

+GF+

Mid-Year Report 2017

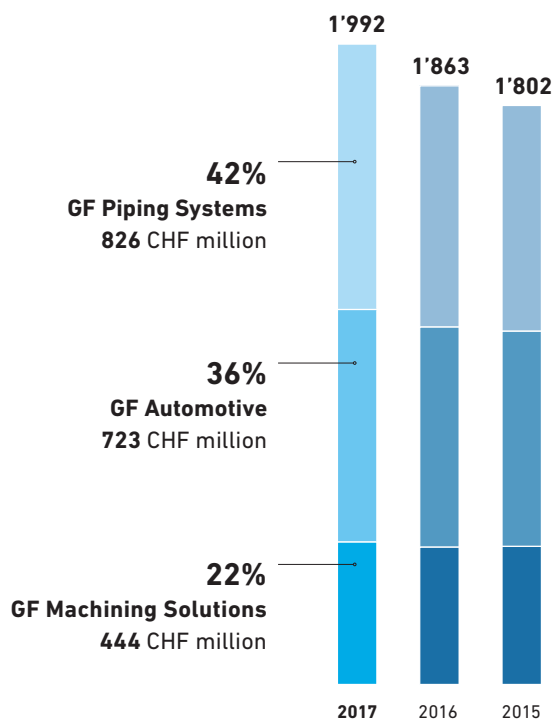


Driving  
profitable growth

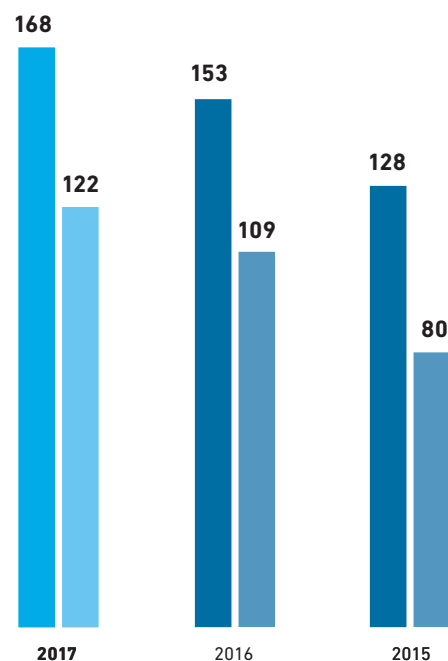
# Key figures

as of 30 June 2017

Sales in CHF million



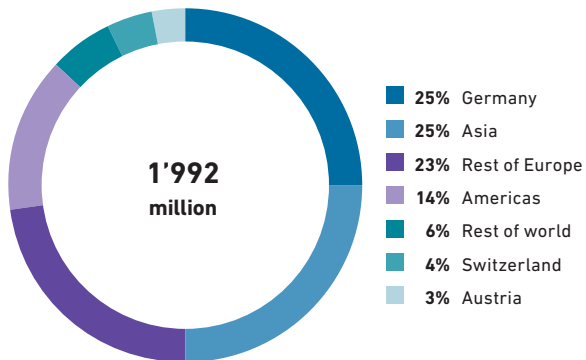
EBIT in CHF million  
Net profit in CHF million



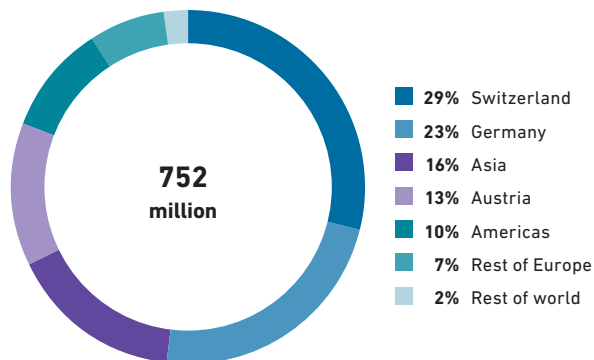
CHF million	Corporation		GF Piping Systems		GF Automotive		GF Machining Solutions	
	2017	2016	2017	2016	2017	2016	2017	2016
Order intake	2'067	1'851	851	743	709	659	508	449
Sales	1'992	1'863	826	750	723	685	444	428
EBITDA	235	218	125	108	83	85	34	31
EBIT	168	153	97	83	53	54	28	24
Net profit	122	109						
Free cash flow before acquisitions/divestitures	-30	25						
Free cash flow	-31	-56						
Return on sales (EBIT margin) %	8.4	8.2	11.7	11.0	7.3	7.8	6.3	5.6
Invested Capital (IC)	1'472	1'420	748	746	442	388	284	286
Return on invested capital (ROIC) %	19.2	18.2	22.1	19.8	22.4	24.8	14.9	13.4
Number of employees	14'918	14'549	6'517	6'334	5'100	4'987	3'146	3'080

# Content

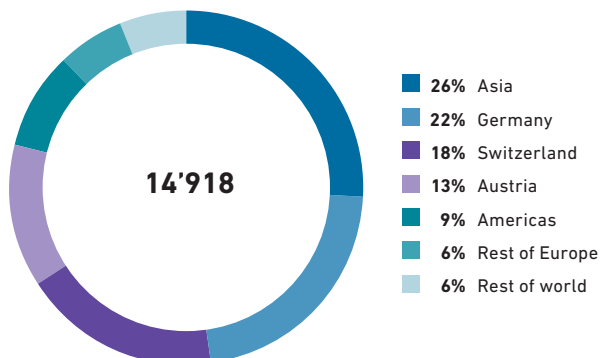
**Sales by region (in %)**  
(100% = CHF 1'992 million)



**Gross value added by region (in %)**  
(100% = CHF 752 million)



**Employees by region (in %)**  
(100% = 14'918)



4 Letter to the Shareholders

**Consolidated financial statements**

7 Balance sheet

8 Income statement

9 Statement of changes in equity

10 Cash flow statement

11 Corporate accounting principles

12 Notes to the consolidated interim financial statements

16 Important dates

# A substantial growth in sales and profit

Dear shareholders,

Whilst continuing to invest for its future profitable growth, GF grew during the first half-year of 2017 by 7%. All divisions substantially increased sales, most of all GF Piping Systems. Adjusted for currency effects and acquisitions, the Corporation achieved a growth of 8%. The operating result reached CHF 168 million for a 8.4% return on sales (ROS) against 8.2% in the first semester of 2016 and the return on invested capital (ROIC) stood at 19.2% against 18.2% in the first six months of 2016.

## GF grew during the first half-year of 2017 by 7%.

The Net profit amounted to CHF 122 million, a 12% increase compared to previous year. Free cash flow before acquisitions stood at CHF -30 million compared to CHF 25 million during the same period of 2016 as capital expenditures increased as well as working capital due to the strong growth of the first half year, especially in Asia.

### Sales increased at all three divisions

GF Piping Systems grew the most with 10% at CHF 826 million. Adjusted for currency effects and acquisitions, the increase was 12%. Amid a continuously strong demand for most industrial applications, sales in Asia and North America went up the most. The demand in the utility sector was also sustained, especially for gas distribution in the USA and in China. Building Technology sales were positively affected by the launch of new products. Strong demand was recorded in the shipbuilding sector. The operating result shows a substantial increase of 17% to CHF 97 million, implying an operating margin of

11.7% against 11% in 2016. Most production plants worldwide were well loaded, including in Europe and the recent acquisitions of 2016 also contributed positively to the increase of profitability.

## GF Piping Systems grew the most with 10% at CHF 826 million.

At GF Automotive new orders have increased significantly, in particular for electric and hybrid vehicles which accounted for a high 25% share, underscoring the future trend at most customers. Sales were up 6% to CHF 723 million on the back of an overall sustained demand for both its light metal and iron casting components. In local currencies sales were up 8%. Metal prices increased at the beginning of the year with a positive impact of ca. 2% on sales but with a negative impact on profit as these increases can only be passed over to customers with a two to three months delay. The operating result reached CHF 53 million, slightly below last year on the above-mentioned grounds but also, due to ramp-up costs related to the construction of a new light metal plant in the USA as well as start-up costs for the new molding line in Singen (Germany).

GF Machining Solutions enjoyed a brisk demand in particular for its new products in almost all continents, but especially in China and in the USA. The key sectors aerospace and micro-electronics contributed to a double-digit order growth of 13% at CHF 508 million. Sales increased by 4% to CHF 444 million. In local currencies and adjusted for acquisitions, growth also reached 4%. The operating result stood at CHF 28 million, a 17% increase over previous year, as plants were all well loaded.



Yves Serra, President and CEO (left), and  
Andreas Koopmann, Chairman of the Board of Directors,  
at the GF Automotive plant in Suzhou (China)

6	<b>Letter to the Shareholders</b>
7	Consolidated financial statements

➤ **Strategy implementation well on track – profitable growth**

Sales growth during the first half-year clearly exceeded our 2020 Strategy target of 3–5%, on the back of a high demand in China and the USA as well as a stepwise recovery in several European markets. Our capacity investments in growth markets are continuing in America at GF Piping Systems and GF Automotive and in China for all three divisions. In Europe, automation is being relentlessly implemented at all factories. All these investments have a temporary impact on cash flow and costs as seen at GF Automotive in the first half-year but will strongly contribute to our future profitable growth.

## Sales growth clearly exceeded our 2020 Strategy target of 3–5%.

Our stepwise shift to higher value businesses leads to margin increases at all three divisions as particularly evidenced most notably at GF Piping Systems and GF Machining Solutions in this first half of year. The strong focus on customer-driven innovation continues to be a key corporate initiative and a top management priority which will generate additional value in the next few years.

### Outlook

GF is well positioned to keep its profitable growth momentum. GF Piping Systems benefits from a sustained demand in most of its relevant markets. GF Automotive has a strong order book and GF Machining Solutions started into the second half-year with a substantially increased order backlog. Assuming that economic conditions do not deteriorate, we expect for the full year a sales growth over target as well as a clear increase in profits, implying return levels well in line with the published strategic ranges of 8–9% for the ROS and 18–22% for the ROIC.



**Andreas Koopmann**  
Chairman of the Board  
of Directors



**Yves Serra**  
President and CEO

# Balance sheet

CHF million	Notes	30 June 2017	%	31 Dec. 2016	%
Cash and cash equivalents		485		571	
Marketable securities		11		8	
Trade accounts receivable		796		666	
Inventories		755		673	
Income taxes receivable		9		14	
Other accounts receivable		52		52	
Prepayments to creditors		23		19	
Accrued income		27		21	
<b>Current assets</b>	(2.1)	<b>2'158</b>	<b>65</b>	2'024	63
Property, plant, and equipment for own use		1'034		1'026	
Investment properties		35		37	
Intangible assets		21		25	
Deferred tax assets		82		80	
Other financial assets		13		10	
<b>Non-current assets</b>	(2.2)	<b>1'185</b>	<b>35</b>	1'178	37
<b>Assets</b>		<b>3'343</b>	<b>100</b>	3'202	100
Trade accounts payable		524		470	
Other financial liabilities	(2.4)	163		145	
Loans from pension fund institutions		25		29	
Other liabilities		57		53	
Prepayments from customers		59		50	
Current tax liabilities		62		59	
Provisions		42		43	
Accrued liabilities and deferred income		226		218	
<b>Current liabilities</b>		<b>1'158</b>	<b>35</b>	1'067	34
Bonds	(2.4)	524		523	
Other financial liabilities	(2.4)	99		96	
Pension benefit obligations		121		119	
Other liabilities		42		47	
Provisions		113		105	
Deferred tax liabilities		45		45	
<b>Non-current liabilities</b>		<b>944</b>	<b>28</b>	935	29
<b>Liabilities</b>	(2.3)	<b>2'102</b>	<b>63</b>	2'002	63
Share capital		4		4	
Capital reserves		25		24	
Treasury shares		-2		-10	
Retained earnings		1'165		1'138	
<b>Equity attributable to shareholders of Georg Fischer Ltd.</b>		<b>1'192</b>	<b>36</b>	1'156	36
Non-controlling interests		49	1	44	1
<b>Equity</b>	(2.5)	<b>1'241</b>	<b>37</b>	1'200	37
<b>Liabilities and equity</b>		<b>3'343</b>	<b>100</b>	3'202	100

## Income statement

CHF million	Notes	Jan.–June 2017	%	Jan.–June 2016	%
<b>Sales</b>	(3.1)	<b>1'992</b>	<b>100</b>	1'863	100
Other operating income		18		17	
<b>Income</b>		<b>2'010</b>	<b>101</b>	1'880	101
Cost of materials and products		-946		-852	
Changes in inventory of unfinished and finished goods		31		23	
Operating expenses		-343		-337	
<b>Gross value added</b>		<b>752</b>	<b>38</b>	714	38
Personnel expenses		-517		-496	
Depreciation on tangible fixed assets		-62		-63	
Amortization on intangible assets		-5		-2	
<b>Operating result (EBIT)</b>	(3.2)	<b>168</b>	<b>8</b>	153	8
Interest income		1		1	
Interest expense	(3.3)	-14		-16	
Other financial result		-2		-2	
<b>Ordinary result</b>		<b>153</b>	<b>8</b>	136	7
Non-operating result					
<b>Profit before taxes</b>		<b>153</b>	<b>8</b>	136	7
Income taxes	(3.3)	-31		-27	
<b>Net profit</b>	(3.4)	<b>122</b>	<b>6</b>	109	6
– Thereof attributable to shareholders of Georg Fischer Ltd.		118		103	
– Thereof attributable to non-controlling interests		4		6	
Basic earnings per share in CHF	(3.4)	29		25	
Diluted earnings per share in CHF	(3.4)	29		25	



# Statement of changes in equity

CHF million	Notes	Share capital	Capital reserves	Treasury shares	Goodwill offset	Cumulative translation adjustments	Cash flow hedging	Other retained earnings	Retained earnings	Equity attributable to shareholders of Georg Fischer Ltd.	Non-controlling interests	Equity
<b>Balance as of 31 December 2015</b>		4	24	-6	-348	-60	-28	1'495	1'059	1'081	49	1'130
<b>Net profit</b>								103	103	103	6	109
Translation adjustments recognized in the reporting period						-6		-6	-6	-6	-1	-7
Changes of cash flow hedges							9	9	9	9		9
Goodwill offset via equity					-49			-49	-49	-49		-49
Capital increase/acquisition of non-controlling interests											2	2
Purchase of treasury shares				-1						-1		-1
Disposal of treasury shares												
Share-based compensation												
– Transfers				6				-6	-6	-6		
– Granted								2	2	2		2
Dividends								-74	-74	-74	-10	-84
<b>Balance as of 30 June 2016</b>		4	24	-1	-397	-66	-19	1'520	1'038	1'065	46	1'111
<b>Balance as of 31 December 2016</b>	(2.5)	4	24	-10	-401	-84	-15	1'638	1'138	1'156	44	1'200
<b>Net profit</b>								118	118	118	4	122
Translation adjustments recognized in the reporting period						-8		-8	-8	-8		-8
Changes of cash flow hedges							-1	-1	-1	-1		-1
Capital increase of non-controlling interests											3	3
Purchase of treasury shares				-10						-10		-10
Disposal of treasury shares			1	13						14		14
Share-based compensation												
– Transfers				5				-5	-5	-5		
– Granted								5	5	5		5
Dividends								-82	-82	-82	-2	-84
<b>Balance as of 30 June 2017</b>	(2.5)	4	25	-2	-401	-92	-16	1'674	1'165	1'192	49	1'241

## Cash flow statement

CHF million	Notes	Jan.–June 2017	Jan.–June 2016
Net profit		122	109
Income taxes		31	27
Financial result		15	17
Depreciation and amortization		67	65
Other non-cash income and expenses		8	28
Increase in provisions, net		15	17
Use of provisions		-9	-16
Changes in			
– Inventories		-98	-91
– Trade accounts receivable		-144	-93
– Other receivables and accrued income		-6	-12
– Trade accounts payable		59	48
– Other liabilities and accrued liabilities and deferred income		23	22
Interest paid		-10	-16
Income taxes paid		-25	-21
<b>Cash flow from operating activities</b>		<b>48</b>	<b>84</b>
Additions to			
– Property, plant, and equipment		-76	-60
– Intangible assets		-1	-2
– Other financial assets		-3	
Disposals of			
– Property, plant, and equipment		1	2
Cash flow from acquisitions		-1	-81
Interest received		1	1
<b>Cash flow from investing activities</b>		<b>-79</b>	<b>-140</b>
<b>Free cash flow</b>	(4)	<b>-31</b>	<b>-56</b>
Purchase of treasury shares		-10	-1
Disposal of treasury shares		14	
Dividend payments to shareholders of Georg Fischer Ltd.		-82	-74
Dividend payments to non-controlling interests		-2	-10
Inflows from or outflows for shares from non-controlling interests		3	
Issuance of bonds			224
Repayment of bonds			-200
Issuance of long-term financial liabilities		8	
Repayment of long-term financial liabilities		-5	-8
Changes in short-term financial liabilities		26	-10
<b>Cash flow from financing activities</b>		<b>-48</b>	<b>-79</b>
Translation adjustment on cash and cash equivalents		-7	-3
<b>Net cash flow</b>		<b>-86</b>	<b>-138</b>
Cash and cash equivalents at beginning of year		571	549
<b>Cash and cash equivalents at end of period<sup>1</sup></b>		<b>485</b>	<b>411</b>

<sup>1</sup> Cash, postal and bank accounts: CHF 450 million (previous year: CHF 401 million), fixed-term deposits: CHF 35 million (previous year: CHF 10 million).

# Corporate accounting principles

## Basis of preparation of the consolidated interim financial statements

### Accounting principles

The consolidated interim and annual financial statements are prepared in accordance with the whole body of requirements of Swiss GAAP FER (Fachempfehlung zur Rechnungslegung, the Swiss Foundation for accounting and reporting recommendations). Furthermore, the accounting complies with the provisions of the SIX Swiss Exchange listing rules and Swiss company law.

The consolidated financial statements are based on the financial statements of the Corporate Companies prepared in accordance with the uniform corporate accounting principles. As the consolidated interim financial statements do not include all the information contained in the consolidated annual financial statements, they should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

The consolidated interim financial statements cover the period from 1 January 2017 to 30 June 2017 (hereinafter "period under review") and were approved by the Board of Directors on 13 July 2017.

### Consolidation

The consolidated interim financial statements are those of Georg Fischer Ltd. and all Swiss and foreign Corporate Companies in which it holds – either directly or indirectly – more than 50% of the voting rights or for which it has the operational and financial management responsibility. These entities are fully consolidated. Joint ventures in which the GF Corporation has a direct or indirect interest of 50% or for which the GF Corporation exercises joint control are included in the consolidated financial statements by applying the proportional consolidation method. Associated companies in which the GF Corporation has an interest of at least 20% but less than 50% or over which it otherwise exercises significant influence are included in the consolidated financial statements by applying the equity method. Minority interests under 20% are stated at fair value and recognized under "Other financial assets".

The preparation of the consolidated interim financial statements requires management to make estimates and assumptions that affect the disclosed amounts of revenues, expenses, assets, liabilities, and contingent liabilities as of the balance sheet date. If such estimates and assumptions, which are based on management's best judgement as of the balance sheet date, deviate from the actual circumstances at a later date, the original estimates and assumptions are adjusted correspondingly in the reporting period in which the circumstances change. In the consolidated interim financial statements, management made no new assumptions or estimates compared with the consolidated financial statements as of 31 December 2016.

Income tax expense is recognized based on the estimated average effective tax rate of the current financial year.

# Notes to the consolidated interim financial statements

## Segment information as of 30 June

CHF million	GF Piping Systems		GF Automotive		GF Machining Solutions		Total segments	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Order intake</b>	851	743	709	659	508	449	2'068	1'851
<b>Orders on hand</b>	85	70	342	320	246	207	673	597
<b>Sales<sup>1</sup></b>	826	750	723	685	444	428	1'993	1'863
<b>Operating result (EBIT)</b>	97	83	53	54	28	24	178	161
<b>Return on sales (EBIT margin) %</b>	11.7	11.0	7.3	7.8	6.3	5.6		

1 Sales between segments are insignificant.

## Reconciliation to the segment information as of 30 June

CHF million	2017	2016
<b>Sales</b>		
Total sales of reportable segments	1'993	1'863
Elimination of intercompany sales	-1	
<b>Consolidated sales</b>	<b>1'992</b>	1'863
<b>Operating result (EBIT)</b>		
Total EBIT for reportable segments	178	161
Other operating result (EBIT)	-10	-8
<b>Consolidated operating result (EBIT)</b>	<b>168</b>	153

## 1 Changes in scope of consolidation

There were no changes in the scope of consolidation during the year under review.

In the first half of 2016, PT Eurapipe Solutions, Karawang (Indonesia), and Microlution Inc., Chicago (USA) were acquired. In the second half of 2016, 40% of the capital of Lingyun Jingran Gas Valve Co. Ltd., Langfang (China) and 40% of the capital of Shuchang Auto Part Co. Ltd., Langfang (China) were acquired. Both Lingyun Jingran Gas Valve Co. Ltd. and Shuchang Auto Part Co. Ltd. are part of the Chinaust group, a 50/50 joint venture of GF Piping Systems in China.

Together, these acquisitions generated sales of CHF 21 million in the first half of 2017. In making a comparison with the prior year, it should be noted that PT Eurapipe Solutions and Microlution Inc. were both already included proportionately in the prior year period.

## 2 Balance sheet

Total assets increased by CHF 141 million to CHF 3.34 billion compared with 31 December 2016. This is due in part to strong sales growth, with an increase in the accounts receivable from customers and the inventories, as well as to the seasonal impact of net working capital. Foreign currency impacts reduced total assets by approximately 1%. Furthermore, there were no acquisitions in the period under review.

### 2.1 Current assets

The increase in current assets of CHF 134 million compared with year-end 2016 had a significant impact on total assets. Accounts receivable from customers increased by CHF 130 million to CHF 796 million. Taking into account the strong growth rate of 7% in the first half of 2017 and the related increase in accounts receivable from customers, the residual increase in current assets is within the expected seasonal range. The higher number of orders on hand of GF Machining Solutions and GF Piping Systems meant that inventories increased accordingly by CHF 82 million to CHF 755 million. However, it was possible to reduce the days net working capital outstanding compared with the same period last year. Cash and cash equivalents decreased by CHF 86 million. The dividends paid out in the first half-year amounted to CHF 84 million.

### 2.2 Non-current assets

Non-current assets are almost unchanged compared with year-end 2016 at CHF 1.19 billion. Investments in property, plant, and equipment are CHF 76 million, whereas depreciation amounted to CHF 62 million. A third of the investments relate to the systematic development of GF Automotive's light-metal foundry in North Carolina (USA).

### 2.3 Liabilities

Liabilities increased by CHF 100 million to CHF 2.1 billion. Trade accounts payable, as the largest item on the balance sheet, grew by CHF 54 million to CHF 524 million. This increase is largely due to the growth in production volume and the use of materials.

### 2.4 Financing

The ratio of long-term to short-term liabilities remained at the same healthy and stable level as the prior year. The successful issuance of a new 7/8% bond in 2016 continues to have a positive impact on the well-balanced maturity structure. The syndicated loan for CHF 250 million, which matures in 2020, has still not been drawn on. This loan, along with the cash and cash equivalents of almost CHF 500 million, ensure the flexibility to make strategic acquisitions, as envisaged by Strategy 2020.

### Net debt

CHF million	30 June 2017	31 Dec. 2016
Other financial liabilities	232	219
Bonds	524	523
Loans from pension fund institutions	25	29
Other liabilities	30	22
<b>Interest-bearing liabilities</b>	<b>811</b>	793
Marketable securities	11	8
Cash and cash equivalents	485	571
<b>Net debt</b>	<b>315</b>	214

Net debt increased by CHF 101 million in the first half of 2017 to reach CHF 315 million. The ratio of net debt to EBITDA stands at low 0.7 times.

### 2.5 Equity

Shareholders' equity increased by CHF 41 million to CHF 1.24 billion. The increase from the net profit of CHF 122 million contrasts with the dividend payment in the amount of CHF 84 million (including the dividends paid to non-controlling interests of subsidiaries). The effect of foreign currency conversion on the equity of the Corporate Companies was a reduction of CHF 8 million, which was again very low. The equity ratio remained stable at 37%.

## 3 Income statement

### 3.1 Sales

In the first half of 2017, sales increased by 7% to CHF 1.99 billion. The negative currency effect was -2%. The companies acquired in 2016 had a positive impact on sales of CHF 11 million, which corresponds to around 1%. The organic growth rate was 8.4%. Last year's fall in the price of metallic raw materials led to a decline in GF Automotive's sales due to contractual reasons. This year, however, the prices for scrap iron and aluminum were higher, having a positive impact on sales of 1.9% for GF Automotive and of 0.7% for the Corporation as a whole. If this impact is eliminated, the organic growth rate stands at 7.7% for the Corporation.

### 3.2 Operating result (EBIT)

The operating result (EBIT) increased by 10% to CHF 168 million. The growth of CHF 15 million was due primarily to the excellent performance of the GF Piping Systems, which increased its operating result by CHF 14 million and achieved an EBIT margin of 11.7%. GF Automotive recorded EBIT of CHF 53 million, which was slightly below the prior year's figure despite higher sales. Investments in the future of the plant in North Carolina (USA) and the opening of a state-of-the-art production line in Singen (Germany) as well as higher metal prices had an impact on the result in the upper single-digit million range. GF Machining Solutions increased its operating result by 17% to CHF 28 million. Higher demand across the board in the aerospace, medical and electronics markets led to higher utilization of the plants. The currency effect reduced the operating result of the Corporation by CHF 9 million.

### 3.3 Financial result and taxes

It was possible to reduce again the interest expense by CHF 2 million, largely thanks to the very successful refinancing of the loan that was replaced last spring.

The tax rate remained stable compared with the prior year at 20%.

### 3.4 Net profit and earnings per share

Net profit increased by 12% to CHF 122 million. Earnings per share grew by CHF 4 to CHF 29.

## 4 Free cash flow

In the first six months of the year, the free cash flow was negative at CHF 31 million. In the prior year, the free cash flow before acquisitions was CHF 25 million. The higher volume of sales and the seasonal effect resulted in higher net working capital and reduced the free cash flow by CHF 183 million in the opening six months of the year. Investments of CHF 80 million were CHF 18 million higher than in the same period last year. Consequently, the operating cash flow fell to CHF 48 million.

## 5 Events after the balance sheet date

There were no events between 30 June 2017 and 13 July 2017 that would require an adjustment to the carrying amounts of the assets or the liabilities and equity or that would need to be disclosed under this heading.

## 6 Foreign exchange rates

CHF	Average rates		Spot rates		
	Jan.–June 2017	Jan.–June 2016	30 June 2017	30 June 2016	
1	CNY	0.145	0.150	0.141	0.148
1	EUR	1.076	1.096	1.093	1.090
1	GBP	1.252	1.409	1.243	1.318
1	TRY	0.273	0.336	0.272	0.339
1	USD	0.995	0.982	0.958	0.981
100	JPY	0.885	0.880	0.856	0.956
100	SEK	11.218	11.779	11.338	11.580

## Important dates

# 2018

**28 February**

Publication of Annual Report 2017, Media and Financial Analysts' Conference

# 2018

**18 April**

Annual Shareholders' Meeting for fiscal year 2017

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### Imprint

Published by: Georg Fischer Ltd.  
Edited by: Georg Fischer Ltd.  
Designed by: NeidhartSchön AG  
Photos by: Anna Schroll, Patrick Wack  
All other photos: Georg Fischer Ltd.  
Printed by: Neidhart + Schön Print AG

Cover: GF employee, Losone (Switzerland)

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The statements in this publication relating to matters that are not historical facts are forwardlooking statements that are not guarantees of future performance and involve risks, uncertainties, and other factors beyond the control of the company.

The Financial Report 2017 of GF is also available in German. In the event of any discrepancy, the German version shall prevail.



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Print | ID 53232-1707-1002

