologna area are being closed. GF Piping Systems is adjusting capacity at its Schaffhausen location. The Swiss building technology activities are being pooled at the newly acquired firm JRG Gunzenhauser in Sissach.

**GF Automotive** is adjusting structures and production capacity to demand. As part of a review of locations in the light metal business, the Gleisdorf foundry will be divested. Negotiations to sell the Garching plant are in progress. In addition, GF Automotive is trimming its production structures in Austria; at Herzogenburg, the three factories are being restructured and some parts are being merged. The shift of production from Canada to China will be completed by mid-2009.

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**GF AgieCharmilles** is eliminating double-tracking. As part of the previously announced move to focus the three locations Geneva, Losone and Nidau, the Mikron Schaffhausen assembly plant will be transferred to Nidau (Biel). The Schaffhausen facility is to be closed. The global sales organisation underwent streamlining in recent months.

Further structural measures in the Corporate Groups will be announced as soon as the preparatory work has been completed.

**Impact on workforce levels**

As a result of the structural programme, by mid-2010 the Corporation's staffing level is to be reduced by some 2,300 positions or 16% (of which one fourth in Switzerland) compared with 2008. Headcount was decreased by 990 positions or 7% in the first four months of 2009 alone. About one third of the additional reduction of some 1,300 jobs by the end of 2010 will be achieved by natural attrition, early retirement schemes and divestments. Nevertheless, it will not be possible to avoid dismissing some 850 employees. Georg Fischer regrets the effect this will have on the people concerned and will do its utmost to make the redundancies as socially compatible as possible.

**Expansion in growth markets**

The Corporation will continue to invest in growth markets, maintain its high pace of innovation and carry on with the expansion of GF Piping Systems. In the summer of 2009, GF Piping Systems will open its fittings plant in Ratnagiri, India, enabling it to meet the significant demand from water and gas utilities locally. This year will also see the inauguration of two new GF Piping Systems plants in China. GF Automotive opened its new iron foundry in China and expanded its light metal capacity at its Suzhou plant, thus consolidating its strong position in the Chinese market.

**Financial impact**

The Corporation will take a special charge of about CHF 100 million to the 2009 accounts for the exceptional expenditures in connection with the structural programme. By the planned sale of assets not essential for operations and by the reduction in current assets, Georg Fischer intends to generate additional cash flow of about CHF 100 million. Moreover, investments have been cut by one third compared to previous year. The high equity ratio of 43% at end-2008 is a firm financial basis.

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**Outlook**

Georg Fischer believes that the crisis has bottomed out, and that no sustainable recovery is likely before 2011, however. Although it expects the market to recover gradually, GF is forecasting a drop in 2009 sales of about one third compared with the previous year. Georg Fischer is confident that it can post a positive operating result in 2010 thanks to the structural programme it has initiated. The goal is to achieve an EBIT margin of 8% and to reduce net debt to below CHF 400 million by 2012 at the latest, assuming a rebound in the global economy and durably lower costs. At the presentation of the mid-year results for 2009 on 17 July 2009, Georg Fischer will also report on the progress made with the structural programme.

"We have reacted swiftly and purposefully to the economic crisis and have already reduced costs substantially. Our task in these difficult times is to take far-reaching measures. These decisions were certainly not easy to take. The structural programme creates the conditions for GF to emerge strengthened from this crisis and to benefit from its good market position," affirms Yves Serra, CEO of the Georg Fischer Corporation.

*Two separate media releases are being published today concerning the measures at the Schaffhausen and Gleisdorf locations.*

**Corporate Profile Georg Fischer - "Adding Quality to People's Lives"**

Georg Fischer is focused on its three core businesses GF Piping Systems, GF Automotive and GF AgieCharmilles. Founded in 1802, the company is headquartered in Schaffhausen, Switzerland, and has over 140 locations worldwide including 50 production facilities. With some 14,000 employees, it generated annual sales of 4.5 billion Swiss francs in 2008. The Corporation makes a direct contribution to the quality of life: Comfort, mobility and precision are key market requirements that we satisfy with our products and services. You'll find further information under [www.georgfischer.com](http://www.georgfischer.com).

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