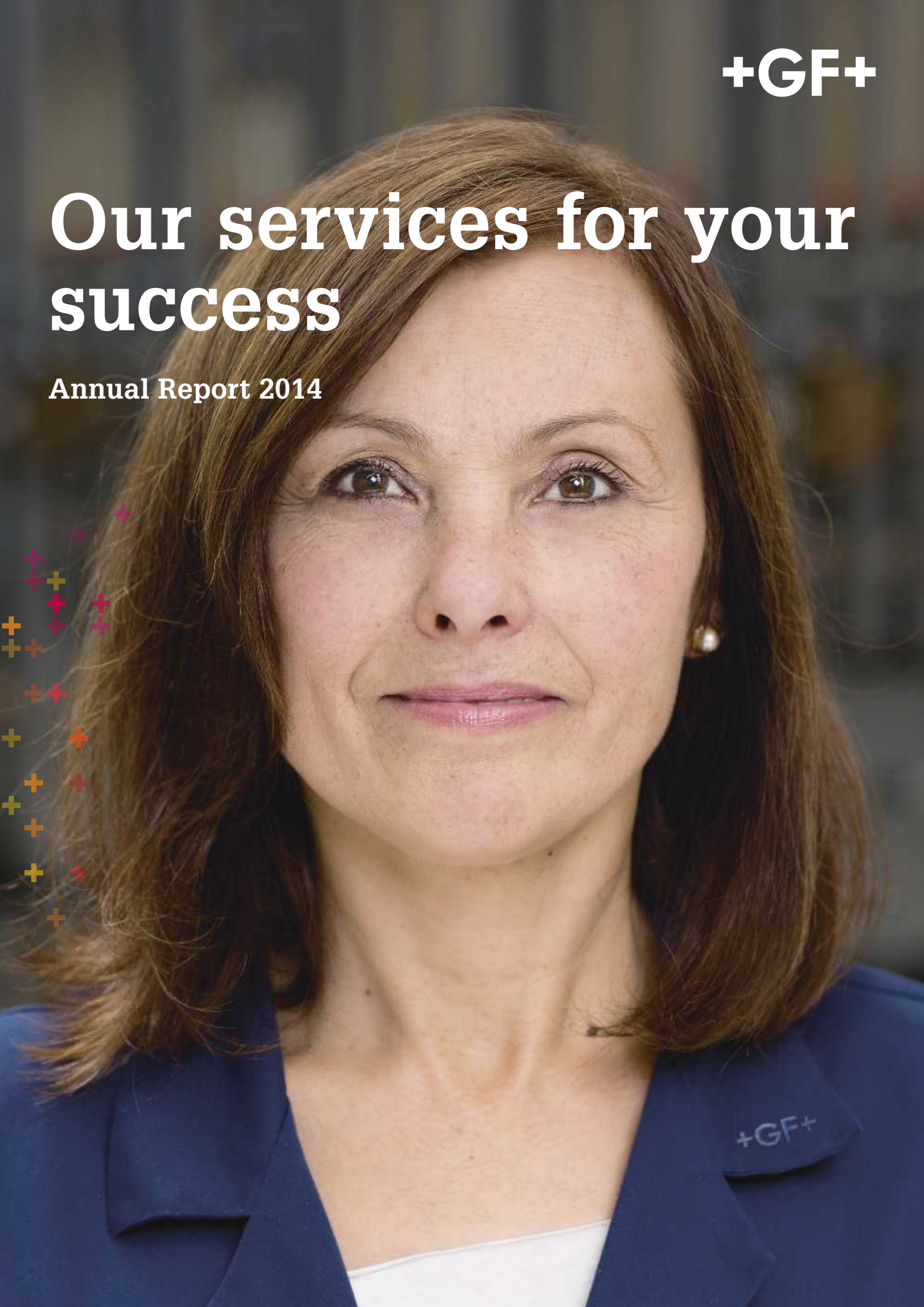


+GF+

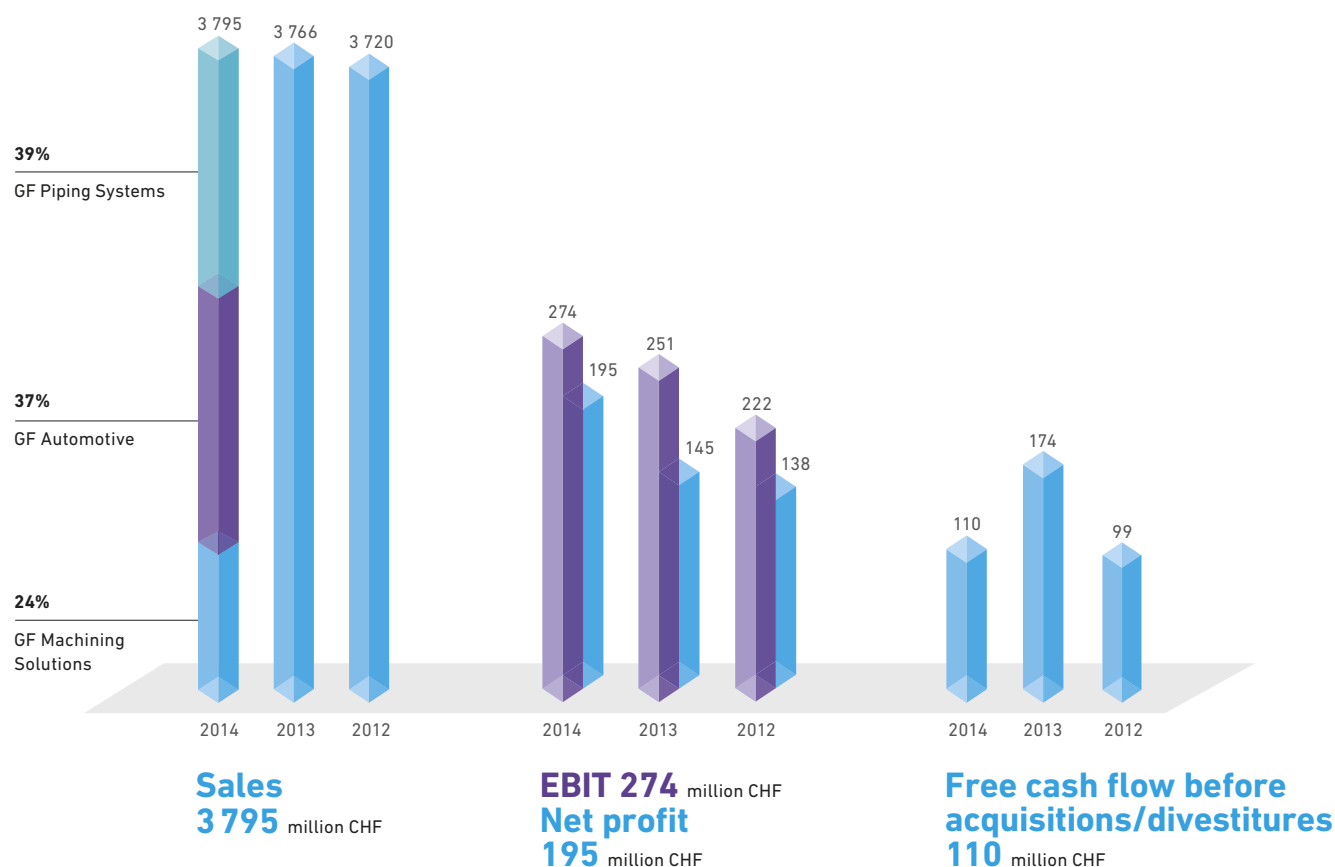
# Our services for your success

Annual Report 2014

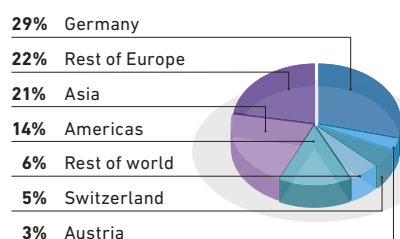


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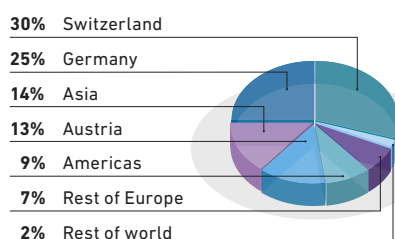
# Key Figures



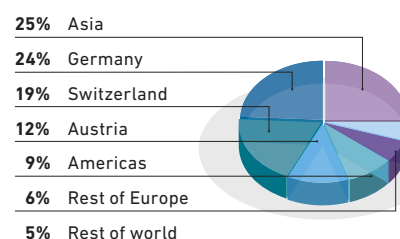
**Sales 2014 by region (in %)**  
(100% = CHF 3.80 billion)



**Gross value added 2014 by region (in %)**  
(100% = CHF 1.33 billion)



**Employees 2014 by region (in %)**  
(100% = 14 140)



million CHF	2014	2013	2012
Sales	3 795	3 766	3 720
EBIT	274	251	222
Return on sales (EBIT margin) %	7.2	6.7	6.0
Return on invested capital (ROIC) %	17.9	16.7	15.7
Free cash flow before acquisitions/divestitures	110	174	99
Dividend (proposed) per registered share in CHF	17	16	15
Employees at year-end	14 140	14 066	13 412

# Service at GF

For more than two centuries, customers trust the high quality and reliability of GF's products and services. With worldwide production locations, customer proximity and performance are ensured around the globe. The decentralized research and development centers in the major markets allow GF to better understand customer needs and quickly act upon them.



# First

We put  
customers first

# 5 000 000

CHF invested in  
employee training

# 126

Production plants,  
service and sales  
centers

# 38

Centers of Competence

# All about GF

**Our profile //** GF comprises three divisions: GF Piping Systems, GF Automotive, and GF Machining Solutions. Founded in 1802, the Corporation is headquartered in Switzerland and is present in 31 countries with 126 companies, 47 of them production facilities. Its approximately 14 100 employees generated sales of CHF 3.80 billion in 2014. GF is the preferred partner of its customers for the safe transport of liquids and gases, lightweight casting components in vehicles, and high-precision manufacturing technologies.

**GF Piping Systems** is a leading supplier of piping systems made of plastics and metal. The division focuses on system solutions and high-quality components for the safe transport of water and gas in industry, utilities, and building technology. Its product line includes fittings, valves, pipes, automation and jointing technology and covers all water cycle applications.

GF Piping Systems supports its customers in over 100 countries through its own sales companies and representatives. The division is present in Europe, Asia, and the Americas with more than 30 manufacturing sites and research and development centers, which also support energy-saving use of raw materials and resources.

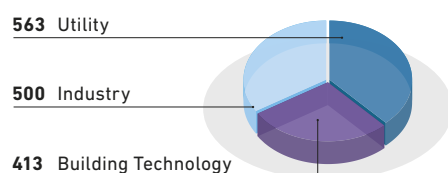
**GF Automotive** is a technologically pioneering development partner and manufacturer of lightweight cast components and systems made of ductile iron, aluminum, and magnesium for the global automotive industry as well as a variety of industrial applications. The highly complex lightweight components contribute to making modern vehicles lighter and reduce their CO<sub>2</sub> emissions.

GF Automotive manufactures at nine production plants in Germany, Austria, and China. In those countries as well as in Switzerland, Korea, and Japan it also operates sales offices. The lightweight research and development competency is in Schaffhausen (Switzerland) and Suzhou (China).

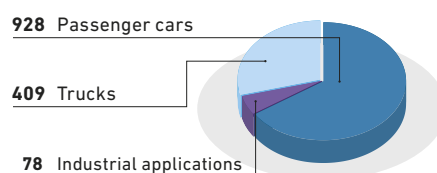
**GF Machining Solutions'** electrical discharge, high-speed milling, and laser texturing machines, along with automation solutions, make it the world's leading provider to the tool and mold making industry and to manufacturers of precision components. The most important customer segments are information and communication technology, aerospace, and the automotive industry.

The division has its own sales companies in more than 50 countries and production plants in Switzerland, Sweden, and China. GF Machining Solutions operates research and development centers in Meyrin, Losone, and Nidau (Switzerland), Vällingby (Sweden), Beijing, and Changzhou (China).

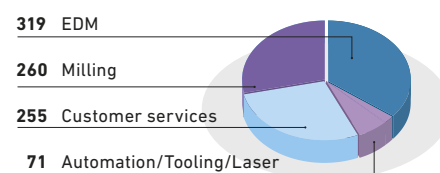
**Sales: CHF 1 476 million**



**Sales: CHF 1 415 million**



**Sales: CHF 905 million**



million CHF	GF Piping Systems		GF Automotive		GF Machining Solutions	
	2014	2013	2014	2013	2014	2013
Sales	1 476	1 402	1 415	1 498	905	867
EBIT	142	141	93	70	53	51
Return on sales (EBIT margin) %	9.6	10.1	6.6	4.7	5.9	5.9
Invested capital (IC)	685	621	393	384	302	274
Return on invested capital (ROIC) %	17.1	18.7	21.8	16.1	16.9	15.2
Employees at year-end	6 086	6 095	4 898	4 947	3 008	2 873



14 140

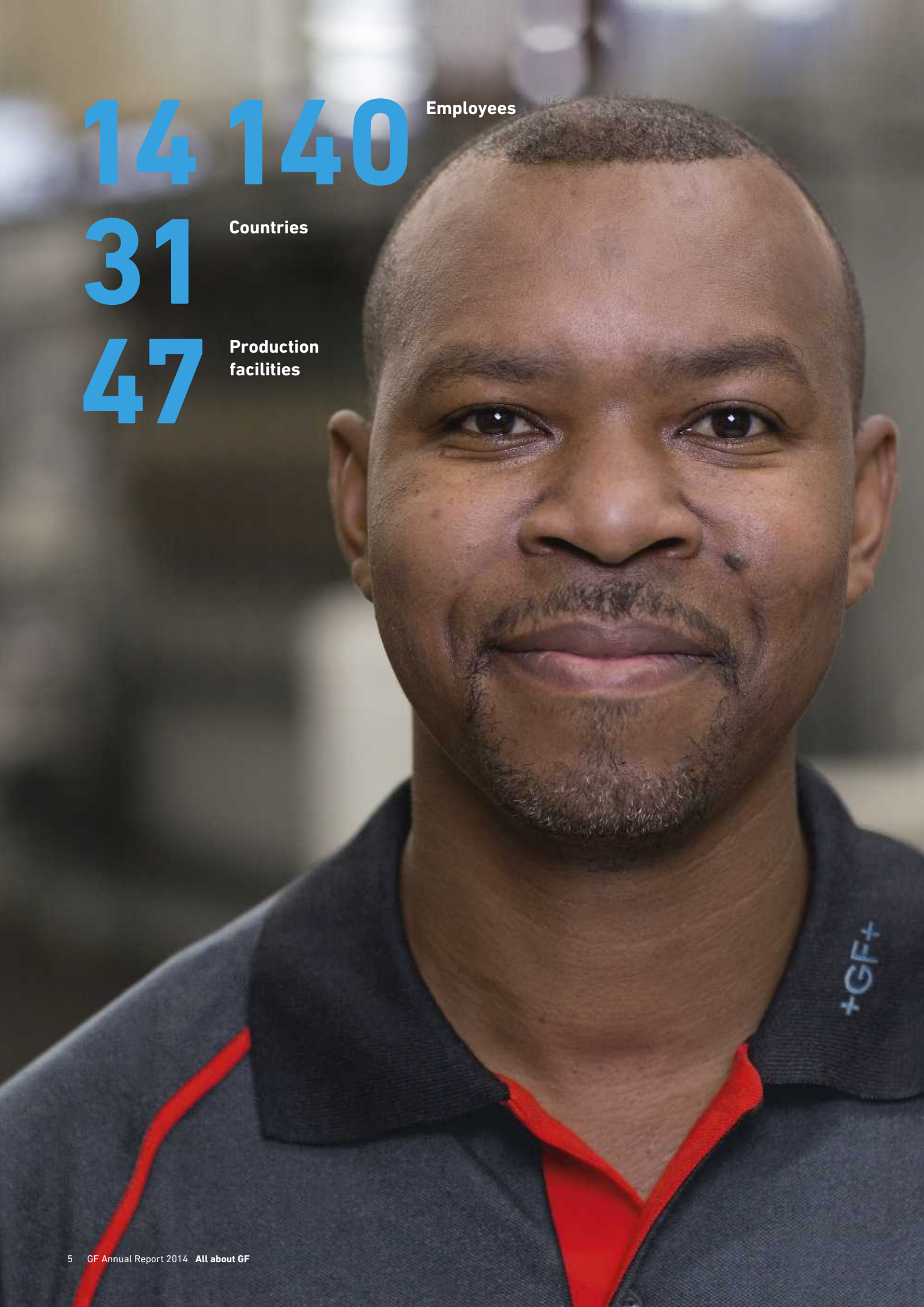
Employees

31

Countries

47

Production  
facilities



# Worldwide for you



- Production plants, service and sales centers
- Production plants
- Service and sales centers



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# Review

## Centers of Competence

**Market proximity** // Being close to the market is crucial to develop the best solutions for customers. GF has 38 Centers of Competence (CoCs) around the globe. Extensive training centers and large product demonstration areas provide customers with tailor-made services and personal support worldwide.

**Network of competence** // GF Piping Systems operates eight CoCs in Europe, three in the Americas and six in Asia. Eleven CoCs of GF Machining Solutions are located in Europe, three in the Americas and seven in Asia. Five of them were newly opened in 2014:

**Asia** // GF Machining Solutions opened a new CoC in Shanghai (China). It focuses on customers in the automotive and electronic component industries and offers comprehensive support in reaching efficiency and sustainability targets.

**Europe** // The new CoCs near Milan (Italy), Paris (France) and Brno (Czech Republic) allow GF Machining Solutions to be closer to the local markets. Customers benefit from extensive technological expertise and on-the-spot support.

**USA** // GF Piping Systems and GF Machining Solutions opened a joint CoC in Irvine (California), to further strengthen customer services at the West Coast. Both divisions provide their customers with individual support in maximizing the profitability of operations.

All Centers of Competence collaborate and exchange their expertise to expand the knowledge base across international borders. In future, GF will further extend its global network of competence to be represented wherever its customers are. This allows the Corporation to respond quickly to local market needs and to develop the very best solutions for its customers.



Exhibition area at GF Machining Solutions' new CoC in Shanghai.



Pascal Boillat (I), Head of GF Machining Solutions, and Antonio Faccio, Managing Director of GF Machining Solutions Italy, at the opening ceremony in Milan.



Guests at the opening of the new CoC in Irvine admire the saltwater aquarium with GF pipes.





## Highlights



International experts at the Water Technology Summit.

**Successful premiere //** At the GF Water Technology Summit in Schlatt (Switzerland) in September, 50 international experts addressed key water challenges with regard to desalination and mobile water treatment. In future, GF Piping Systems will hold the summit annually.

**Best supply chain //** GF Piping Systems won the Supply Chain Management Award at the international Supply Chain Convention in Frankfurt (Germany) in June. The division's integrated end-to-end supply chain solution was singled out as the best which enables the development of innovative services.



The Helios Award 2014 for energy efficiency went to GF Automotive.

**Sustainable production //** In July, GF Automotive won the Helios Award given by the Economic Chamber of Lower Austria for performance in terms of energy efficiency. The modernization of the division's production sites in Herzogenburg (Austria) saves 2.5 million kWh of energy and 650 tons of CO<sub>2</sub> per year.

**New partnership //** GF Automotive announced the financial participation in the German Meco Eckel GmbH in July. The strategic and financial partnership with the leading specialist in mold-making enables not only faster design-to-production processes but also enhanced offerings and seamless supply and service.



Machine of Liechti Engineering AG producing blisks.

**Promising aerospace //** Since July, Liechti Engineering AG, Langnau (Switzerland), is part of GF Machining Solutions. The acquisition allows GF to expand its presence in the aerospace sector. Liechti is the worldwide market leader for 5-axis milling machines for aircraft engines and power generating turbines.

**Golden Micron //** GF Machining Solutions' Integrated Vision Unit (IVU Advance) won the Micron d'Or Award last September at the Micronora in Besançon (France). The IVU Advance provides precision up to the micron.

# GF keeps its earnings growth path

## Dear shareholders

GF generated sales of CHF 3 795 million in 2014 for an increase of 1%. The operating profit (EBIT) rose 9% to CHF 274 million mainly thanks to significant productivity gains.

The EBIT margin went up from 6.7% to 7.2% and the return on invested capital (ROIC) from 16.7% to 17.9%. All three divisions generated ROICs well above their cost of capital.

Free cash flow before acquisitions and divestments stood at CHF 110 million compared to CHF 174 million in 2013 mainly on account of higher investments in fixed assets, especially at GF Automotive. Furthermore, the high turnover in December led to a clear increase of the net working capital at year-end compared to 2013.

The number of employees rose slightly from 14 066 to 14 140. The increase due the acquisition of Mecol Eckel (Germany) and Liechti Engineering (Switzerland) has been nearly offset by the divestment of the gravity-die-casting operations in Herzogenburg (Austria).

Net profit grew 34% to CHF 195 million and earnings per share 32% to CHF 45 also supported by the disposal of

non-operative real estate. The Board of Directors will propose a dividend of CHF 17 (CHF 16 for 2013) at the Annual Shareholders' Meeting.

**Strategy implementation well under way //** For the first time ever, GF Piping Systems became the largest division of GF, a change which continues to reduce the corporation's overall exposure to economic cycles and increases its overall profitability.

GF Automotive has divested its non-core activities and significantly improved its position in the pressure die-casting sector by entering in July into a strategic partnership, including a majority stake, with Mecol Eckel, a leading German manufacturer of pressure die-casting molds.

GF Machining Solutions is now well focused on less cyclical, more profitable market segments such as the promising electronics and aerospace sectors. In the latter, it became a leading actor in 2014 by acquiring Liechti Engineering AG, the specialist of 5-axis milling machines for the production of the key rotating components of aircraft engines and power generating turbines.



Yves Serra, President and CEO, and Andreas Koopmann, Chairman of the Board of Directors, standing in front of the new production machine for large fittings in Schaffhausen.

## GF Piping Systems

GF Piping Systems grew its top line by 5% to CHF 1 476 million. Organic growth reached 3% mainly on account of strong sales in the US gas sector as well as in Building Technology in Europe and shipbuilding worldwide. The general demand in Europe but also in sectors like semiconductor plants remained however subdued.

The operating result went up to CHF 142 million (from CHF 141 million in 2013). Profitability in the core business remained at a high level but the new acquisition in Turkey was affected by the strong depreciation of the Turkish Lira, at least during the first half-year.

Measures have been taken at GF Hakan Plastik which led to a 35% increase in sales and in the fourth quarter to a much higher profitability.

## All three divisions increased their operating results, GF Automotive the most

### GF Automotive

GF Automotive saw its turnover decrease by 6% to CHF 1 415 million in January on account of the divestment of its gravity die-casting operations in Herzogenburg (Austria) but also because the basic metal price decreases were passed on to customers. The truck-related demand became rather slack during the second half-year. On the other hand, the demand related to passenger cars remained at a good level in 2014, and attractive orders have been obtained, especially at premium manufacturers.

The operating result jumped 33% from CHF 70 million to CHF 93 million as non-core, low performing businesses have been divested and the average contract margins improved. In addition, its new acquisition Meco Eckel contributed very positively to the overall result.

The ROS went significantly up from 4.7% to 6.6% and the ROIC from 16.1% to 21.8%. The extension of the iron casting plant of Kunshan (China) has been completed on time in October 2014 for a capacity increase of 50%.

### GF Machining Solutions

GF Machining Solutions increased its turnover by 4% to CHF 905 million. The Liechti acquisition added CHF 32 million. The organic growth stood at 2%. After a rather slow start, orders picked up in the second half-year, especially in the electronics and aerospace sectors, for an increase of 9% compared to 2013 out of which 3% attributed to Liechti who obtained a major order in the

amount of CHF 28 million at a well-known aircraft engine manufacturer. The backlog of the division went up 45%, certainly a good sign for 2015.

The operating result reached CHF 53 million against CHF 51 million in 2013, the Liechti contribution being compensated by margin reductions in countries like Japan, owing to the Yen depreciation.

**Outlook for 2015 //** Whilst the profitability of GF Automotive is not affected as all activities are located outside of Switzerland, the sharp appreciation of the Swiss Franc in January would have, if present levels persist, an impact on GF Machining Solutions and GF Piping Systems. However, this impact is clearly reduced as the Euro is basically naturally hedged and financial hedges cover most of the net exposure in US Dollar for 2015.

Moreover efficiency measures have been taken in Switzerland, purchasing in Euro has been further increased and relevant innovations have been introduced in all three divisions in order to maximize revenues and margins.

Finally, lower raw materials costs will have a positive impact on GF Piping Systems, production capacity in China at GF Automotive has been greatly increased and the order backlog at GF Machining Solutions is much higher than a year ago.

Forecasting has certainly become more challenging on account of the uncertainties regarding the level of the Swiss currency. Nevertheless, based on today's knowledge and the measures we have taken, we expect to further increase our operating margin (ROS) to the 8% range whilst keeping our ROIC between 16% and 20%.

**Personnel changes at the Board of Directors //** Upon reaching the retirement age for Board members, the term of office of Kurt E. Stirnemann ended at the Annual Shareholders' Meeting of March 2014.

Kurt E. Stirnemann can look back to a successful career in the service of the company, first as President of GF AgieCharmilles as of 1996, then as CEO and Delegate of the Board of Directors of GF from 2003 to 2008 and as member of the Board from 2003 to 2014. The Board of Directors and the Executive Committee warmly thank Kurt E. Stirnemann for his long-time commitment to the company. We wish him all the best for the future.

Hubert Achermann, Swiss citizen, was elected to the GF Board at the Annual Shareholders' Meeting 2014. Hubert Achermann is attorney-at-law and held various key positions at KPMG, of which eight years as CEO. He is a member of a number of company boards and cultural trusts.



**Amendments of the Articles of Association //** According to the new Corporate Governance directives and the associated adaptations of the compensation, the Board of Directors will propose at the Annual Shareholders' Meeting of March 2015 a revision of the Articles of Association.

**All together at the service of our customers //** We highly value the constructive feedback and the close cooperation we enjoy with our customers. Our before and after sales services stand at the heart of our constant efforts to keep in touch with them, adapt our offering and quicken our innovation pace.

We express our heartfelt gratitude to our shareholders for their continuing trust. Our deepest thanks go to our employees. Their willingness to act as a team, their dedication, flexibility and tremendous commitment to GF make outstanding achievements possible.



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



**Yves Serra**  
President  
and CEO



# Corporate Report

**Strategy and targets //** The implementation of the Strategy 2015, launched in 2011, is well on track. In 2014, GF reached a remarkable milestone: for the first time in history, GF Piping Systems became the largest division; its sales reached the 39% mark, whilst GF Automotive came to 37%. The change towards a better balanced geographical footprint also proceeded according to plan. The dependence on Europe has continued to decline. Europe's share of the Corporation's total sales fell below 60%, whereas Asia (21%) and the Americas (14%) kept their shares.

The divestment in Herzogenburg (Austria) allows GF Automotive to fully focus on its core activities. The acquisition of the German tool making company Mecco Eckel clearly strengthened the leading die-casting position of GF Automotive. With the building of a new molding line in Singen (Germany), GF Automotive will further enhance its competitiveness in Europe. After the expansion of the two Chinese foundries in Kunshan (finished end 2014) and Suzhou (to be finished end 2015), more than 20% of the turnover will be realized in China.

GF Machining Solutions acquired Liechti Engineering AG, Langnau (Switzerland), a company whose competences and product ranges are highly complementary. With its milling machines, Liechti plays a leading role in the aircraft sector, one of the less cyclical and more profitable market segments. Together with the segments medical and ICT (information & communication technology) GF Machining Solutions is now well focused.

**Currency effects //** Per end 2014, currency fluctuations had a negative effect of CHF 57 million on sales. Mainly, this was due to the trend of the Euro (–CHF 24 million). A negative impact had also the US Dollar, the Turkish Lira, and other currencies.

**Workforce //** The headcount at year-end 2014 came to 14 140 (2013: 14 066), equalling a small increase of 0.5%. The acquisition of the two companies Liechti and Mecco Eckel caused an increase of around 250 employees. This was compensated by the divestment of the non-core gravity-die-casting business in Herzogenburg in January 2014. The second year in a row, Asia is the market with the highest number of employees (25%), followed by Germany (24%) and Switzerland (19%).

## GF Piping Systems

**Results //** The division realized sales of CHF 1 476 million. This works out to an increase of 5% or 3% on a like-to-like base, where the currency effect caused a sales decrease of CHF 25 million. Nevertheless, with this figure GF Piping Systems became the largest division of GF. In 2014, the Utility business was confirmed the largest with a share of 38% of sales. Operating profit slightly increased to CHF 142 million (2013: CHF 141 million), which is equivalent to an ROS of 9.6%. ROIC also went down, from 18.7% to 17.1% in 2014.

**Markets //** Noticeable events in 2014 were an unusually warm winter in Europe and North China, and on the other hand a cold winter in North America, which lasted long into spring. The building technology market in countries like Switzerland and Germany remained stable. The slow-down in China's economy hit the business units Building Technology and Utility. Sales in Europe were stronger in the first half of the year and could show an organic growth of about 3% at year's end. The marine sector as well as the gas sector in the USA showed both a strong demand whereas microelectronics suffered from lower investment in Asia and the USA. Hakan Plastik in Turkey, acquired in 2013, showed strong sales growth during the full year and a much better profitability in the last quarter of the year.

**+ The implementation of the Strategy 2015 is well on track. For the first time in history, GF Piping Systems became the largest division.**

**Outlook //** The positive development of Hakan Plastik is expected to continue. GF Piping Systems will launch several innovative products to support the sales growth in the three business areas Industry, Utility and Building Technology, with a focus on hygiene, automation and fittings for water applications. In Europe, the situation is expected to be volatile but the chances to grow by focusing on specific market segments are intact. The North and South American markets are foreseen to develop positively in both industry and utility sectors, whereas in China a slow recovery of the markets for building technology and industrial products is expected. The appreciation of the Swiss Franc will have an impact on the business of GF Piping Systems, but the exact extent is currently hard to quantify. Measures to reduce the Euro exposure and efficiency measures in Switzerland have been taken.

## GF Automotive

**Results //** Due to a further divestment of non-core activities in Herzogenburg (Austria) and decreasing raw material prices, which have been passed to customers, sales at GF Automotive fell to CHF 1 415 million. The business with passenger cars slightly grew and generated almost two-thirds of sales. Operating profit rose from CHF 70 million to CHF 93 million, a 33% gain leading to an ROS of 6.6% (2013: 4.7%). ROIC came to 21.8%, clearly above the 16.1% in 2013. With this result, GF Automotive has already reached and, in case of the ROIC, outperformed the 2015 objectives (ROS 5%–7%, ROIC 15%–18%). The newly acquired Mecotec contributed to these positive figures in a substantial manner.

**Markets //** Adjusted for currency and metal price effects, car sales of the division would have met the market development (+3.5%). The car segment remained the biggest part of the product portfolio with a 66% share of sales. After a promising start, the truck business was stagnant worldwide and decreased significantly, also in the most important market Europe. On an adjusted level, GF Automotive was able to beat the market development. The truck business came to 29% of sales. The division was once again able to participate above average in the high growth rate (+10%) of China's booming car market. By extending the capacity of its two foundries in China by 50%, the division has created the conditions to benefit from this boom also in future. Germany keeps its leading role as market number one for the division.

**Outlook //** GF Automotive is positioned as a lightweight specialist for iron casting and light metal pressure-die-casting. Worldwide experts forecast positive growth rates in all automotive business fields for 2015. The capacity extension of the two foundries in China by 50% creates the necessary conditions to benefit from the booming Chinese car market in the next years. With a new molding line in Singen (Germany), competitiveness in Europe will be further strengthened. The appreciation of the Swiss Franc will only have a very small effect as the cost volume is relatively low in Switzerland.

## GF Machining Solutions

**Results //** GF Machining Solutions' sales exceeded CHF 900 million and rose by 4% to CHF 905 million based on the acquisition of Liechti. Operating profit improved from CHF 51 million to CHF 53 million, which results in a stable ROS of 5.9%. However, ROIC jumped from 15.2% to 16.9%.

**Markets //** GF Machining Solutions is the only supplier of electric discharge machines (EDM), milling, laser texturing, automation and tooling technologies. This gives the division a unique position as solution provider which helps to maintain the competitive advantage especially against Japanese companies, which have benefited from the

strong depreciation of the Japanese Yen. The sales growth to CHF 905 million came mainly from the European market with a considerable contribution of the acquired Liechti. EDM was again the strongest segment with sales of CHF 319 million (+8%). Milling sales grew also more than 6% to CHF 260 million.

**Outlook //** The division started with a higher backlog of 45% into 2015. Many innovative projects are well under way. Highlights will be presented at the next EMO in Milan (Italy), the leading trade fair for the machine tool business which will take place in October. The appreciation of the Swiss Franc will have an impact on the business of GF Machining Solutions. Measures to reduce the Euro exposure and efficiency measures have been taken.

## Market and customers

**Global market presence //** The Asian markets' share of total sales kept stable in 2014 and still accounts for 21%. With the further expansion in China, Asia will continue to grow over the next years. Asia also kept its position as the market with the highest number of GF employees (25%). Due to a divestment in GF's portfolio, Germany's share of sales decreased to 29%, a further reduction of the dependency of the largest single market. Regarding workforce, 24% of employees work in German facilities of GF. The companies in Europe accounted for 59% of sales (2013: 61%).

**Awards //** In June, GF Piping Systems won the "Supply Chain Management Award" at the international Supply Chain Convention in Frankfurt (Germany) for its integrated end-to-end supply chain solution, which enabled the division to gain strategic advantages. The solution has resulted in lowering logistics costs, optimizing processes, and further improving customer service.

GF Automotive won the Design Award of the International Magnesium Association second year in a row in the category "Casting Design". The winner was the oil conduit module produced in magnesium high-pressure die-casting in Altenmarkt (Austria) for the Porsche Panamera. The price was awarded on 3 June, during the Annual International Magnesium Conference in Munich (Germany). With the holistic approach of design, process, and material, it is about 1 kg lighter than the model in aluminum.

GF Machining Solution won the Micron d'Or award at the Micronora in Besançon (France) with its Integrated Vision Unit (IVU Advance) in September. It provides precision up to the micron on the EDM wire-cut machines and won gold as microtechnological innovation. In addition, the division's Machine and Spindle Protection System was awarded the second prize of the Prodex Award at the Prodex trade fair in Basel (Switzerland). Working in all directions, this system protects the milling-machine and its spindle during the setup process.

**Trade fairs //** Trade fairs are crucial to intensify and broaden the dialogue with existing and potential customers. In 2014, the three divisions took part in 115 trade fairs and exhibitions worldwide.

GF Piping Systems participated in almost 70 trade fairs and exhibitions around the globe. The first highlight was the Mostra Convegno Expocomfort in Milan (Italy) in March, one of the biggest trade fairs for enhanced living comfort. In May, the IFAT in Munich (Germany), the leading trade fair for water, sewage, waste, and raw materials management, was a success in showing system solutions for the complete water cycle.

In January, GF Automotive presented its lightweight competence at the Euroguss in Nuremberg (Germany), the worldwide largest fair for lightweight castings. The key topic "lightweighting" was showcased with parts that add up to 31 kg of weight savings per vehicle.

GF Machining Solutions presented its innovative solutions at 29 international trade fairs. One of the highlights was the division's innovative Machine and Spindle Protection System which was presented at leading industrial fairs worldwide, such as the IMTS in Chicago (USA) and the AMB in Stuttgart (Germany).

**+ In 2014, GF invested CHF 152 million in property, plant and equipment. About 74% of the investments were made in European countries, thereof 16% in Switzerland, and 15% in Asia.**

#### Products and processes

**Regulation and measurement //** GF Piping Systems added a new full plastic Pressure Regulating Valve to its wide range of products. Its compact design ensures that the valve fits even in confined spaces. The division also expanded its product portfolio for measurement and control systems with easy-to-install level sensors.

**Big dimensions //** Its range of solutions for big dimensions was enhanced once more by GF Piping Systems. In Schaffhausen started the production of the ELGEF Plus electrofusion couplers for water and gas applications in the dimensions from 355 to 1 200 mm diameter. Even under difficult site conditions the electrofusion couplers of GF Piping Systems convince with long lasting and safe connections.

**Right materials //** GF Automotive's special ductile iron material SiMo1000 has entered also the truck market. Parts produced in this material allow to be applied at high temperature in engine applications such as exhaust manifolds and turbo charger housings. SiMo1000 parts are being used for several years in light vehicles and replace products produced in a more expensive material.

**High performance //** Two of the highlights GF Machining Solutions launched are the new generation of high-end wire-cut Electric Discharge Machines, and High Speed Milling Machines which satisfy most stringing requirements. Finally, the System 3R TRANSFORMER, a scalable automation system, answers the growing need for scalability and customization.

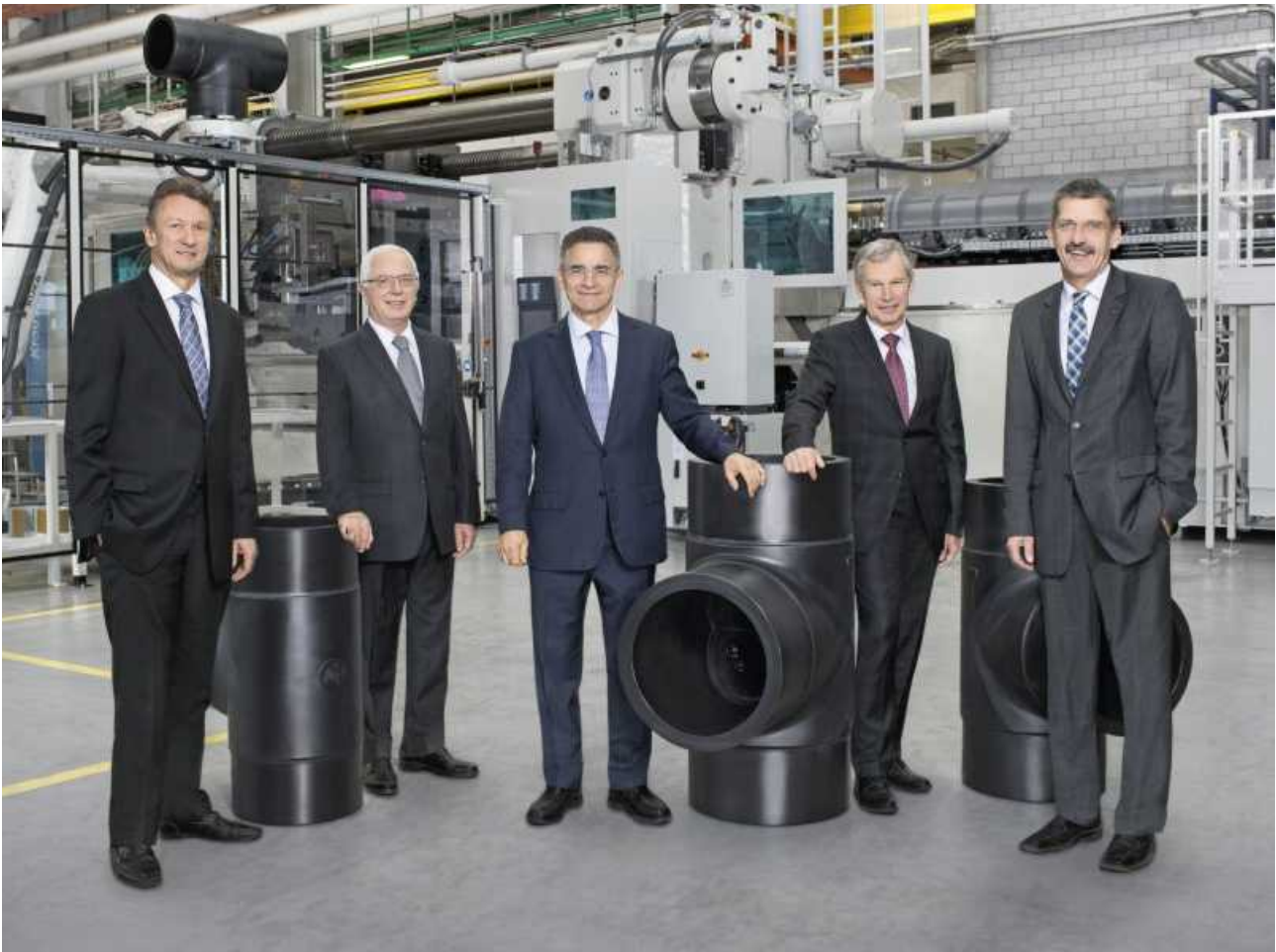
#### Risk management

**Risk control //** GF controls risks by means of risk management. Risk management includes the systematic identification, evaluation, and the reporting of strategic, operational, financial, market, management, and resources and sustainability risks as well as the determination of adequate measures in order to mitigate the risks identified at the level of the Corporation, the divisions and the Corporate Companies. The criteria applied in assessing risks include their impact and the probability of their occurrence.

**Reporting //** The strategic risks are assessed primarily by the Board of Directors, whereas all other risks are handled by the management of each Corporate Company, the management of each division and finally by the CEO and the Executive Committee. To coordinate all activities in the field of risk management and to improve the quality of risk reporting, a Risk Council consisting of representatives of the divisions and the Corporate Staff under the leadership of the Chief Risk Officer has been established. The Risk Council coordinates all activities in the area of risk management and secures the quality of the risk management data.

**Risk analysis and standards //** In addition to the systematic risk assessment, GF also thoroughly emphasizes business continuity management in order to secure the reliability of deliveries to customers. The standard of risk management at virtually all production sites is either HPR (Highly Protected Risk) or HMP (Highly Managed Prevention) and is regularly audited by external specialists. In the year under review, 17 production sites (previous year: 16) out of a total of 49 (previous year: 48) underwent such audits. The HPR standard applied to 86% (previous year: 85%) of the Corporation's insured assets at the end of the year under review, the HMP standard to 9% (previous year: 10%).





The GF Executive Committee in front of the new production machine for fittings with big dimensions at the GF Piping Systems plant in Schaffhausen (left to right): Pascal Boillat, Pietro Lori, Yves Serra (CEO), Roland Abt and Josef Edbauer.

## Investments

**Property, plant and equipment //** In 2014, GF invested CHF 152 million in property, plant and equipment. It is the highest amount since 2008, based on the building of a new state-of-the-art production line in Singen (Germany), which will be completed at the end of 2015. With CHF 79 million (52%), GF Automotive accounted for the bulk of this figure. GF Piping Systems accounted for CHF 49 million, almost 20% going into a new production machine for fittings with big dimensions at the production plant Schaffhausen. About 74% of the investments were made in European countries, thereof 16% in Switzerland, and 15% in Asia.



# “Today’s services bring the orders of tomorrow”

## Is GF a service company?

Yes. All three divisions of GF are selling solutions, not only products. Services are essential to our solutions offering, before and after sales are concluded. In fact, they often play a decisive role to convince customers and certainly to retain them. Today’s services bring tomorrow’s orders.

## What does service mean for GF Piping Systems?

At first glance, service in this sector consists in the availability of all components and products wherever our customers need them. This we ensure by maintaining a proper stock in each region or each country. In fact, GF Piping Systems offers much more than that. GF Piping Systems has developed the most comprehensive handbook regarding the use of plastic piping systems for virtually any industrial application, a reference which is used by our customers to select, joint, and inspect every kind of plastic piping systems. Our skilled engineers provide technical support during the design phase as well as by selecting the right piping materials for aggressive media. We also train every year more than 10 000 customers worldwide to ensure a proper layout and installation. GF Piping Systems is present in virtually all sites where construction happens.

## And for GF Automotive?

GF Automotive is specialized on offering lightweight solutions to its customers, the car and truck manufacturers. The division acts as a partner, developing its own materials and component designs in close contact with its customers. Its test centers can handle the largest car and truck components, even whole vehicles. Thanks to its extensive production facilities in Europe and China and production partners in the US and Japan, it offers to

international car customers the same solutions worldwide. In addition, the division develops and builds its own molds and patterns and undertakes their maintenance including at our customers’ premises, 24 hours a day.

**“Services are essential to our solutions offering, before and after sales are concluded.”**

## GF Machining Solutions is a machine tool business.

### Can service be described as the delivery of spare parts?

Not only. Service starts with advising of our customers regarding their projects. For example the development of automated solutions, typically tailored to each client’s needs. GF Machining Solutions also offers in each and every one of its worldwide facilities the necessary test cuts to prove the validity of its offering. The exclusive training of customers’ operators upon delivery and the availability of application engineers plays thereafter a key role to maximize the efficiency and utilization of the proposed solutions. Finally, GF Machining Solutions ensures a prompt delivery of components and parts close to its customers and a whole array of preventive maintenance contracts for each and every one of its clients. All the above account for 30% of the turnover of GF Machining Solutions.

## Where do you see opportunities for the service business of GF Piping Systems?

GF Piping Systems recently developed geolocalisation tools and services to enable customers to trace the



location of the components they install, a real novelty in this business. We also see opportunities in the offering of novel plastic weld inspection technologies but also in innovations regarding leak detection across plastic pipe networks.



Yves Serra, President and CEO

#### **Will service be more relevant for GF Automotive in the future?**

With the development of electric cars or even the strict application of CO<sub>2</sub> reduction targets, the expertise of GF Automotive in lightweight component construction will certainly be an asset regarding the competitiveness of its offering. Also, the upstream support of our customers at the R&D and component design stage will become even more relevant. For example for aluminum die-casting components we also offer the relevant molds, an essential part of their design.

#### **Can you describe how GF Machining Solutions can expand its service business?**

With internet chips inside the machine controls, remote services will certainly be expanded, just like the services offered in cars. They include for example software additions and advanced diagnostics.

#### **How can GF benefit from a further enhancement of its service business?**

Service activities are less cyclical, especially in the machine-tool business. They are an important and growing source of revenues. Services offered worldwide are also a key differentiator, especially for our international customers in the car, aerospace or electronics sectors, for example. Finally, services bring us closer to our customers, to their needs and allow us to quickly adapt our offering, in other words to quicken our innovation pace.



# Each customer can count on us

This team from the Competence Center in Irvine (USA) is exemplary for all 14 140 employees of GF who put their heart and soul into their work. Thanks to the personal dedication and passion of each of them, GF delivers exceptional products and services to customers worldwide.



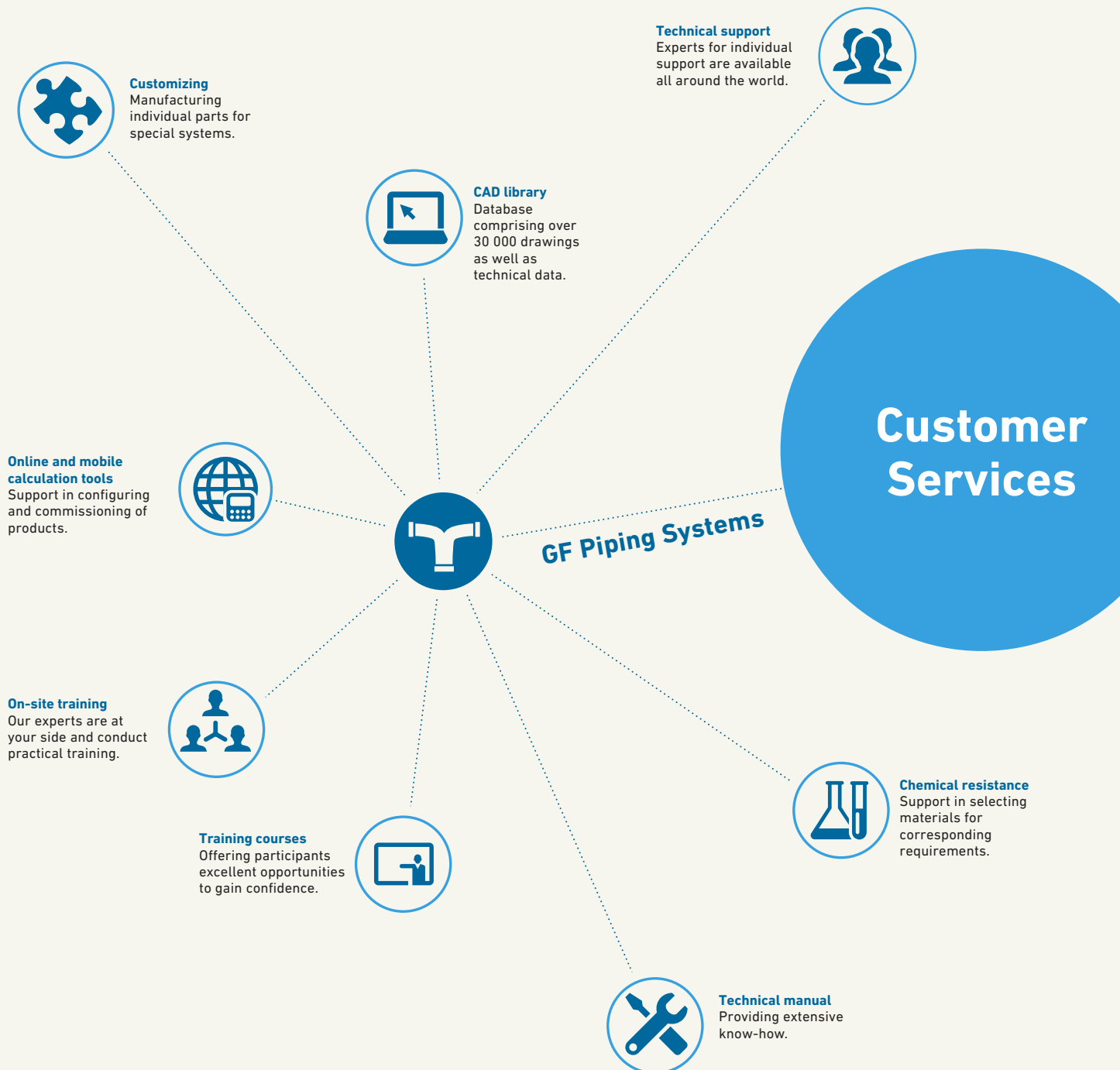




+GF+

# Individual service for your needs

Customer needs are in the center of whatever GF does. From on-site training to adapted design and tailor-made processes – GF provides individual service which fits customers best.





# Fresh water for ocean giants



**Thomas Runge** grew up at the North German coast and has been involved with ships for half his life. After training at a shipyard, he studied marine engineering and was then at sea for years. So as Market Segment Manager Marine with GF Piping Systems, he is very familiar with the business area of Meyer Werft.

**+GF+**  
Global Marine Team



Products for modern shipbuilding must meet the very highest standards. GF Piping Systems supplies this industrial sector with long-lasting plastic piping systems that are flexible to mount, very light, and highly corrosion-resistant. Moreover, the division provides individually tailored services for shipyards and ocean carriers.

## Tailor-made services – a key success factor for Meyer Werft:



### 1 Technical support

GF Piping Systems supports customers in planning with sound expertise and information on products, systems, and materials.



### 2 CAD library

One important planning instrument is a product database containing over 30 000 drawings and technical details.



### 3 Online tools

Online tools facilitate material and product selection as well as calculation of all central factors for the relevant application.



### 4 Mobile calculation tools

Useful apps provide a quick overview of GF Piping Systems products, allowing on-site calculation of values like pipe diameters and flow speed.



### 5 Training courses

Comprehensive hands-on training programs are provided for handling systems and products.

# “GF Piping Systems is always there to help.”

Thomas Spekker, Technology & Standards, Meyer Werft GmbH

GF Piping Systems offers a large selection of individual components for shipbuilding and marine applications. This includes the piping system Instaflex for water distribution. The system components of the plastic polybutene are corrosion- and incrustation-free in operation. The durability of Instaflex also ensures reliable and economic operation.



Instaflex piping systems of highly resilient plastic are ideal for cold and hot water distribution on large ships.

**Ocean giant //** The Quantum of the Seas is anchored in all of its majesty in the port of Nassau in the Bahamas. The newest vessel of the shipping company Royal Caribbean Cruises completed its maiden voyage in the Caribbean in November 2014: over 374 meters long, it is currently the third largest cruiser in the world. Its 18 decks hold 4 180 passengers and 1 550 crew members. For guests' entertainment there are 18 restaurants, twelve bars, pools, and even a theater. The GF Piping Systems products installed throughout the ship ensure that passengers enjoy clean drinking water at all times.

**Three new ships //** The Quantum of the Seas was built by Meyer Werft in Papenburg (Germany). It is the first of three new cruise ships of the same size to be commissioned by Royal Caribbean International. The keel-laying of its sister ship Anthem of the Seas has already taken place and is set to be delivered in spring 2015. The third liner, the Ovation of the Seas, is planned for 2016.

**Long partnership //** “Seeing these huge ships grow piece by piece over many months is always fascinating to me,” says Thomas Runge, Market Segment Manager Marine with GF Piping Systems in Germany. Once a week he drives to Meyer Werft from his sales office in Hannover to support his customer. Meyer Werft and GF Piping Systems enjoy a long-standing partnership. The shipbuilding company has used Instaflex for hot and cold water distribution in all its new ships since 2006. “The system’s enormous flexibility strongly appeals to us

## “Having studied shipbuilding, I am quite aware what’s important for a shipyard.”

Thomas Runge, Market Segment Manager Marine, GF Piping Systems

because we have a high degree of standardization when installing components,” explains Thomas Spekker, who is responsible for procuring piping systems at Meyer Werft.

**Simple installation //** The system’s components are simple to mount with an electrical welding system. “This allows us to prefabricate large sections easily while remaining flexible because we can still effortlessly compensate for tolerances during subsequent installation,” explains Spekker. Instaflex and Instaflex Big pipes are installed

in the Quantum of the Seas, with diameters of 25 to 225 mm. "A ship of this size has at least 20 kilometers of piping just for the drinking water," says Spekker.

**Inspection of new products //** Other GF Piping Systems elements are also used in the three ships. When it comes to water processing for the swimming pools and the main cooling water systems for the air conditioning, the adhesive piping system ABS, automatic fittings, and valves are used for example, as well as measuring instruments made by GF Signet. "At the beginning of a ship project we talk to Meyer Werft about which products or systems are best suited," explains Thomas Runge. As a result, the shipbuilders used polyethylene products made by GF Piping Systems for the first time in the flue gas cleaning system of Quantum of the Seas' main engine system.

**Correct installation is crucial //** Every potential component is assigned its own ID number by Meyer Werft – including the GF Piping Systems products. "We therefore have all information on every component at the press of a button," says Thomas Spekker. For each item, GF Piping Systems and Meyer Werft also jointly draw up ship-

building standards, design guidelines, and installation instructions for shipyard employees and subcontractors. "About 600 to 700 people are involved in installing pipes on a ship like the Quantum of the Seas," estimates Spekker. Each one of them must first train with GF Piping Systems in order to be able to install the system components without error. The training programs are usually conducted by Thomas Runge of GF Piping Systems personally at the shipyard. "As many as 200 fitters take our courses every year," he says. There are also training programs for the shipping company's inspection officers. They, too, must know how the piping systems are correctly installed.

**Intensive support //** Thomas Runge supervises production on site at Meyer Werft throughout the entire construction phase of the ship and is available to the various installation departments if questions arise about the products. Shortly before the ship is delivered, he helps draw up a list of spare parts and prepares other documents for the shipping company. Furthermore, he provides training for the crew so that they can carry out any repairs and necessary maintenance work themselves at sea.

The Quantum of the Seas on the premises of Meyer Werft just before delivery.




Scan QR Code to see the float out.





# Teamwork – a key factor for success

A portrait of Norbert Pomplun, a middle-aged man with short, light brown hair, wearing a blue and white striped button-down shirt. He is looking directly at the camera with a slight smile. The background is dark and out of focus, with a yellow object visible on the right side.

As Sales Manager for GF Automotive in Leipzig, **Norbert Pomplun** literally gets the big wheels turning. He is responsible for projects with the US company Caterpillar, which makes huge trucks and wheel loaders designed for extreme use under the Cat brand.



When it comes to Caterpillar, GF Automotive offers outstanding services far beyond standard offerings. The close collaboration between Caterpillar and GF Automotive has grown rapidly and created mutual trust.

## Tailor-made services – a key success factor for Caterpillar:



### 1 Design

In close collaboration with Caterpillar, developers constantly adapt components to new models so as to reduce weight while maintaining identical stability.



### 2 Process

The automated GF casting process offers unique solutions. Combined with the dedication and focus on quality, GF delivers consistent, high-quality products.



### 3 Material

The right material at the right place. Materials from GF Automotive are the basis for solid and light castings.



### 4 Validation

Will the prototypes really meet actual demands? Before a component enters series production, it is tested extensively in realistic conditions.



### 5 Delivery

GF Automotive supplies the various Caterpillar production facilities worldwide from Leipzig.



### 6 Support

GF Automotive supports developments beyond project completion and is capable of responding to production queries 24/7.

# “GF Automotive is one of the leading technology companies in the transport sector.”

Al Augustine, Global Purchasing Strategic Sourcing Leader Advanced Component System Division for Iron Castings, Caterpillar USA

A Cat 980H wheel load is not for small fry – with its huge excavator shovel lifting up to 20 tons and an operating weight of 30 tons. The GF Automotive wheel loader axles for this model series have to be very robust. They are manufactured by way of an automated casting process and can support weight in excess of 15 tons.



Harnessing the biggest molding box in Europe, the Leipzig plant can produce wheel loader axles for the various Cat models far more economically than by hand molded casting.

**Combination of extremes //** In 1998, US manufacturer Caterpillar presented the world’s largest off-road truck with a load capacity of 393 tons – a record that is held by the company to this day. The tires alone have a diameter of at least four meters. The yellow giants with the white-on-black Cat lettering are seen frequently on large construction sites and also in mining scenarios. In addition to the trucks, the company has also made a name for itself worldwide with huge wheel loaders. Caterpillar has axles for a number of its models made by GF Automotive in Leipzig (Germany). “For us it was important to find a company that could handle the size of our components and had the necessary production capacity – as well as the expertise, of course. That was the case here,” emphasized Al Augustine, Global Purchasing Strategic Sourcing Leader Advanced Component System Division for Iron Castings with Caterpillar in Peoria (USA), the company’s headquarters.

**Automated production of large cast parts //** In Leipzig, GF Automotive also has an extreme to offer: here the division operates a foundry with Europe’s biggest molding flask for machine-molded casting. “The automated production of components like the big Caterpillar axles is unique worldwide,” explains Norbert Pomplun, Sales Manager with GF Automotive in Leipzig. “They’re usually produced by hand molded casting due to their size. We’re able to make them by means of an automatic casting process, which is far more cost-efficient.” GF Automotive has supplied the giant parts since 2008. The Leipzig foundry mainly makes axle components for Cat wheel loader models ranging from the 980 through the 994K – twelve components all in all, tipping the scales between 254 and 1 195 kilograms each.

**Closely dovetailed development //** “We optimized some of the components together,” explains Al Augustine, who has often made the trip from Illinois to Leipzig himself. “But there are some which are developed from scratch – requiring a partner to offer particularly close collaboration and much more flexibility than when optimizing existing components.” Caterpillar and GF Automotive developers now form a highly effective team. Half a dozen engineers are involved in the projects on both sides. Meetings are held in the USA or Germany to maintain close contact, interspersed by regular video conferences. “But face-to-face is best,” as Norbert Pomplun underscores. “On this type of project you can’t just send e-mails. There has to be a sense of mutual trust – and that has grown very rapidly between Caterpillar and ourselves.”

**Identifying optimization potential – not only on request //** GF Automotive produces the single-piece axles for the Cat models on an automatic molding facility. This is much more cost efficient than welding together several pieces



Machine-formed, freshly painted axle parts for Caterpillar vehicles at GF Automotive in Leipzig.

of steel, and spells weight and cost savings for Caterpillar. The company also benefits from process optimizations. In the case of a new edition of a wheel loader model, for example, Caterpillar reinforced the axles with additional consoles. "We were asked to make the same

**“Our close collaboration has created a real sense of mutual trust.”**

Norbert Pomplun, Sales Manager, GF Automotive

axles for the new series, but with the same consoles that had no longer been required for the predecessor model," Norbert Pomplun recalls. "So instead we presented Caterpillar with a new reinforced axle without consoles – more resilient but not heavier. This enabled

Caterpillar to dispense with one stage of the process that would have made production unnecessarily expensive." Caterpillar had neither requested nor expected this new development. "But it's important to support your customers wherever you can," says Norbert Pomplun. "This is what close, trusting collaboration is all about."

**Tying in with the process chain //** In fact, the engineers at GF Automotive are always thinking ahead. In addition to producing axles, the Leipzig plant also makes transmission casings, planetary carriers, and chassis parts. "Of course we always take a look at the Caterpillar plants where final assembly takes place so as to jointly identify new potential, or we call in local machining suppliers when we only supply raw parts," as Norbert Pomplun explains. "The better we can support all those involved on site, the smoother the entire operation."



# Perfect service – pit lane style



**Phil Parkin** is Key Account Manager with GF Machining Solutions in Coventry (UK) and ensures his customers get what they want. Lotus F1 Team is an especially interesting case. Phil Parkin keeps the Formula 1 team's operations in Enstone regularly updated with the latest GF Machining Solutions products and services.





GF Machining Solutions provides an integrated service package that helps Lotus F1 Team optimize their resources and ensure their manufacturing potential can respond to the innovation challenges they face every day – from purchasing consultation and machine training through to rapid-response aftersales, regular maintenance, and supply of original spare parts.

## Tailor-made services – a key success factor for Lotus F1 Team:



### 1 Operations support

Operations support ensures optimum day-to-day performance with a comprehensive range of consumables and original wear parts.



### 2 Machine support

Technical aftersales, original spare parts, and preventive services such as inspection and maintenance ensure that the machines remain in perfect condition.



### 3 Business support

Business support includes solutions, application studies, training programs, and technical upgrades to ensure first-class operations.



### 4 GF Machining Solutions Academy

GF Machining Solutions Academy offers tailor-made solutions for its customers. Training is the key to constantly raise the technological knowledge and motivation of employees.

# “GF Machining Solutions is Lotus F1 Team’s longest-standing technical partner.”

Luca Mazzocco, Head of Partner Management, Lotus F1 Team

The Mikron HPM 450U meets all Lotus F1 Team’s needs. 5-axis simultaneous machining enables milling of complex metal shapes in a single operation. Integrated automation, including a pallet changer with seven positions and tool changer with 120 positions, ensures superior flexibility.



The Mikron HPM 450U is used for the production of the Lotus F1 Team’s manifold for gearbox control system. It is built from a solid aluminum block and measures 100 mm x 70 mm.

**Every second counts //** When the Lotus E22 turns into the pit lane, things happen lightning-fast. Lotus F1 Team’s mechanics take just a few seconds to change the tyres before the V6 engine catapults the car back onto the track. The race team travels to every race event with 35 tons of equipment.

**Top precision required //** “Downtime within our machine shop can have enormous consequences for the team and the race outcome,” says Luca Mazzocco, Head of Partner Management with Lotus F1 Team. Every part of the E22 is produced individually at the team’s Technical Centre in Enstone (UK). Most of the bodywork is made of carbon fibre. Metal parts are made of titanium or special alloys. Since top precision and performance are crucial, Lotus F1 Team uses machines and services supplied by GF Machining Solutions.

**Long-standing partnership //** GF Machining Solutions has been a technical partner to Lotus F1 Team for nearly 20 years. The history of the team dates back to the eighties with Toleman and continued with Benetton and Renault until 2011, when it was renamed Lotus F1 Team. The team won its first Constructors’ Championship title in 1995 under the Benetton name; ten years later it went on to win back-to-back championships in 2005 and in 2006 as Renault F1 Team.

In the mid-nineties the team introduced the first EDM machines by AgieCharmilles, a key technology in mold and tool making with the needed precision of detail. Before the 2014 season, Lotus F1 Team enhanced its capability at the Technical Centre with six new Mikron HPM 450U 5-axis machining centers – as they were deemed as the ideal tools to respond to the complexity of modern Formula One designs. With their integrated automation, pallet and tool changer, the HPM 450U machines give Lotus F1 Team maximum flexibility. “The new machines have enabled us to boost productivity significantly,” says Luca Mazzocco.

**Individual solution //** Phil Parkin provided in-depth consultation for Lotus F1 Team in selecting and configuring the new machining centers. “As a sales consultant, it’s my role to identify the customer’s needs and find a tailor-made product solution,” he says. Lotus F1 Team was able to test the machines extensively at the GF Machining Solutions premises in Coventry in advance. “We even had the opportunity to produce some parts with their machines,” says Mazzocco. GF Machining Solutions provided an in depth customer specific training program to ensure that Lotus F1 Team staff would be able to use the full potential of the new machines right from the start.

**Immediate response //** Lotus F1 Team produces at least 50 000 metal components for its cars during a season. "Our machines run virtually around the clock. If one fails,

## "It's our job to understand the customer's needs."

Phil Parkin, Key Account Manager, GF Machining Solutions

this can spell a serious problem – especially just before a Grand Prix," explains Luca Mazzocco. This was why the quality and rapid response capability of GF Machining Solutions aftersales was critical for Lotus F1 Team. The team can contact technical support in Coventry any time – also outside regular office hours. "If there are problems with a machine, all we do is contact support. The staff respond right away," says Mazzocco. "We rely on GF Machining Solutions reacting immediately, so that any issue can be resolved within 24 hours."

When the Lotus E22 pulls into the pits, the crew has to be able to react rapidly.

**Real-time diagnosis //** The diagnostic system is a very helpful feature, and provides the GF Machining Solutions service experts with online access to the machines' system data. In the case of smaller errors, they can often help the customer find a solution themselves. If there is a more serious issue, a service technician can be in Enstone in no time. If necessary, GF Machining Solutions can supply original spare parts within a day. GF Machining Solutions carries out annual maintenance and technical overhaul to ensure the machines available to Lotus F1 Team are always in excellent condition.

**Top-class accessories //** GF Machining Solutions naturally supplies Lotus F1 Team with the best consumables and original wear parts such as wire and electrodes for the erosion machines, lubricants, cleaning agents, and filters for the new milling centers. Phil Parkin also informs his customers regularly about upgrades and new accessories so that the machines continue to provide excellent performance. "This means Lotus F1 Team is always on top of their game," he says.





# Organization of GF

Georg Fischer Ltd, the Holding Company of the GF Corporation, is organized under Swiss law, headquartered in Schaffhausen (Switzerland), and listed on the SIX Swiss Exchange.

**Board of Directors //** The ten members of the Board of Directors, elected individually by the Shareholders' Meeting, are responsible for determining the Corporation's strategic direction, the design of accounting, financial controlling, and financial planning. It appoints the Executive Committee and has ultimate responsibility for supervising and monitoring the management of Georg Fischer Ltd. All members of the Board of Directors are non-executive.

## + A shared corporate culture is becoming increasingly important with the spread of globalization.

**Executive Committee //** The Chief Executive Officer is responsible for the management of the Corporation. Under his leadership, the Executive Committee addresses all issues of relevance to the Corporation, takes decisions within its remit and submits proposals to the Board of Directors. The Heads of the Divisions and the Corporate Staff Units are responsible for drafting and achieving their business objectives and for managing their units autonomously.

**Corporate structure //** GF Corporation is organized in the three divisions GF Piping Systems, GF Automotive and GF Machining Solutions and the two Corporate Staff Units Finance & Controlling and Corporate Development. The Heads of the Divisions and the Corporate Staff Units are responsible for managing their businesses and for achieving their business objectives.

**Corporate Center //** The CEO and the CFO form the Corporate Center in the narrower sense. The Corporate Center is closely involved in management, planning, IT, communications, finance, management development, and corporate culture and is supported in these tasks by a team of

about 50 people. The Corporate Center ensures that risk management, transparency, corporate governance, sustainability, and compliance practices meet the requirements of the owners and the public, and it supports the Board of Directors in meeting its responsibilities.

**Finances //** Corporate Finance & Controlling uses powerful information systems to ensure the time-critical financial management of the Corporation. A standardized system of financial reporting is used throughout the entire Corporation, guaranteeing immediate and complete transparency. Currency, interest-rate, and credit risks are monitored and managed at Corporation level.

**Management development //** Strategically important competencies and information are shared and made available throughout the Corporation. Considerable importance is attached to internal training and to the focused nurturing and development of leaders and managers.

**Communication //** Thanks to the long history and the consistent enhancements, the Corporation has a strong brand with GF. In 2013, the company has implemented a rebranding and an alignment of its brand architecture. As part of this rebranding, a new Corporate Design will be adopted worldwide throughout all three divisions by 2015. The Corporation builds confidence in its products and services with an open and active communication policy to the customers, employees, media, analysts, and shareholders.

**Corporate values //** Shared corporate values are the basis for overall sustainable development and are becoming increasingly important with the spread of globalization. The Corporate Center conveys and promotes the fundamental corporate values throughout the company, thereby nurturing and fostering its corporate culture.

**Corporate Governance //** For detailed information about the Corporate Governance of GF see pages 42 to 51.



## GF organization structure

As of 1 January 2015

**Board of Directors**  
Chairman: Andreas Koopmann  
10 members

**Executive Committee**  
CEO: Yves Serra  
5 members

**GF Piping Systems**  
Head: Pietro Lori

**Finance, IT & Strategic Planning**  
Mads Joergensen

**Human Resources**  
Noel Schreiber

**Industry**  
Nick Mills

**Utility**  
Claude Fischer

**Building Technology**  
Michael Huck

**Europe & Global Marketing**  
Jens Frisenborg

**Americas**  
James Jackson

**Asia**  
Bruno Meier

**GF Automotive**  
Head: Josef Edbauer

**Finance & Controlling/IT**  
Andreas Müller

**Human Resources**  
Jörg Hannsen

**Purchasing**  
Bernhard Rau

**Business Development & Sales**  
Achim Schneider

**Europe**  
Dirk Lindemann

**China**  
Mujia Zhang

**GF Machining Solutions**  
Head: Pascal Boillat

**Finance, IT & Strategy Planning**  
Aitor Bustinduy

**Human Resources**  
Jean-Marc Hug

**Business Development**  
Armando Pereira

**Services/Academy**  
Marcel Vorburger

**Central Marketing & Sales Support**  
Håkan Pfeiffer

**Operations**  
Ivan Filisetti

**Finance & Controlling**  
Head: Roland Abt

**Corporate Controlling & Investor Relations**  
Daniel Bösiger

**Corporate Treasury**  
Holger Henss

**Internal Auditing**  
Thorsten Schittges a.i.

**Risk, Tax & IP Services**  
Daniel Vaterlaus

**Law & Compliance**  
Marc Lahusen

**Corporate Development**  
Head: Yves Serra

**Corporate Human Resources**  
Peter Ziswiler

**Corporate Communications**  
Beat Römer

**Corporate Planning/IT**  
Helmut Elben

**Corporate Secretariat**  
Roland Gröbli

# Responsibility and commitment

GF has been recording and analyzing environmental indicators since 1997. The global reporting system was upgraded in 2005 to include social performance data and was expanded into the Sustainability Information System (SIS). Various documents, for instance the Code of Conduct, support mainstreaming and implementation in the 31 countries in which GF operates.

**Objectives //** The currently applicable sustainability objectives were adopted by the Executive Committee and cover the five-year period from 2010 to 2015. Objectives for the next period until 2020 are developed by top management in 2015. At the operational level, the divisions and the Corporate Companies derive their environmental and social objectives from these quantified targets valid throughout the Corporation. Achievement of the targets is monitored by means of a corporation-wide reporting system. The environmental goals include, for instance, a reduction in CO<sub>2</sub> emissions and an improvement in energy efficiency. The social responsibility targets encompass a reduction in the accident and absence rates and the fostering of employee development by means of modern training programs. The general sustainability objectives also call for sustainability aspects to be embedded in GF's cooperation with suppliers (GF Supplier Code). GF published its full Sustainability Report with extensive data in June 2014. The report is made in accordance with the GRI guidelines (Global Reporting Initiative).

**+ On corporate level, a task force focuses on a comprehensive health and safety approach covering all GF sites worldwide.**

## Social objectives

**Safety at work and health protection //** Occupational health and safety protection are part of the management system in all production companies and the system is certified to OHSAS 18001 (Occupational Health and Safety Assessment Series). One of the sustainabili-

ty goals defined by the Executive Committee is to reduce the accident rate by 15% by 2015. On corporate level, a task force focuses on a comprehensive health and safety approach covering all GF sites worldwide. Even though GF's occupational health and safety activities indicate a decrease in accidents, sadly, GF had to regret one fatal accident in 2014. The accident was analyzed in detail and actions will be taken to maximize safety around the entire Corporation. Every loss of life is a loss too much and cannot be accepted.

**Vocational training //** Apprenticeships have a long-standing tradition at GF and ensure that the Corporation can draw on a skilled workforce. GF offers a broad range of training opportunities spanning a variety of technical and commercial professions. In 2014 GF offered a total of 506 positions, of which 209 were in Switzerland, for training apprentices in various technical or commercial professions.

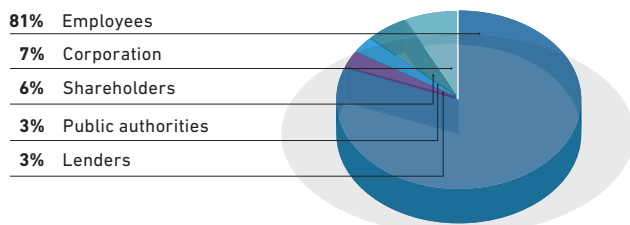
**Graduates //** GF offers career entry routes through thesis projects and internships. In addition, GF collaborates on numerous research and development projects with the key universities located in the main markets.

**Management development //** In 2014, GF was able to fill around 50% of all senior management vacancies with internal candidates. This is the result of the Corporation's management development process, which has been very well established for some years now. As well as technical and management training, the three divisions offer training programs geared to operations. The GF Academy makes a significant contribution to the efficient organization of training by preparing and conducting development programs. Furthermore, in the review year, some 200 managers from many different countries and all areas of the Corporation attended intensive training sessions at the Corporation's Klostergut Paradies training center. These sessions included, for example, Industrial Business Training (IBT), Financial Management Training (FMT), People Management Training (PMT), and Corporate Management Training (CMT).

In addition, a Corporation-wide initiative on management issues and collaboration – based on programs developed by Franklin Covey – was implemented. These training courses are aimed at managers and employees from all divisions. The three divisions also conduct their own training programs that are geared specifically to the operations of their business areas. There is a particularly strong demand for skilled staff in the People's Republic of China. As the country's labor market is highly competitive, the GF Academy pays particular attention to developing managers. In fact, it has been offering appropriate management and leadership training courses in China since 2007.

**Pay and social benefits //** In 2014, GF generated net value added of CHF 1.22 billion. About 81% of this amount was paid out as salaries to employees. GF operates a fair, modern, and transparent remuneration system for employees, without discrimination. Salary levels are based on those being offered in the relevant market and individual salaries are set according to job requirements, personal performance, and the company's financial performance. Where appropriate, GF offers a performance-related variable component and allows employees to share in the Corporation's success. Excellence on the part of individual employees and teams is recognized and rewarded. In addition, GF offers the usual social benefits customary in the respective country and industry.

**Distribution of net value added 2014 (in %)**  
(100% = CHF 1.22 billion)



**Information //** Sustainability issues are regularly dealt with in *Globe*, GF's employee magazine, which is published in six languages. This ensures that information on sustainability trends in society and associated activities at GF is communicated to staff members in full. Moreover, larger sites also produce their own publications, which are regularly distributed to all staff. In order to communicate with the online audience, GF is present on social media channels since 2013. Regular posts provide insights into the world of GF and sustainability activities within the corporation.

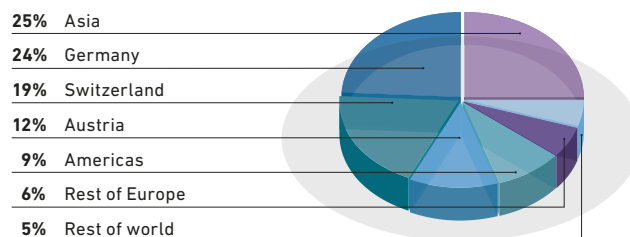
**Best-practice exchange to strengthen sustainability management //** Last year, around 150 managing directors addressed fundamental strategic and operational issues at specialist conferences. Senior management meets annually at the two-day Corporate Conference and at regional managing director meetings. These conferences deal with strategic and financial management issues as well as with specific human resource management topics. The two-day sustainability conference, which takes place annually in Europe, and biennially in China and the USA, focuses on a cross-divisional dialog. In 2014, this conference was held in Schaffhausen, Switzerland, and Easton, USA. High on the agenda were current sustainability issues facing the Corporation and its divisions, in particular occupational safety and health and as regards

the environment, energy efficiency. HR managers, occupational safety and health protection specialists, energy experts, and environmental officers from regional Corporate Companies attended the conference.

**Environmental objectives**

**Energy //** The challenges of the future include climate change, the finite nature of fossil fuels, and a steep increase in the demand for energy. In 2013, GF generated about 713 000 tons of CO<sub>2</sub> emissions of which fossil fuels accounted for 250 000 tons and electricity for 455 000 tons. Compared with the emissions from energy consumption in production, emissions caused by employee business travels are around 8 000 tons. The figures for 2014 will be published in the Sustainability Report 2014.

**Employees 2014 by region (in %)**  
(100% = 14 140)



**Energy efficiency //** Fossil energy will be among the most important and ever-diminishing resources in the coming decades. Consumption is steadily increasing particularly in the emerging markets. GF has set itself the goal of increasing energy efficiency in production in each division by 10%. All the divisions of GF are developing innovative solutions such as flow-efficient piping components, light-weight components for vehicles, and energy-efficient tool-making machines. In addition, all the divisions contribute, through their products and solutions, to increasing energy efficiency and to lowering energy consumption. For instance, flow-optimized piping components can reduce the pump input power needed in a plant. Further power consumption reduction is achieved through an intelligent machine software optimizing power consumption during operating and stand-by modes.

**Resource-efficient innovation //** Important resources are also becoming scarcer and more expensive. As a result, the development departments have introduced processes for resource-efficient innovation (eco-design, life cycle assessment). These processes help ensure that product-related sustainability and resource efficiency issues are taken into account as early as the development stage of new products. Developers have to take the product's entire life cycle, and not just the development phase, into consideration. The impact of new products on the

environment is analyzed by assessing the raw materials and suppliers selected, production, the customer's use of the products along with their reuse once their life cycle has expired.

**+ Clean Water has supported 124 projects worldwide with over CHF 8.5 million and has improved the lives of more than 140 000 people.**

**Engagements**

**Clean Water //** In 2002, on the occasion of its 200-year anniversary, the GF Corporation established the Clean Water foundation, endowing it with CHF 3.5 million. Since then, GF provides the foundation with a considerable amount each year. To date, Clean Water has supported 124 projects worldwide with over CHF 8.5 million and has improved the lives of more than 140 000 people with a sustainably improved access to clean drinking water.

To mark the foundation's tenth anniversary in 2012, GF and Caritas Switzerland signed a partnership for the supply of drinking water. Clean Water contributed CHF 1 million for this purpose, which will enable Caritas to provide at least 35 000 people worldwide with a sustainably improved access to clean drinking water by 2015. Within the scope of the partnership, GF Piping Systems supports Caritas with know-how and expertise in the field of water treatment and distribution. The objective is to noticeably improve the access to drinking water with help of innovative methods.

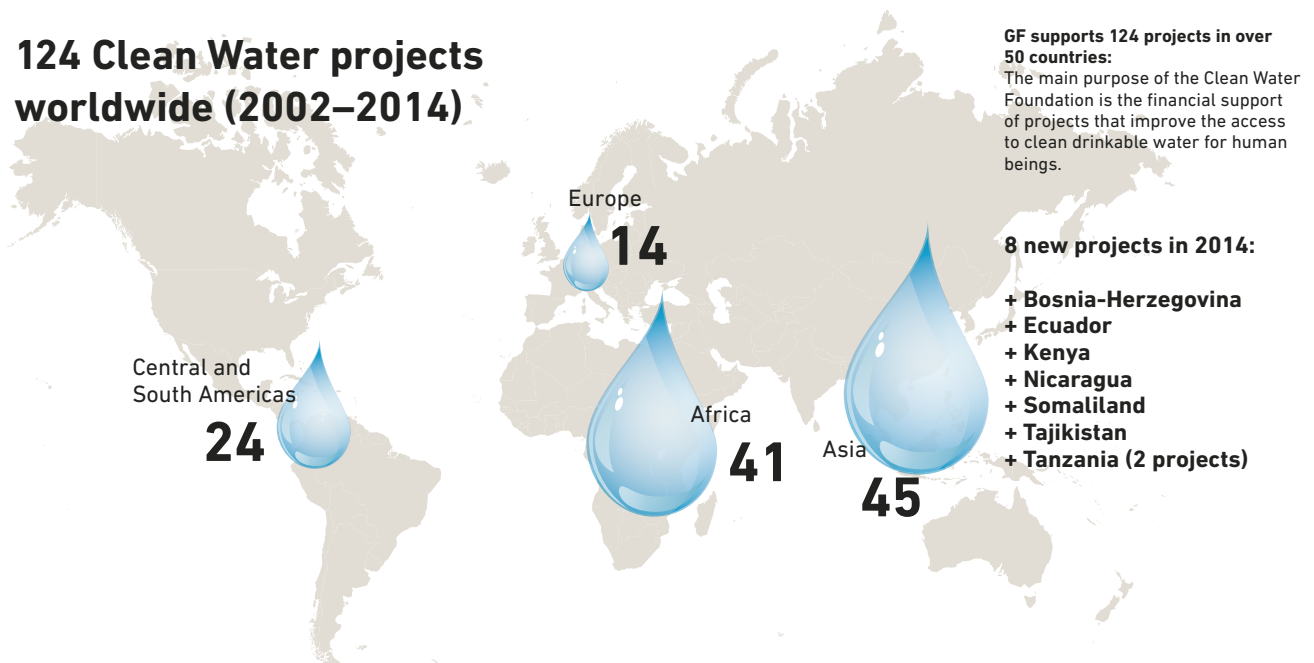
In 2014, the Board of Trustees approved eight new projects in Ecuador, Kenya, Nicaragua, Tanzania (two projects), Tajikistan, Somaliland, and Bosnia-Herzegovina in the amount of more than CHF 500 000. The region Balacici in Bosnia-Herzegovina was hit by heavy floods in 2014. Employees of GF Automotive in Mettmann (Germany) supported reconstruction efforts with EUR 5 000 as part of the German aid campaign "Deutschland Hilft". Clean Water also donated CHF 50 000 to rebuild a water reservoir that provides 140 families with drinking water. The necessary geological studies have been completed and construction will begin in spring 2015. Follow the reconstruction online:

[www.caritasprojectbosnia.wordpress.com](http://www.caritasprojectbosnia.wordpress.com)

**Contributing to the common good //** Through its fundamental values and corporate principles, GF is committed to promoting cultural, social, and environmental involvement. To this end, the Corporation and Corporate Companies are locally involved at their respective locations. In 2014, around CHF 2 million were spent at Corporation level on social involvement activities. In addition to this, some 30 GF subsidiaries support local activities, making substantial contributions in some cases.

**Stakeholder dialog //** Management responsibility and active, open, and timely communication – with internal and external stakeholders and at various levels – are inseparably linked. GF fulfills this duty to inform and communicate primarily through its Communications and Investor Relations staff units. The Annual Report, Mid-Year Report and Sustainability Report are the main printed publications for shareholders, investors, and the general public. Whenever possible and permissible, employees are being notified first. As a company listed

**124 Clean Water projects worldwide (2002–2014)**





on SIX Swiss Exchange, GF is subject to the requirements on ad hoc publicity. Making sustainability and resource efficiency the subject of an ongoing dialogue is entirely in the interests of GF customers, too. After all, to be considered as a supplier, evidence of sustainability in production is a key factor alongside technology, quality, and price. In addition, sustainability aspects in working relationships with suppliers are defined in a Supplier Code. In November 2014, GF was again invited to the "Daimler Sustainability Dialogue", in Stuttgart (Germany), where stakeholders from business, politics, and society discussed sustainability issues.

**Awards //** GF regularly receives awards for its unwavering commitment to sustainable practices. For the third time, GF was awarded with 95 out of 100 points, and was the sector leader in the Carbon Disclosure Project (CDP) in 2014.

**Tools and systems**

**Management systems //** At GF all production sites have to be certified according to ISO 9001 (quality management), ISO 14001 (environmental management), OHSAS 18001 (Occupational Health and Safety Assessment Series) and where applicable to ISO 50001 (Energy Management System). As at 31 December 2014, 46 of 51 earmarked sites had been certified, equating to 90%. Newly established or acquired manufacturing companies must have obtained certification after three years at the latest.

**Reporting systems //** The systematic recording of sustainability figures, which was initiated in 1997, is carried out by all production companies and by all sales companies with more than ten employees. In the year under review, 98 operations, or close to 100% of all employees, were covered. The Sustainability Information System (SIS), which has been steadily upgraded over the years, ensures that the data are compiled and that they are comparable Corporation-wide. Trained employees in the local companies collect and report the data, which are then consolidated and analyzed in the central database. The findings form the basis for monitoring success and for sustainability reporting and also serve to formulate future objectives. The social reporting (e.g. accident rate) covers approximately 99% of the workforce and an estimated 95% of its environmental footprint.

**Corporate compliance //** Compliance with laws, internal guidelines, and the GF Code of Conduct is a key part of GF's corporate culture. Organizational measures, training plus information and advice ensure that the Corporate Companies are able to comply with local legislation and the principles of business ethics applicable in the Corporation. The Corporate Compliance Officer reports annually to the Executive Committee and Board of Directors on his activities.

Internal Auditing verifies compliance with the applicable laws, guidelines, and ethical business requirements. If they wish, employees can also report breaches of laws or guidelines to their line managers, Internal Auditing or the Compliance Officer anonymously. This whistle-blowing option has not been used over the last two years.

OHSAS 18001 certified production sites of GF (2014)



# Corporate Governance

The Board of Directors and the Executive Committee of GF attach great importance to good Corporate Governance in the interest of shareholders, customers, business partners, and employees. The implementation and ongoing improvement of the generally accepted principles of Corporate Governance ensure the necessary transparency to enable investors to judge the quality of the Corporation. This Report provides information on structures and processes, areas of responsibility and decision-making procedures, control mechanisms, as well as the rights and obligations of the various stakeholders.

**Contents //** The present publication fulfills all obligations of the relevant SIX Swiss Exchange directive on information relating to Corporate Governance in terms of content and order and is based on the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, the Swiss Business Federation. The Compensation Report is presented in a separate chapter on pages 52 to 61. All data and information apply to the cutoff date of 31 December 2014, unless otherwise noted. Any changes occurring before the copy deadline on 13 February 2015 are listed at the end of this chapter. Any changes occurring after the copy deadline can be found on our website. GF also publishes the Articles of Association of Georg Fischer Ltd, the internal Organization and Business Rules, its policies, and much more information online at

[www.georgfischer.com/corporate\\_governance\\_en](http://www.georgfischer.com/corporate_governance_en)  
[www.georgfischer.com/policies\\_en](http://www.georgfischer.com/policies_en)

## Corporate structure and shareholders

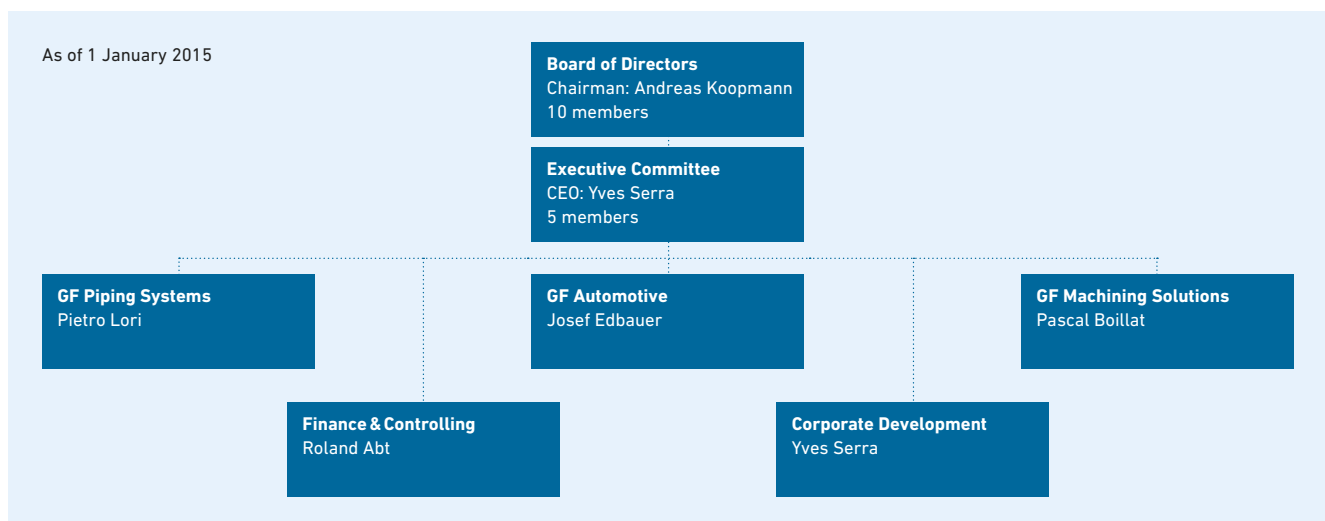
The organizational structure of GF is illustrated in the diagram on this page. The Corporation has the operational divisions: GF Piping Systems, GF Automotive, and GF Machining Solutions, plus the Corporate Staff Units Finance & Controlling and Corporate Development. The Chief Executive Officer is also the Head of Corporate Development.

The CEO, supported by the other members of the Executive Committee, bears responsibility for the management of the Corporation, where this is not delegated to the divisions or the Corporate Staff Units. The Heads of the Divisions, supported by the Heads of the Business Units and Service Centers, bear responsibility for the management of the divisions. The Corporate Staff Units support the Board of Directors and the Executive Committee in their management and supervisory functions.

The parent company of all the Corporate Companies is Georg Fischer Ltd. It is incorporated under Swiss law and is domiciled in Schaffhausen, Switzerland. Georg Fischer Ltd is listed on the SIX Swiss Exchange (FI-N, security number 175 230). Its share capital is CHF 4 100 898, and its market capitalization was CHF 2 579 million as of 31 December 2014 (previous year: CHF 2 573 million).

**Affiliated companies //** An overview of all affiliated companies in the scope of consolidation can be found in the Financial Report on pages 106 to 108. The list contains the company name, domicile, share capital, and percentage held by GF.

**Significant shareholders and shareholder groups //** As of 31 December 2014, no shareholder or shareholder group had voting rights in excess of 5%. The Norges Bank (the Central Bank of Norway), Oslo (Norway), LSV Asset Management, Chicago (USA), and the UBS Fund Management (Switzerland) AG, Basel (Switzerland), had voting rights between 3% and 5%.



Eleven disclosure notifications were published in the year under review: eight in relation to the BlackRock Group (see group structure as published on the SIX disclosure platform), held indirectly by BlackRock Inc (USA), two in relation to LSV Asset Management, Chicago (USA), and one in relation to Norges Bank (the Central Bank of Norway), Oslo (Norway). Disclosure notifications pertaining to shareholdings in Georg Fischer Ltd that were filed with Georg Fischer Ltd and the SIX Swiss Exchange are published on the latter's electronic publication platform. The notifications can be accessed via the following weblink to the database search page of the disclosure office:

[www.six-exchange-regulation.com/obligations/disclosure/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html)

**Cross-shareholdings //** There are no cross-shareholdings or shareholder pooling agreements with other companies.

### Capital structure

**Capital and share information //** Fully paid-in share capital amounts to CHF 4 100 898 and is divided into 4 100 898 registered shares each with a par value of CHF 1. Each registered share has one vote at the Annual Shareholders' Meeting. The authorized capital and the conditional capital amount to a maximum of CHF 600 000. The maximum authorized or conditional capital is reduced by the amount that conditional or authorized capital is created by the issue of equity-linked bonds or similar debt instruments or new shares.

By no later than 19 March 2016, the maximum authorized share capital will be CHF 600 000 divided into no more than 600 000 registered shares each with a par value of CHF 1. Moreover, the share capital may be increased via the conditional capital by a maximum of CHF 600 000 by the issue of no more than 600 000 fully paid-in registered shares with a nominal value of CHF 1 each, through the exercise of conversion rights and/or warrants granted in connection with the issuance on capital markets of bonds or similar debt instruments of the company or one of its Corporate Companies. As of 31 December 2014, no such bonds or debt instruments were outstanding. The beneficiaries and the conditions and modalities of the issue of authorized capital are described in § 4.4 a) of the Articles of Association of Georg Fischer Ltd and those of conditional capital in § 4.4 b) of the Articles of Association of Georg Fischer Ltd.

[www.georgfischer.com/corporate\\_governance\\_en](http://www.georgfischer.com/corporate_governance_en)

The subscription to and acquisition of the new shares, and any subsequent transfer of the shares, are subject to the statutory restrictions on transferability (see the next section "Restrictions on transferability").

Further information on the share capital and changes in capital in the last five years can be found on pages 122 to 124. No participation or profit-sharing certificates exist.

**Restrictions on transferability //** Entry in the company's share register as a shareholder or beneficiary with voting rights is subject to the approval of the Board of Directors. Approval of registration is subject to the following conditions: a natural person or legal entity may not accumulate, either directly or indirectly, more than 5% of the registered share capital. Persons who are bound by capital or voting rights, by consolidated management or in a similar manner, or who have come to an agreement for the purpose of circumventing this rule, shall be deemed as one person.

**Nominee registrations //** Persons who hold shares for third parties (referred to as nominees) are only entered in the share register with voting rights if the nominee declares their willingness to disclose the names, addresses, and shareholdings of those persons on whose behalf they hold the shares. The same registration limitations apply, mutatis mutandis, to nominees as to individual shareholders.

**Cancellation or amendment of restrictions //** Cancellation or easing of the restrictions on the transferability of registered shares requires a resolution of the Annual Shareholders' Meeting passed by at least two-thirds of the shares represented and an absolute majority of the par value of the shares represented.

**Convertible bonds and options //** There are no outstanding convertible bonds, and GF has issued no options.

### Board of Directors

**Responsibilities //** The Board of Directors has ultimate responsibility for supervising and monitoring the management of Georg Fischer Ltd. The Board of Directors is responsible for all matters vested to it by the law or the Articles of Association, provided it has not delegated these to other bodies. These are in particular:

- decisions on corporate strategy and the organizational structure
- appointing and dismissing members of the Executive Committee
- organizing finance and accounting
- determining the annual and investment budgets

Unless otherwise provided for by law or the Articles of Association, the Board of Directors delegates operational management to the Chief Executive Officer, who is assisted in this task by the Executive Committee. The extent to which competencies are delegated by the Board of Directors to the Executive Committee and the nature of the cooperation between the Board and the Executive Committee are defined by the Organization and Business Rules.

[www.georgfischer.com/corporate\\_governance\\_en](http://www.georgfischer.com/corporate_governance_en)

**Independence //** All members of the Board of Directors are non-executive. There are no significant business relationships between the members of the Board or the companies or organizations they represent and Georg Fischer Ltd or a Corporate Company.

**Elections and term of office //** As per § 16.2 of the Articles of Association of Georg Fischer Ltd, the members of the Board of Directors have to be elected individually, and their term of office ends at the next Annual Shareholders' Meeting. Re-election is possible.

When selecting Board members, particular emphasis is placed on entrepreneurial experience, relevant expertise, or particular international ties. The Board of Directors also aims to achieve a proper balance of competence and knowledge, taking into account the main operational focus of the Corporation, its international orientation, and the accounting requirements of listed companies. Members of the Board must resign their mandate at the Annual Shareholders' Meeting following their 70th birthday.

**2014 //** At the 118th Annual Shareholders' Meeting on 19 March 2014, Dr. iur. Hubert Achermann was elected as new member of the Board of Directors. Kurt E. Stirnemann resigned from the Board of Directors as he had reached the age limit.

**Internal organizational structure //** Pursuant to § 16.3 of the Articles of Association of Georg Fischer Ltd, the Annual Shareholders' Meeting elects a member of the Board of Directors as its Chairman for the period of one year until the next ordinary Annual Shareholders' Meeting. Re-election is possible.

With the exception of the election of a Chairman of the Board of Directors, who is elected by the Annual Shareholders' Meeting, the Board of Directors constitutes itself by electing a Vice Chairman from within its ranks once a year. Alongside the election of Andreas Koopmann as Chairman of the Board of Directors, Gerold Bühner was elected by the Board of Directors as its Vice Chairman on the day of the Annual Shareholders' Meeting on 19 March 2014.

In addition, pursuant to § 20.1 of the Articles of Association of Georg Fischer Ltd, the Annual Shareholders' Meeting elects the members of the Compensation Committee.

**Areas of responsibility //** The members of the three standing Board Committees are listed on page 49. The Board Committees provide preliminary advice to the Board of Directors and do not make any definitive decisions. They discuss the issues assigned to them and make proposals to the Board of Directors as a whole. The CEO attends the meetings of the Board Committees, but is not entitled to vote. Minutes of the committee meetings are sent to all

members of the Board of Directors. The Chairmen of the individual committees also make a verbal report at the next meeting of the Board of Directors and submit any proposals.

**Work methods of the Board of Directors //** Decisions are made by the Board of Directors as a body. Members of the Executive Committee also participate in Board meetings for agenda items relating to the company's business, but are not entitled to vote. Only the Chief Executive Officer is present when personnel topics are dealt with. Personnel topics affecting him directly are treated in his absence. Invitations to Board meetings list all the issues that the Board of Directors, a Board Committee, or the CEO wish to discuss. All participants in a Board meeting receive detailed written material on the proposals in advance.

The Board of Directors meets at least four times a year under the leadership of its Chairman. During the year under review, it met six times: two meetings lasted less than two hours, three meetings lasted less than a day, and the strategy meeting lasted one and a half days in total. The dates of the regular meetings are generally set well in advance to enable all members to attend personally. In the year under review, the attendance rate was 98%. The three standing Board Committees met a total of 13 times.

External consultants are called on for their services when specific topics are involved. Further information is provided in the section on the Board Committees.

**Evaluation //** The Board of Directors once again conducted a self-evaluation in 2014. The results will be discussed in 2015 and measures will be taken to further optimize the work done by the Board of Directors.

**Audit Committee //** The Audit Committee consists of three Board members. The Audit Committee supports the Board of Directors in monitoring accounting and financial reporting, supervises internal and external audits, assesses the efficiency of the internal audit system including risk management and compliance with statutory provisions, acknowledges the sensitivity analysis of the pension funds of Georg Fischer Ltd, and issues its opinions on transactions concerning equity and liabilities at Georg Fischer Ltd. The Audit Committee also decides whether or not the consolidated financial statements and those of Georg Fischer Ltd can be recommended to the Board of Directors for presentation to the Annual Shareholders' Meeting.

As a rule, the Chairman of the Board, the CEO, the CFO, the Head of Internal Auditing, and representatives of the external auditor also attend the meetings. At the request of the Audit Committee the external auditor also provides information on current questions relating to the financial statements and financial issues.



During the business year just ended, the Audit Committee held seven meetings, three of which lasted half a day, and the other four lasted about two hours.

**Compensation Committee //** The Compensation Committee consists of three Board members, which are elected on a yearly basis by the Annual Shareholders' Meeting. It supports the Board of Directors in setting compensation policy at the highest corporate level. It uses knowledge of external compensation specialists about market data from comparable companies in Switzerland, in addition to publicly available data obtained on the basis of compensation disclosures. Comparable industrial corporations headquartered in Switzerland and the industrial market of Switzerland were used as a basis. In the reporting year, two comprehensive external expert opinions were commissioned regarding the remuneration of the Board of Directors and of the Executive Committee. The Compensation Committee proposes to the Board of Directors the total amount of compensation to be paid to the entire Executive Committee and the Chief Executive Officer. The Compensation Committee held three meetings during the past fiscal year, each of which lasted about an hour and a half.

**Nomination Committee //** The Nomination Committee consists of three Board members. It supports the Board of Directors in succession planning and assists in the selection of suitable candidates for the Board of Directors and the Executive Committee. The Nomination Committee is kept informed annually about succession planning for the two senior operating management levels. In the year under review, the Nomination Committee held three meetings, which lasted an hour and a half on average.

**Information and control instruments //** The Board of Directors is informed in depth about business performance every month. The members of the Board also receive the monthly report, which contains current information concerning business performance and the financial statements of the Corporation, the divisions, and Corporate Companies together with a detailed commentary. The Executive Committee presents and comments on business performance and tables all important matters at the Board meetings. It also presents its assessment of business performance for the coming months.

In addition, the Board of Directors receives the estimate prepared twice a year containing the figures for the entire business year. The Board of Directors also approves the budget of the Corporation and of the divisions for the following year. Once a year, it receives the results of medium-term planning derived from the strategy review. The Board of Directors holds as a general rule a two-day meeting once a year to discuss the strategies of the divisions and the Corporation as a whole.

The Chairman of the Board of Directors attends the Corporate Convention of the senior management and the Executive Committee's planning meeting and is a regular attendee at other corporate management meetings. The Chairman of the Board of Directors and the CEO inform and consult each other regularly on all business matters that are of fundamental importance or have far-reaching ramifications. The Chairman of the Board receives the invitations and minutes of the Executive Committee and Corporate Staff Meetings. He visits Corporate Companies on a regular basis to see their operations in person and how they are implementing the Corporation's strategies. In 2014, he visited Corporate Companies in Europe and in Asia.

**Internal Auditing //** Internal Auditing reports to the Chairman of the Audit Committee operationally and to the CFO administratively. Based on the risk-oriented audit plan approved by the Audit Committee, Corporate Companies are audited either annually or every two to three years, depending on the risk assessment. In the year under review, 45 internal audits were conducted. The written report is discussed with the management of the company in question. Copies are sent to the line managers, the external auditor, the Executive Committee, and the Chairmen of the Board of Directors and of the Audit Committee. Audit reports with significant findings are presented to and discussed in the Audit Committee.

Internal Auditing also ensures that all discrepancies arising in internal and external audits are addressed and submits a report on such questions to the Executive Committee and the Audit Committee. The Head of Internal Auditing prepares an annual report, which is discussed by the Executive Committee and the Audit Committee. He also serves as the secretary of the Audit Committee.

**Corporate compliance //** The Service Center Law & Compliance informs the Board of Directors and the Executive Committee about legal issues and significant changes to the law. The Corporate Compliance Officer (CCO) is appointed by the Chief Executive Officer and in this function reports to the General Counsel and can report to the CEO if necessary. Especially through preventive measures and training in the divisions along with information and advice to the Corporate Companies, the CCO ensures that the Corporate Companies comply with the law, internal directives, and the Corporation's principles of business ethics in their business activities. The Executive Committee, in consultation with the CCO, defines priority issues.

A number of compliance measures were implemented in 2014: (i) introduction of a "Compliance Agreement for Intermediaries" as a guideline for GF business partners who act in the name or interest of Corporate Companies within the GF Corporation; (ii) an internal e-learning program on the subject of anti-corruption was held for about

700 employees; (iii) an internal e-learning program was conducted on competition and cartel law for approximately 360 employees; (iv) seven training courses on antitrust law, anti-corruption, export controls, and other compliance topics at Corporate Companies (including at US-based Corporate Companies) and at management meetings (including for general managers and sales heads at the Chinaust Joint Venture companies); (v) ongoing advice and support for internal revisions; (vi) introduction of specific compliance measures for intermediaries in China (e.g. ongoing checks regarding the appropriateness of compensation paid to intermediaries as well as examination of their ownership structure so as to avoid conflicts of interests); (vii) a web-based system for the prevention of business with sanctioned persons and organizations was expanded; (viii) advice was given on issues relating to export controls, cartel law and labor law; (ix) introduction of a new supplier code.

Code of Conduct of GF:

[www.georgfischer.com/corporate\\_governance\\_en](http://www.georgfischer.com/corporate_governance_en)

**Risk management //** The Board of Directors and the Executive Committee attach great importance to the thorough handling of risks in the areas of strategy, finance, markets, management and resources, operations, and sustainability. The Head of the Service Center Risk, Tax & IP Services acts as the Chief Risk Officer (CRO) and, in this function, directly reports to the CEO. The CRO is supported by a non-executive risk officer of each division. Supplemented by internal experts of the corporate risk management, the risk officers under the leadership of the CRO constitute the Corporate Risk Council which met twice during the year under review. In addition, the CRO conducted workshops with the management of the three divisions as well as with the Executive Committee to analyze the risk situation, to discuss measures to mitigate the risks and to define the actual top risks of each unit. Based on the results of the workshops, a risk report was prepared which was presented to and analyzed by the Board of Directors.

The handling of financial risks is explained in the financial part of the Annual Report on pages 79 to 81, whereas operational risks are described on pages 16 and 78.

**Assessment //** The Board of Directors evaluates and assesses the performance of the Executive Committee and its members at least once a year in the absence of the Executive Committee members. The Chairman of the Board of Directors must approve any appointments of Executive Committee members to external Boards of Directors or to high-level political or military functions.

#### **Executive Committee**

The Chief Executive Officer is responsible for the management of the Corporation. Under his leadership, the Execu-

tive Committee addresses all issues of relevance to the Corporation, takes decisions within its remit and submits proposals to the Board of Directors. The Heads of the three Divisions and two Corporate Staff Units are responsible for drafting and achieving their business objectives and for managing their units autonomously. No management responsibility is delegated to third parties at the Executive Committee level (management contracts).

**Members //** As at the end of the year under review, the Executive Committee had the following members: Yves Serra, CEO and at the same time Head of Corporate Development; Pietro Lori, Head of GF Piping Systems; Josef Edbauer, Head of GF Automotive; Pascal Boillat, Head of GF Machining Solutions; Roland Abt, CFO and Head of Corporate Finance & Controlling.

#### **Shareholders' rights**

As of 31 December 2014, Georg Fischer Ltd had 13 390 shareholders with voting rights (previous year: 12 215), most of whom reside in Switzerland. To maintain this broad base, the Articles of Association provide for the statutory restrictions summarized hereinafter.

**Restriction on voting rights //** The total number of votes exercised by one person for their own shares and shares for which they vote by proxy may not exceed 5% of the votes of the company's total share capital. Persons bound by capital or voting rights, by consolidated management, or otherwise acting in concert for the purpose of circumventing this provision are deemed to be one person.

The restriction of voting rights under § 4.10 of the Articles of Association may be revoked only by a resolution of the Annual Shareholders' Meeting, passed by a two-thirds majority of the shares represented and an absolute majority of the par value of the shares represented.

**Proxy voting //** A shareholder may, on the basis of a written power of attorney, be represented at the Annual Shareholders' Meeting by another shareholder entitled to vote or the independent proxy. Shareholders can also confer powers of attorney and issue instructions to independent proxies electronically. Partnerships may be represented by a partner or authorized signatory, legal entities by a person authorized by law or the Articles of Association, married persons by their spouse, wards by their legal guardians, and minors by their legal representative, regardless of whether such representatives are shareholders or not.

**Statutory quorum //** The following resolutions of the Annual Shareholders' Meeting require a majority greater than that laid down by law. At least two-thirds of the

shares represented and an absolute majority of the par value of the shares represented must be in favor of:

1. the cases listed in Art. 704 para. 1 CO
2. the alleviation or withdrawal of limitations upon the transfer of registered shares
3. the creation, extension, alleviation, or withdrawal of the voting restrictions
4. the conversion of registered shares into bearer shares
5. the amendments to § 16.1 of the Articles of Association
6. the removal of restrictions concerning the passing of resolutions by the Shareholders' Meeting, particularly those of § 12 of the Articles of Association of Georg Fischer Ltd

**Convocation of the Annual Shareholders' Meeting //** No regulations exist which deviate from those stipulated by law.

**Agenda //** Shareholders representing a minimum of 0.3% of the share capital may request that an item be added to the agenda. The application must be submitted in writing no later than 60 days before the meeting and must specify the item to be discussed and the shareholder's proposal.

**Entry in the share register //** The deadline for entering shareholders in the share register with regard to attendance at the Annual Shareholders' Meeting is around ten days before the date of the Annual Shareholders' Meeting. It is mentioned in the invitation to the Annual Shareholders' Meeting.

#### **Change of control and defense measures**

The Articles of Association of Georg Fischer Ltd do not contain any regulations governing "opting-out" or "opting-up". As of 1 January 2014, the contractually agreed period of notice for the members of the Executive Committee is basically twelve months. Furthermore, a change of control will result in the cancellation of all existing disposal limitations for shares allocated according to the share plan. In the event of a change of control, bondholders and banks have the right to demand the immediate repayment of bond issues and loans before they are due.

#### **Auditors**

**Mandate //** PricewaterhouseCoopers, Zurich, became the external auditor in 2012. Since the Annual Shareholders' Meeting 2012, Stefan Räsamen is auditor in charge. The latter is changed every seven years. The statutory auditor is elected at the Annual Shareholders' Meeting for a term of one year.

**Audit fees //** In 2014, the Corporation spent about CHF 2.43 million (previous year: CHF 2.39 million) worldwide in connection with the audit conducted by Pricewaterhouse-

Coopers of the financial statements of Georg Fischer Ltd, of the GF Corporation, and of the Corporate Companies. For additional services PricewaterhouseCoopers received fees of approximately CHF 0.48 million (previous year: CHF 0.35 million). In 2014 these services related to tax advice of CHF 0.2 million (previous year: CHF 0.13 million) and other consulting mandates in connection with accounting of CHF 0.28 million (previous year: CHF 0.22 million).

**Supervisory and control instruments //** The Audit Committee reviews and evaluates the effectiveness and independence of the external auditors annually. The Audit Committee bases its evaluation on the following criteria:

- quality of the documents and management letters
- time taken and costs
- quality of oral and written reports on individual aspects and pertinent questions relating to accounting, auditing, or additional consulting mandates

For the evaluation, the members of the Audit Committee use first of all the knowledge and experience which they have acquired as a result of similar functions at other companies. Internal Auditing also issues an annual list of all services rendered by external auditors for the Corporation and their costs. This report is discussed by the Executive Committee and the Audit Committee. Authorization of the costs for the audit of Georg Fischer Ltd and the audit of the financial statements of the Corporation and of all Corporate Companies was given by the Audit Committee. Further services from PricewaterhouseCoopers will be examined by the Head of Internal Auditing and will be approved either by the CFO or by the managing directors of the individual Corporate Companies, depending on the volume. A high level of cost transparency is ensured because Internal Auditing prepares a report every year.

In the presence of internal and external auditors, the Audit Committee also evaluates potential for improvement regarding collaboration, the processing of assignments, and any interfaces or overlapping of Internal and external Auditing. The auditor in charge of the external auditor attended the five ordinary meetings of the Audit Committee.

## Communication policy

Corporate Communications and Investor Relations are the two departments responsible for information and communication in the Corporation. The communication strategy is based on GF's business strategy and supports the positioning of both the Corporation and the divisions. Communication with all GF stakeholders is active, open, and timely. If possible and permissible, employees are notified first.

GF has been present on five social media channels (LinkedIn, Xing, Facebook, Twitter, YouTube) since October 2013 in order to present the Corporation to younger target groups in an up-to-date manner. The website [www.georgfischer.com](http://www.georgfischer.com) is continuously updated and, along with media releases, remains a cornerstone of Corporate Communications. Facts and figures on the Corporation, presentations on important activities, and the dates of the events of relevance for shareholders, analysts, and journalists (Annual Shareholders' Meeting, press conferences, etc.) can be found on the website. The redesigned employee magazine *Globe* received the Gold Award for the best employee magazine in Switzerland from the Swiss Association for Internal Communication (Schweizerischer Verband für interne Kommunikation, SVIK) in fall 2014.

The shares of Georg Fischer Ltd are listed on the SIX Swiss Exchange. Therefore, GF is subject to the requirements on ad hoc publicity, i.e., the obligation to report any potential share-price-relevant information. GF also maintains a dialog with investors and journalists at special events and roadshows.

Subscription to the email service is free of charge. All media releases, Annual Reports, and Mid-Year Reports go online at the website [www.georgfischer.com](http://www.georgfischer.com) at the same time as they are published. Shareholders receive the short version of the Annual Report and the Mid-Year Report automatically, and other interested parties receive them on request.

[www.georgfischer.com/mediareleases\\_en](http://www.georgfischer.com/mediareleases_en)

[www.georgfischer.com/subscriptionservice](http://www.georgfischer.com/subscriptionservice)

### Investor Relations

Daniel Bösiger

[daniel.boesiger@georgfischer.com](mailto:daniel.boesiger@georgfischer.com)

### Corporate Communications

Beat Römer

[beat.roemer@georgfischer.com](mailto:beat.roemer@georgfischer.com)

## Changes after the balance sheet date

Between 1 January and the copy deadline on 13 February 2015, no disclosure notification was made.

Disclosure notifications pertaining to shareholdings in Georg Fischer Ltd that were filed with Georg Fischer Ltd and the SIX Swiss Exchange are published on the latter's electronic publication platform. The notifications can be accessed via the following weblink to the database search page of the disclosure office:

[www.six-exchange-regulation.com/obligations/disclosure/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html)



# Board of Directors

As of 1 January 2015

## Committees

### Audit Committee

Rudolf Huber, Chairman  
Hubert Achermann  
Gerold Bühler

### Compensation Committee

Ulrich Graf, Chairman  
Isabelle Welton  
Zhiqiang Zhang

### Nomination Committee

Andreas Koopmann, Chairman  
Roman Boutellier  
Jasmin Staiblin



**Andreas Koopmann**

**Chairman of the Board  
1951 (Switzerland)**

Dipl. Masch.-Ing. ETH Zurich (Switzerland),  
MBA from IMD Lausanne (Switzerland)

Board member since 2010,  
Chairman of the Board since 2012

**Committees** // Chairman of the Nomination Committee

**Corporate Governance** // Independent member

**Professional background, career** // Various functions in Swiss industrial companies (1979–1982); Vice President of Engineering and Production, Bobst Group, Roseland, USA (1982–1989); various senior positions in the Bobst Group in Lausanne (1989–1995), as CEO (1995–2009); Chairman of Alstom (Switzerland) AG (2010–2012)

**Other activities of governing bodies in listed corporations** // First Vice Chairman of the Board of Directors of Nestlé AG; Member of the Board of Directors of Credit Suisse AG (both Switzerland)

**Further professional activities and functions** // Vice Chairman of the Board of Directors of CSD Ingenieure AG; Member of the Board of Economiesuisse (both Switzerland)



**Gerold Bühler**

**Vice Chairman of the Board  
1948 (Switzerland)**

lic. oec. publ. University of Zurich (Switzerland)

Board member since 2001,  
Vice Chairman of the Board since 2012

**Committees** // Member of the Audit Committee

**Corporate Governance** // Independent member

**Professional background, career** // Various positions at the Union Bank of Switzerland (now UBS) (1973–1990), ultimately as a member of the executive management of the bank's investment company; member of the Executive Committee of Georg Fischer Ltd (1991–2000); member of the Swiss Parliament (1991–2007); President of Economiesuisse (2007–2012)

**Other activities of governing bodies in listed corporations** // First Vice Chairman of the Board of Directors of Swiss Life (Switzerland)

**Further professional activities and functions** // Board member of Cellere AG and of Meier + Cie AG (both Switzerland); Member of the European Advisory Council of J.P. Morgan



**Hubert Achermann**

**Member of the Board of Directors  
1951 (Switzerland)**

Dr. iur., attorney, graduated in law at the University of Bern (Switzerland)

Board member since 2014

**Committees** // Member of the Audit Committee

**Corporate Governance** // Independent member

**Professional background, career** // 1982–1987 Legal advisor at FIDES Treuhandgesellschaft in Zurich; from 1987 to 1994 he headed the company's Lucerne office. In 1992 he was made a partner and vice chairman of the Board of Directors of the newly created KPMG Schweiz, and in 1994 joined the four-person executive board, where he was responsible for tax and law; from 2004 to September 2012 he was CEO of KPMG Schweiz and performed several key roles for KPMG international, especially as first Lead Director on the KPMG Global Board as of 2009

**Other activities of governing bodies in listed corporations** // Member of the Board of Directors of Implenia AG (Switzerland)

**Further professional activities and functions** // President of the Board of Trustees of "LUCERNE FESTIVAL", of "Friends of LUCERNE FESTIVAL", and of Stiftung Salle Modulable (all Switzerland); Member of the Board of Trustees of Kühne Stiftung (Switzerland), and of Ernst von Siemens Musikstiftung



**Roman Boutellier**

**Member of the Board of Directors  
1950 (Switzerland)**

Dr. sc. math. ETH Zurich (Switzerland)

Board member since 1999

**Committees** // Member of the Nomination Committee

**Corporate Governance** // Independent member

**Professional background, career** // Kern AG (1981–1987); member of the executive management of Leica AG (1987–1993); Professor at the University of St. Gallen (1993–1998); CEO and Delegate to the Board of Directors of SIG Holding AG (1999–2004); Professor of Innovation and Technology Management at the ETH in Zurich (since 2004) and Member of the Executive Board of the ETH Zurich (since 2008)

**Other activities of governing bodies in listed corporations** // –

**Further professional activities and functions** // Board member of Ammann Group Holding AG, of Appenzell Cantonal Bank, and of Rychiger AG Steffisburg; Member of the Board of Trustees of Vontobel Foundation (all Switzerland)



**Ulrich Graf**

**Member of the Board of Directors  
1945 (Switzerland)**

Dipl. El.-Ing. ETH Zurich (Switzerland)

Board member since 1998

**Committees** // Chairman of the Compensation Committee

**Corporate Governance** // Independent member

**Professional background, career** // Various positions at the Kaba Group (1976–2006), ultimately as President and CEO and Delegate to the Board of Directors of Kaba Holding AG (1990–2006)

**Other activities of governing bodies in listed corporations** // Chairman of the Board of Directors of Kaba Holding AG and Dätwyler Holding AG (both Switzerland)

**Further professional activities and functions** // Chairman of the Board of Directors of Griesser Holding AG and of Pema Holding AG; Chairman of the Rega Foundation (Swiss Air Rescue Service) and Board member of Feller AG (all Switzerland); Member of the Supervisory Board of Dekra e.V. (Germany)



### Rudolf Huber

**Member of the Board of Directors  
1955 (Switzerland)**

Dr. oec. publ. University of Zurich (Switzerland)

Board member since 2006

**Committees //** Chairman of the Audit Committee

**Corporate Governance //** Independent member

**Professional background, career //** Various positions in the financial sector of industrial firms in Switzerland (1985–1992); CFO of Geberit AG (1992–2004); business consultant (since 2005); part-time lecturer at the Hochschule für Wirtschaft in Lucerne and lecturer at the University of St. Gallen

**Other activities of governing bodies in listed corporations //** Chairman of the Board of Directors of Looser Holding AG; Board member of Swiss Prime Site AG and of Repower AG (all Switzerland)

**Further professional activities and functions //** Board member of Hoerbiger Holding AG and of Wicor Holding AG (both Switzerland); President of the CFO Forum Switzerland



### Roger Michaelis

**Member of the Board of Directors 1959 (Brazil and Germany)**

Studied business administration at the University of São Paulo, post-graduate degree in management and strategy at Krupp Foundation, Munich (Germany), and Babson College (USA)

Board member since 2012

**Committees //** –

**Corporate Governance //** Independent member

**Professional background, career //** Various positions at Osram Group since 1988, ultimately as CEO at Osram Brazil and Head of Human Resources in Latin America (until April 2012); before CFO at Osram subsidiaries in India and Brazil; partner and director of Verocap Consulting, São Paulo since 2012 (Brazil)

**Other activities of governing bodies in listed corporations //** –

**Further professional activities and functions //** Managing Director and owner of Verocap; Managing Director of SAMAB Cia. Industria e Comercio de papel S. A. São Paulo; Board member of Ocrim Alimentos Ltd. São Paulo and Bentonit Uniao Ltd. São Paulo (all Brazil)



### Jasmin Staiblin

**Member of the Board of Directors  
1970 (Germany)**

Double degree in electrical engineering and physics from the Technical University, Karlsruhe (Germany), Royal Institute of Technology, Stockholm (Sweden)

Board member since 2011

**Committees //** Member of the Nomination Committee

**Corporate Governance //** Independent member

**Professional background, career //** Various positions at ABB, including in Switzerland, Sweden and Australia (1997–2006); Country Manager of ABB Switzerland (2006–2012); CEO of Alpiq Holding AG (since 2013)

**Other activities of governing bodies in listed corporations //** Board member of Rolls-Royce Holdings Plc (UK)

**Further professional activities and functions //** Member of the ETH Board; Member of the Board of Economiesuisse; Vice President Swisselectric (all Switzerland)



### Isabelle Welton

**Member of the Board of Directors  
1963 (Switzerland)**

Graduated in law at the Faculty of Law of the University of Zurich (Switzerland)

Board member since 2012

**Committees //** Member of the Compensation Committee

**Corporate Governance //** Independent member

**Professional background, career //** Various positions at Citibank in USA and Japan; External Communications Manager Zurich Financial Services (1996–2001); Head Corporate Communication EFG Private Bank (2001–2003); various positions at IBM Switzerland, ultimately as General Manager IBM Switzerland (2003–2012); Chief Marketing Officer at Zurich Insurance Group Ltd (as of 2013); Chief of Staff (as of September 2013) and Chief Human Resources Officer and Member of the Group Executive Committee of Zurich Insurance Group Ltd (since July 2014)

**Other activities of governing bodies in listed corporations //** Board member of the Limited Company for the Neue Zürcher Zeitung (Switzerland)

**Further professional activities and functions //** Member of the Regional Economic Advisory Council of the Swiss National Bank; Member of the Board of Trustees of "LUCERNE FESTIVAL" (both Switzerland)



### Zhiqiang Zhang

**Member of the Board of Directors  
1961 (China)**

Bachelor of Sciences from Northern Jiatong University, Beijing (China); MBA from Queen's University, Kingston (Canada)

Board member since 2005

**Committees //** Member of the Compensation Committee

**Corporate Governance //** Independent member

**Professional background, career //** Various positions at Siemens (1987–2012), including President of Siemens VDO Automotive China (1999–2005), President of Nokia Siemens Networks Greater China Region (2005–2012); since 2012 Executive Vice President of Sandvik AB and Head of Emerging Markets

**Other activities of governing bodies in listed corporations //** –

**Further professional activities and functions //** –

# Executive Committee



**Yves Serra**

**Chief Executive Officer of Georg Fischer Ltd  
1953 (France)**

Engineering degree from Ecole Centrale de Paris (France) and MSc in civil engineering from the University of Wisconsin-Madison (USA)

Member of the Executive Committee since 2003, CEO since 2008

**Professional background, career //** Deputy commercial attaché at the French Embassy in Manila (1977–1979); customer service engineer for Alstom in France and South Africa (1979–1982); various positions at Sulzer in France and Japan (1982–1992); various positions for the Georg Fischer Corporation (since 1992), Managing Director of Charmilles Technologies Japan and Regional Head of Sales Asia (1992–1997), Head of Charmilles (1998–2002), Head of GF Piping Systems (2003–2008); President and CEO of Georg Fischer Ltd (since 2008)

**Other activities of governing bodies in listed corporations // –**

**Further professional activities and functions //** Member of the Board of Directors of Stäubli Holding AG; Member of the Executive Committee of Swissmem (Association of the Swiss Mechanical and Electrical Engineering Industries); member of the Board of Swiss Chinese Chamber of Commerce and member of the Chapter Board "Doing Business in USA" of the Swiss American Chamber of Commerce



**Roland Abt**

**Chief Financial Officer  
1957 (Switzerland)**

Dr. oec. University of St. Gallen (Switzerland)

Member of the Executive Committee since 2004

**Professional background, career //** Head of Finance for a corporate group in the areas of data processing and real estate (1985–1987); various positions at the Eternit Group (1987–1996) in Switzerland and Venezuela, ultimately as Division Manager of their fiber cement activities in Latin America; various positions for the Georg Fischer Corporation (since 1996), including CFO of the AgieCharmilles Group (1997–2004) and CFO of the Georg Fischer Corporation (since 2004)

**Other activities of governing bodies in listed corporations //** Member of the Board of Directors of Conzeta AG (Switzerland)

**Further professional activities and functions //** Member of the Regulatory Board and Issuers Committee of the SIX Swiss Exchange



**Pietro Lori**

**Head of GF Piping Systems  
1956 (Italy)**

Studies of mechanical engineering, degree of Dr. Ing. Politecnico di Milano (Italy)

Member of the Executive Committee since 2008

**Professional background, career //** Various positions in different companies in Italy and the United States (1982–1988) and at GF Piping Systems (since 1988), including Managing Director of GF Piping Systems Italy (1994–1998), Head of Southern Europe (1999–2001), member of the Group Management (since 2002), Vice President Division Europe and Emerging Markets (2003–2008); Head of GF Piping Systems (since 2008)

**Other activities of governing bodies in listed corporations // –**

**Further professional activities and functions // –**



**Josef Edbauer**

**Head of GF Automotive  
1957 (Germany)**

Dipl.-Ing. University of applied sciences of Konstanz (Germany)

Member of the Executive Committee since 2008

**Professional background, career //** Various positions at Georg Fischer Automotive (since 1982), including Head Engineering and Maintenance at George Fischer (Lincoln) Ltd, Lincoln (UK) (1985–1989), Managing Director Georg Fischer Automobilguss GmbH, Singen (Germany) (1999–2005); member of the Group Management and Head Iron Casting Technology Unit at GF Automotive (2005–2008); Head of GF Automotive (since 2008)

**Other activities of governing bodies in listed corporations // –**

**Further professional activities and functions // –**



**Pascal Boillat**

**Head of GF Machining Solutions  
1955 (Switzerland)**

Studies of Electrical Engineering at Engineering School in Bienne; Dipl.-El.-Ing. ETS (Switzerland)

Member of the Executive Committee since 2013

**Professional background, career //** Electrical Engineer and responsible for the software department at Wähli Frères in Bévillard (1977–1984); various positions at General Electric Switzerland and GE Fanuc Switzerland (1984–2000), ultimately as Country Manager Switzerland; as of 2000 Vice President, as of 2002 President & CEO of GE Fanuc Europe (Luxembourg); at GF AgieCharmilles since 2010 as Head of Operations (until end of 2012); Head of GF Machining Solutions (since 2013)

**Other activities of governing bodies in listed corporations // –**

**Further professional activities and functions //** Member of the working group Machine Tools and Machining of Swissmem

# Compensation Report

## Introduction by the Chairman of the Compensation Committee

### Dear shareholder

On behalf of the Board of Directors of GF and of the Compensation Committee, I am pleased to present the 2014 Compensation Report.

2014 has been a good year for GF; due to improved productivity, profitability was increased. All divisions achieved a ROIC well above their financial costs.

From a compensation perspective, the Committee has prepared the amendments to the Articles of Association relative to the requirements of the new Ordinance against excessive pay. These amendments will be submitted to shareholders' vote at the upcoming Annual Shareholders' Meeting in parallel to the binding shareholders' vote on the compensation amounts of the Board of Directors and the Executive Committee. Further, the Compensation Committee has undertaken a thorough review of the compensation model of the Board of Directors, considering that it has been in place for several years. Based on this review we will simplify the remuneration structure of the Board of Directors in 2015.

At the upcoming Annual Shareholders' Meeting, we will ask you to approve the principles of compensation, included in the Articles of Association as well as to approve prospectively in a binding vote the maximum amounts of compensation for the Board of Directors and for the Executive Committee. In addition, we will also ask you to vote on a consultative basis on the Compensation Report 2014.

Looking ahead, the Committee will continue to review and fine-tune the compensation programs, in order to ensure that they remain aligned with market levels and the business strategy of GF as well as the long-term interests of our shareholders, while being compliant with the various regulations.

We would like to thank you for sharing your views on compensation with us and we trust that you will find this report interesting and informative.

Sincerely



Ulrich Graf, Chairman of the Compensation Committee



**Contents //** The Compensation Report provides information about the compensation policy, the compensation programs, and the process of determination of compensation applicable to the Board of Directors and to the Executive Committee of GF. It also includes details on the compensation payments related to 2014. This report is written in accordance to the Ordinance against excessive pay in stock exchange listed companies, the standards related to information on Corporate Governance issued by the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse.

## Compensation policy

**Overarching principles //** For the Board of Directors, the compensation policy is designed to ensure their independence in exercising their supervisory duties and foresees a fixed compensation only.

For the Executive Committee, the compensation policy is designed to attract, retain, and motivate talented individuals, along the following principles:

- Fairness and transparency
- Pay for performance
- Long-term orientation and alignment to shareholders' interest
- Market competitiveness

## Compensation principles

Fairness and transparency	Pay for performance and results	Participation in long-term success	Market competitiveness
Compensation programs are straightforward, clearly structured and transparent. They ensure fair remuneration based on the responsibilities and competencies required to perform the role. (internal equity)	A portion of compensation is directly linked to the company and individual performance. (performance orientation)	A portion of the compensation is delivered in form of restricted shares, ensuring participation into the long-term success of the company and a strong alignment to the shareholders' interests. (long-term orientation)	Compensation levels are competitive and in line with relevant market practice. (external equity)

## Compensation Governance

**Compensation Committee //** The Compensation Committee consists of three non-executive Board members who are elected yearly and individually by the Annual Shareholders' Meeting for a one-year period until the next Annual Shareholders' Meeting. At the 2014 Annual General Meeting, Ulrich Graf (Chairman), Isabelle Welton and Zhiqiang Zhang were confirmed as members of the Compensation Committee. The Committee supports the Board of Directors in setting the compensation policy at the highest corporate level and regularly reviews the guidelines governing compensation of the executives. The Committee also proposes the amount of compensation to be paid to the Board of Directors, to the CEO and to the other members of the Executive Committee and prepares the related motions for the Annual Shareholders' Meeting.

The Compensation Committee convenes as often as necessary, but at least once a year. In 2014, the Committee held three meetings of approximately one hour and a half each:

- In the February meeting, the Committee evaluated the business performance in the previous business year against the pre-set objectives, and prepared a proposal to the Board of Directors on the short-term incentive to be paid to the Chief Executive Officer and to the Executive Committee members. In the same meeting, the Committee determined the business objectives for the 2014 business year for the Chief Executive Officer and reviewed those of the Executive Committee members, before submitting them to the Board of Directors for approval;
- In the September meeting, the Committee reviewed the overall compensation policy and discussed a new compensation model for the Board of Directors. The Compensation Committee also reviewed the benchmarking analysis of the compensation of the members of the Executive Committee. Further, the Committee reviewed the proposed provisions on compensation to be included in the Articles of Associations in order to comply with the requirements of the Ordinance against excessive pay in stock exchange listed companies;
- In the December meeting, the Committee reviewed and approved the target compensation for the following business year for the members of the Executive Committee based on a proposal from the CEO. The Committee determined the target compensation of the CEO for the next business year based on a proposal from the Chairman of the Board and prepared a proposal to submit to the Board of Directors for approval. The Committee also approved the new compensation model for the Board of Directors for the next business year. Further, the Committee determined the compensation amounts of the Board of Directors and of the Executive Committee to be submitted to shareholders' vote at the 2015 Annual Shareholders' Meeting. Finally, the Committee reviewed and approved the Compensation Report.

## Overview of meetings' schedule

	February	September	December
<b>Compensation policy</b>		Review of compensation policy	
<b>EC Compensation</b>	Business performance previous year Bonus CEO and EC previous year Business objectives current year	Benchmarking analysis compensation CEO and EC	Target compensation CEO and EC following business year Compensation amount for say-on-pay vote at Annual Shareholders' Meeting
<b>BoD Compensation</b>		New compensation model BoD	New compensation model BoD Individual compensation BoD Compensation amount for say-on-pay vote at Annual Shareholders' Meeting
<b>Governance</b>		Review of the amendments to the Articles of Association (Ordinance)	Review of the amendments to the Articles of Association (Ordinance) Review of Compensation Report

CEO = Chief Executive Officer, EC = Executive Committee, BoD = Board of Directors

In 2014, with one exception, all Committee members attended all meetings. The CEO and the Head of Corporate Human Resources attended the Committee meetings in advisory capacity. The CEO did not attend the meeting when his own compensation or performance was discussed. The Chairman of the Committee reported to the Board of Directors after each meeting on the activities of the Committee. The minutes of the Committee meetings are available to all members of the Board of Directors.

The compensation proposals and decisions are made based on the following levels of authority:

## Levels of authority

Approval framework		
Subject	Recommendation from	Final approval from
Compensation policy and principles	Compensation Committee	Board of Directors
Aggregate compensation amount of Board of Directors	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting
Individual compensation of Board of Directors	Compensation Committee	Board of Directors
Aggregate compensation amount of Executive Committee	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting
Compensation of the CEO	Compensation Committee based on proposal by the Chairman of the Board	Board of Directors
Compensation of the Executive Committee	Compensation Committee based on proposals by the CEO	Board of Directors

On behalf of the Board of Directors, Internal Auditing annually reviews the compliance of the compensation decisions made with the compensation regulations for the Executive Committee and the Board of Directors, the Organizational Rules and the Articles of Association.

The Committee may call in external compensation specialists to obtain independent advice and/or to get benchmarking compensation data. In the year under review, the Compensation Committee mandated Hay Group to conduct a benchmarking analysis on both the compensation of the Board of Directors and of the Executive Committee.

**Method of determination of compensation //** The elements and levels of the compensation of the Board of Directors and the Executive Committee are reviewed regularly and are tailored to the relevant sector and labor market in which GF competes for talent. For the purpose of comparison, the Compensation Committee relies on compensation surveys published by independent consulting firms and on publicly available information, such as compensation disclosures from comparable companies. Comparable companies are defined as companies with similar size in terms of market capitalization, sales, number of employees, and geographic scope, which operate in similar business segments and are headquartered in Switzerland.

In 2014, a thorough review of the compensation of the Board of Directors has been conducted by Hay Group in order to assess its competitiveness in terms of level and structure. A peer group of selected companies, all Swiss multinational companies of the industry sector listed on the Swiss stock exchange (SIX), has been defined. The peer group consists of Autoneum, Bucher Industries, Dätwyler, Geberit, Kaba, Oerlikon, Rieter, SGS, Sika, Sonova, and Sulzer. On the basis of this benchmarking analysis, the compensation model and levels for the Board of Directors have been adjusted, effective for 2015. Those changes are explained in more detail in the section "Changes to compensation model in 2015".

In 2014, a benchmarking analysis of the compensation levels for the Executive Committee has been conducted by Hay Group on the basis of the Hay Group job evaluation methodology and the related compensation data. For the CEO, an additional benchmark has been done on the basis of the compensation disclosure of the companies of the peer group described above.

The Compensation Committee also takes into consideration the effective business and individual performance while determining the compensation amounts to be paid to the Chief Executive Officer and to the other members of the Executive Committee. Individual performance is assessed through the annual Management By Objectives (MBO) process, where individual objectives are defined at the beginning of the year and the achievement against those objectives is evaluated at the end of the year. The objective setting and the performance assessment of the members of Executive Committee are conducted by the CEO and are approved by the Chairman of the Board. The Chairman of the Board determines the objectives and evaluates the performance of the CEO.

### **Architecture of compensation**

**Compensation of the Board of Directors //** The compensation regulation applicable to the Board of Directors is reviewed periodically based on competitive market practice and retains its validity for several years.

In order to guarantee the independence of the members of the Board of Directors in executing their supervisory duties, their compensation is fixed and does not contain any performance-related component. The annual overall compensation for each member of the Board of Directors depends on the responsibilities carried out and the time effectively spent in the year under review. The compensation is partially delivered in cash (fee) and in restricted shares.

## Compensation model: Board of Directors

	Responsibility	Fee	Restricted shares
<b>Basis fee</b>	Board Membership	CHF 40 000	+ 150 shares
<b>Additional fees</b>	Board Chairmanship	CHF 164 000	+ 150 shares
	Board Vice-Chairmanship	CHF 22 500	
	Audit Committee Chairmanship	CHF 54 000	
	Audit Committee Membership	CHF 18 000	
	Other Committee Chairmanship/Membership	CHF 4 500 per day <sup>1</sup>	
	Any additional activity	CHF 4 500 per day	
<b>Business expense</b>	Expense lump-sum	CHF 500 per day	

<sup>1</sup> Only payable if the Committee meeting does not take place on a day of a Board meeting.

Members of the Board receive a fixed fee and additional fees for special tasks such as committee chairmanship, vice-chairmanship or membership, and any other extraordinary activities/meetings. The fees are paid in cash in January for the previous calendar year.

In addition, each member of the Board receives a fixed number of Georg Fischer shares. The value of the share-related compensation is calculated on the basis of the closing share price on the last trading day of the reporting year. Those shares are granted in January for the previous calendar year and are restricted for a period of five years.

Finally, members of the Board also receive a lump-sum allowance to cover their business expenses. They do not receive additional reimbursements of business expense beyond actual expenditures for business travel.

The compensation of the Board of Directors is subject to regular social security contributions and is not pensionable.

This compensation model has been modified on the basis of the review conducted in 2014. The new compensation model is explained in the section "Changes to the compensation model in 2015" and is effective for 2015.

**Compensation of the Executive Committee //** The principles of compensation of Executive Committee members, as described above in the section "Principles of compensation", are set out in a regulation and retain their validity for several years. They were last reviewed by the Compensation Committee in 2012.

The compensation of the Executive Committee includes the following elements:

- Fixed base salary in cash
- Performance-related short-term incentive in cash
- Share-based remuneration (long-term incentive)
- Benefits such as pension and social insurance funds



## Compensation model: Executive Committee

	Instrument	Purpose	Drivers
<b>Annual base salary</b>	Monthly cash payments	Pay for the function	Scope and responsibilities Profile of the individual
<b>Short-term incentive</b>	Annual cash payment	Pay for performance	Business and individual performance over a one-year period
<b>Share-based remuneration (long-term incentive)</b>	Restricted shares (five years)	Participate to long-term success Align to shareholders' interests	Level of the role in the organisation
<b>Benefits</b>	Pension and insurances Other perquisites	Protect against risks Cover business expenses	Local legislation and market practice

**Fixed base salary //** The fixed base salary is determined primarily on the basis of the following factors:

- Scope and complexity of the role, as well as the skills required to perform the role;
- Skills, experience and performance of the individual in the role;
- External market value of the role.

Fixed base salaries of the Executive Committee members are reviewed every year on the basis of those factors and adjustments are made according to market developments and to the company's affordability.

**Short-term incentive //** The short-term incentive is a variable incentive designed to reward the achievement of business objectives of the Corporation and its divisions, as well as the fulfillment of individual performance objectives as defined within the MBO process, over a time horizon of one year.

The business objectives are set by the Board of Directors in accordance with the long-term strategy. They include absolute financial figures and are set for a period of several years in order to ensure sustainable and long-term performance. Currently, the business objectives are: organic sales growth (excluding acquisitions and divestitures), EBIT margin (EBIT in relation to sales), Return on Invested Capital (ROIC), and asset turnover (sales in relation to average net operating assets). For each objective, the Board of Directors sets a threshold level of achievement under which there is no payout, and a ceiling above which the payout is capped. The payout factor for achievement levels between the threshold and the ceiling is calculated by linear interpolation. While the thresholds and the ceilings are valid for a period of several years, the achievement against those is measured on a yearly basis and leads to a payout factor for this portion of the variable incentive. The threshold for the ROIC is set on a level clearly over the average cost of capital of the Corporation.

The individual objectives are set within the MBO process at the beginning of the year. They are clearly measurable. At the end of the year, the achievement against each individual objective is assessed and leads to a payout factor for this portion of the variable short-term incentive.

The weighting of the business and individual objectives for the CEO and the other Executive Committee members is described in the following chart:

## Weighting of the business and individual objectives (maximum level of performance/payout factor)

		CEO	Head division	Staff functions	
<b>Business objectives</b>	<b>Corporation level</b>	Organic sales growth (30%)	24%	9%	18%
		EBIT margin (25%)	20%	7.5%	15%
		ROIC (25%)	20%	7.5%	15%
	<b>Division level</b>	Asset turnover (20%)	16%	6%	12%
		Organic sales growth (30%)		9%	
		EBIT margin (25%)		7.5%	
		ROIC (25%)		7.5%	
		Asset turnover (20%)		6%	
<b>Individual objectives</b>	MBO	30%	30%	30%	
<b>Total weight (at maximum) in % of annual fixed base salary</b>		<b>110%</b>	<b>90%</b>	<b>90%</b>	

## Thresholds and ceilings for the business objectives (valid for corporate and divisional objectives)

Business objectives	Hurdle (minimum threshold)	Cap (maximum threshold)	Mid-term targets 2015
<b>Organic sales growth</b>	1.0%	7.0%	not disclosed <sup>1</sup>
<b>EBIT margin</b>	3.5%	12.0%	8%–9%
<b>ROIC</b>	10.0%	22.0%	16%–20%
<b>Asset turnover</b>	2.0	3.0	not disclosed <sup>1</sup>

<sup>1</sup> For confidentiality reasons.

The maximum short-term incentive is expressed as a percentage of the annual fixed base salary and amounts to 110% for the CEO and 90% for the other members of the Executive Committee. The expected level of performance (fulfillment of the multi-year business objectives and of the individual objectives) corresponds to a short-term incentive payout of approximately 60% of the maximum short-term incentive.

**Share-based remuneration (long-term incentive) //** The purpose of the share-based remuneration is to align the interest of the Executive Committee with the shareholders' interests. The CEO receives 850 restricted shares and each of the other Executive Committee members receives 300 restricted shares. The shares are granted in January of the following year and are subject to a blocking period of five years. The grant value of the share is based on the closing share price on the last trading day of the reported business year. The shares are automatically unblocked in case of termination, liquidation, or change of control.

The underlying shares of the share-based compensation program are either treasury shares or are repurchased on the market.

**Benefits //** Benefits consist primarily of retirement and insurance plans that are designed to provide reasonable retirement remuneration as well as a reasonable level of protection against risks such as death and disability. All members of the Executive Committee have a Swiss employment contract and participate in the pension fund of GF offered to all Swiss-based employees, in which the fixed base salary is insured. The pension fund exceeds the legal requirement of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and is in line with commensurate market practice. For top-management positions, including the members of the Executive Committee, an early retirement plan is in place. The plan is entirely financed by the employer and is administered by a Swiss foundation. Beneficiaries may opt for early retirement from the age of 60, provided that they are enrolled with the Swiss Social Security and have been employed by GF at least for ten years.

Members of the Executive Management do not receive any special benefits. They are entitled to a representation lump-sum allowance and to reimbursement of business expenses in accordance to the expense rules applicable to all employees at management levels employed in Switzerland. The expense regulation has been approved by the relevant cantonal tax authorities.

**Contractual terms //** The contractual agreements with the CEO and the Executive Committee members foresee a notice period of maximum twelve months. There are no entitlements to severance payments.

## Remuneration for the 2014 business year

**Board of Directors //** The members of the Board of Directors received cash compensation of CHF 850 thousand in the year under review (previous year: CHF 1'041 thousand). In addition, a total of 1'650 Georg Fischer registered shares with a market value of CHF 1'038 thousand were allocated as share-related compensation. In the previous year, the allocation had been 1'600 Georg Fischer registered shares, equivalent to a market value of CHF 1'004 thousand. Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 2'034 thousand (previous year: CHF 2'224 thousand). The detailed disclosure of compensation to the Board of Directors in accordance with the Ordinance against excessive pay in Swiss stock exchange listed companies is as follows:

### Compensation paid to the members of the Board of Directors 2014

	Compensation				Total compensation 2014 CHF 1 000	Total compensation 2013 CHF 1 000
	Cash compensation CHF 1 000	Shares Number	Share-related compensation CHF 1 000	Other benefits CHF 1 000		
<b>Andreas Koopmann</b>						
Chairman of the Board of Directors						
Chairman Nomination Committee	229	300	189	30	448	443
<b>Hubert Achermann</b>						
Member Audit Committee	48	117	74	10	132	
<b>Gerold Bühler</b>						
Vice Chairman of the Board of Directors						
Member Audit Committee	87	150	94	13	194	232
<b>Roman Boutellier</b>						
Member Nomination Committee	49	150	94	12	155	193
<b>Ulrich Graf</b>						
Chairman of the Compensation Committee	56	150	94	11	161	191
<b>Rudolf Huber</b>						
Chairman of the Audit Committee	96	150	94	16	206	242
<b>Roger Michaelis</b>						
Member Board of Directors	85	150	94	13	192	192
<b>Jasmin Staiblin</b>						
Member Nomination Committee	49	150	94	12	155	184
<b>Kurt E. Stirnemann</b>						
Member Audit Committee	13	33	21	2	36	164
<b>Isabelle Welton</b>						
Member Compensation Committee	49	150	94	12	155	163
<b>Zhiqiang Zhang</b>						
Member Compensation Committee	90	150	94	14	198	221
Rounding difference	-1		2	1	2	-1
<b>Total</b>	<b>850</b>	<b>1 650</b>	<b>1 038</b>	<b>146</b>	<b>2 034</b>	<b>2 224</b>

The compensation paid to the Board of Directors for the year 2014 was below that of the previous year due to a lower number of meetings in 2014, whereas the share value remained at a similar level.

In the year under review, Mr. Kurt E. Stirnemann, member of the Board of Directors until the Annual Shareholders' Meeting of 19 March 2014, was compensated for the time 1 January through 19 March. Mr. Hubert Achermann, member of the Board of Directors as from 20 March 2014, was compensated for the time 20 March through 31 December. No further compensation was paid to former members of the Board of Directors. No compensation was paid to parties closely related to members of Board of Directors.

**Executive Committee //** The members of the Executive Committee received cash, share-related compensation, social security and pension contributions amounting to CHF 6.6 million for the year under review (previous year: CHF 6.3 million). 2'050 Georg Fischer registered shares (par value of CHF 1) with a value of CHF 1'289 thousand, based on a share price of CHF 629 at year end 2014, were allocated to members of the Executive Committee for the year under review (previous year: 1'750 Georg Fischer registered shares with a value CHF 1'098 thousand).

The detailed disclosure of compensation to the Executive Committee in accordance with the Ordinance against excessive pay in stock exchange listed companies is as follows:

#### Compensation paid to the members of the Executive Committee 2014

	Fixed salary in cash	Bonus in cash	Shares	Share-related compensation	Pension and social insurance funds	Total compensation 2014	Total compensation 2013
	CHF 1 000	CHF 1 000	Number	CHF 1 000	CHF 1 000	CHF 1 000	CHF 1 000
Executive Committee	2 763	1 500	2 050	1 289	1 078	6 630	6 255
Of whom							
Yves Serra, CEO (highest individual compensation)	860	545	850	535	346	2 286	2 154

Total compensation for the Executive Committee and the CEO and the other members of the Executive Committee in 2014 was 6% higher than in 2013. The increase is explained by the following factors:

- The number of shares granted has been increased from 750 to 850 shares for the CEO and from 250 to 300 shares for the other members of the Executive Committee, while the value of the shares slightly increased from CHF 627.50 in 2013 to CHF 629.00 in 2014.
- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was of similar level in 2014 compared to 2013. Consequently, the overall short-term incentive percentage ranges from 49% to 54% of the base salary for the Executive Committee members and amounts to 63% of the base salary for the CEO.
- The fixed remuneration was slightly adjusted in order to keep competitive levels that are in line with the market practice of our industrial sector.
- The employer contributions to social security and to company retirement plans have increased following the adjustments of fixed remuneration and the increase of number of restricted shares awarded. A significant portion of the social security payments of the employer to the Swiss social security system (CHF 281 thousand) represents a solidarity payment as the individuals will not get any return or benefit due to these payments.

In the year under review, no compensation was paid to former members of the Executive Committee. No compensation was paid to parties closely related to members of Executive Committee.



**Shareholdings of the members of the Board of Directors and of the Executive Committee //** The information on shareholdings of the members of the Board of Directors and of the Executive Committee is included on page 118 of the Notes to the Financial Statements of Georg Fischer Ltd.

**Loans to members of governing bodies //** Neither Georg Fischer Ltd nor its Corporate Companies granted any guarantees, loans, advances, or credit facilities to members of the Board of Directors or the Executive Committee or related parties in the year under review. As of 31 December 2014, no loans were outstanding.

**Change to Board of Directors' compensation model in 2015**

In 2014, a thorough review of the compensation model applicable to the Board of Directors has been conducted considering that the current model is in place since 2010. Hay Group was mandated to provide a benchmarking analysis both on the structure and levels of compensation compared to a peer group of companies including Autoneum, Bucher Industries, Dätwyler, Geberit, Kaba, Oerlikon, Rieter, SGS, Sika, Sonova, and Sulzer. The results of the analysis showed that the compensation levels at GF are below market practice compared to the peer group. Further, the compensation structure is more complex than typical compensation models currently in place within the peer group. Consequently, it has been decided to streamline the compensation structure by remunerating gross instead of net, by providing a fixed fee for committee work instead of per meeting fees, and by discontinuing the expense lump-sum; actual expenditures will be reimbursed.

The new compensation model effective for the compensation period starting 1 January 2015 has been determined as follows:

**Model of compensation of the Board of Directors**

Role within BoD	Total basic compensation	Fee	Restricted shares
<b>Basis fee</b>	Board Membership	CHF 70 000	+150 shares
<b>Additional fees</b>	Board Chairmanship	CHF 200 000	+150 shares
	Board Vice-Chairmanship	CHF 22 500	
	Audit Committee Chairmanship	CHF 80 000	
	Audit Committee Membership	CHF 30 000	
	Other Committee Chairmanship	CHF 40 000	
	Other Committee Membership	CHF 20 000	



# Financial Report 2014

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# Consolidated financial statements

## Balance sheet as of 31 December 2014

CHF million	Notes	2014	%	2013	%
Cash and cash equivalents		374		641	
Marketable securities		6		12	
Trade accounts receivable	(3)	643		568	
Inventories	(4)	666		647	
Income taxes receivable	(5)	9		6	
Other accounts receivable	(6)	62		63	
Prepayments to creditors		26		16	
Accrued income		15		13	
Assets held for sale	(7)			23	
<b>Current assets</b>		<b>1 801</b>	<b>60</b>	1 989	64
Property, plant, and equipment for own use	(8)	1 009		965	
Investment properties	(8)	44		43	
Intangible assets	(9)	27		23	
Deferred tax assets	(12)	88		90	
Other financial assets	(11)	20		16	
<b>Non-current assets</b>		<b>1 188</b>	<b>40</b>	1 137	36
<b>Assets</b>		<b>2 989</b>	<b>100</b>	3 126	100
Trade accounts payable		419		421	
Bonds	(14)			300	
Other financial liabilities	(14)	154		149	
Loans from pension fund institutions	(14, 15)	27		26	
Other liabilities	(16)	69		60	
Prepayments from customers		52		47	
Current tax liabilities		42		43	
Provisions	(13)	37		38	
Accrued liabilities and deferred income	(17)	181		175	
Liabilities held for sale	(7)			23	
<b>Current liabilities</b>		<b>981</b>	<b>33</b>	1 282	41
Bonds	(14)	497		496	
Other financial liabilities	(14)	56		34	
Pension benefit obligations	(15)	131		128	
Other liabilities	(16)	51		46	
Provisions	(13)	123		120	
Deferred tax liabilities	(12)	46		42	
<b>Non-current liabilities</b>		<b>904</b>	<b>30</b>	866	28
<b>Liabilities</b>		<b>1 885</b>	<b>63</b>	2 148	69
Share capital	(18)	4		41	
Share premium		33		60	
Treasury shares	(20)	-9		-9	
Retained earnings		1 029		843	
<b>Equity attributable to shareholders of Georg Fischer Ltd</b>		<b>1 057</b>	<b>35</b>	935	30
Non-controlling interests		47	2	43	1
<b>Equity</b>	(18)	<b>1 104</b>	<b>37</b>	978	31
<b>Liabilities and equity</b>		<b>2 989</b>	<b>100</b>	3 126	100



# Income statement for the year ended 31 December 2014

CHF million	Notes	2014	%	2013	%
<b>Sales</b>		<b>3 795</b>	<b>100</b>	3 766	100
Other operating income	(24)	45		28	
<b>Income</b>		<b>3 840</b>	<b>101</b>	3 794	101
Cost of materials and products		-1 841		-1 804	
Changes in inventory of unfinished and finished goods				-38	
Operating expenses	(25)	-665		-658	
<b>Gross value added</b>		<b>1 334</b>	<b>35</b>	1 294	34
Personnel expenses	(26)	-935		-914	
Depreciation on tangible fixed assets	(8)	-122		-126	
Amortization on intangible assets	(9)	-3		-3	
<b>Operating result (EBIT)</b>		<b>274</b>	<b>7</b>	251	7
Interest income	(27)	3		3	
Interest expense	(27)	-39		-36	
Other financial result	(27)	-6		-12	
<b>Ordinary result</b>		<b>232</b>	<b>6</b>	206	5
Non-operating result	(28)	14		1	
Extraordinary result	(29)			-26	
<b>Profit before taxes</b>		<b>246</b>	<b>6</b>	181	5
Income taxes	(30)	-51		-36	
<b>Net profit</b>		<b>195</b>	<b>5</b>	145	4
- Thereof attributable to shareholders of Georg Fischer Ltd		184		139	
- Thereof attributable to non-controlling interests		11		6	
Basic earnings per share in CHF	(19)	45		34	
Diluted earnings per share in CHF	(19)	45		34	

# Statement of changes in equity for the year ended 31 December 2014

CHF million	Notes	Share capital	Share premium	Treasury shares	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 2012</b>		<b>41</b>	<b>121</b>	<b>-5</b>	<b>-5</b>	<b>-11</b>	<b>794</b>	<b>778</b>	<b>935</b>	<b>44</b>	<b>979</b>
<b>Net profit</b>							<b>139</b>	<b>139</b>	<b>139</b>	<b>6</b>	<b>145</b>
Translation adjustments recognized in the reporting period					2			2	2	-2	
Changes of cash flow hedges	(10, 16)					-6		-6	-6		-6
Goodwill offset via equity	(2, 9)						-75	-75	-75		-75
Addition to non-controlling interests	(2)									1	1
Purchase of treasury shares	(20)			-9					-9		-9
Disposal of treasury shares	(20)		1	2					3		3
Share-related compensation											
– Transferred for 2012	(20, 31)			3					3		3
– Granted for 2013	(20, 31)						5	5	5		5
Dividends	(18)		-62						-62	-6	-68
<b>Balance as of 31 December 2013</b>		<b>41</b>	<b>60</b>	<b>-9</b>	<b>-3</b>	<b>-17</b>	<b>863</b>	<b>843</b>	<b>935</b>	<b>43</b>	<b>978</b>
<b>Net profit</b>							<b>184</b>	<b>184</b>	<b>184</b>	<b>11</b>	<b>195</b>
Translation adjustments recognized in the reporting period					14			14	14	1	15
Changes of cash flow hedges	(10, 16)					-12		-12	-12		-12
Goodwill offset via equity	(2, 9)										
Addition to non-controlling interests	(2)									-1	-1
Purchase of treasury shares	(20)			-21					-21		-21
Disposal of treasury shares	(20)		2	16					18		18
Share-related compensation											
– Transferred for 2013	(20, 31)			5			-5	-5			
– Granted for 2014	(20, 31)						5	5	5		5
Reduction in par value		-37							-37		-37
Dividends	(18)		-29						-29	-7	-36
<b>Balance as of 31 December 2014</b>		<b>4</b>	<b>33</b>	<b>-9</b>	<b>11</b>	<b>-29</b>	<b>1 047</b>	<b>1 029</b>	<b>1 057</b>	<b>47</b>	<b>1 104</b>

# Statement of cash flows for the year ended 31 December 2014

CHF million	Notes	2014	2013
Net profit		195	145
Income taxes	(30)	51	36
Financial result	(27)	42	45
Depreciation and amortization	(8)	125	129
Impairment on property, plant, and equipment	(7, 8, 29)		7
Other non-cash income and expenses		5	4
Increase in provisions, net	(13, 29)	22	43
Use of provisions	(13)	-28	-24
Loss/profit from disposal of tangible fixed assets		-12	
Changes in			
– Inventories		20	-18
– Trade accounts receivable		-36	6
– Other receivables and accrued income		1	-4
– Trade accounts payable		-26	27
– Other liabilities, accrued liabilities and deferred income		-26	-13
Interest paid		-40	-31
Income taxes paid		-45	-43
<b>Cash flow from operating activities</b>		<b>248</b>	<b>309</b>
Additions to			
– Property, plant, and equipment	(8)	-152	-130
– Intangible assets	(9)	-5	-6
– Other financial assets		-4	-7
Disposals of			
– Property, plant, and equipment	(8)	19	4
– Intangible assets	(9)	1	
– Other financial assets		2	2
Purchase/disposal of marketable securities		-1	
Cash flow from acquisitions	(2)	-22	-65
Cash flow from divestitures	(2)	2	-1
Interest received		2	2
<b>Cash flow from investing activities</b>		<b>-158</b>	<b>-201</b>
<b>Free cash flow</b>		<b>90</b>	<b>108</b>
Purchase of treasury shares		-21	-9
Disposal of treasury shares		18	3
Par value reduction paid		-37	
Dividend payments to shareholders of Georg Fischer Ltd		-29	-62
Dividend payments to non-controlling interests		-7	-6
Issuance of bonds	(14)		298
Repayment of bonds	(14)	-300	
Issuance of long-term financial liabilities	(14)	12	11
Repayment of long-term financial liabilities	(14)	-9	-29
Changes in short-term financial liabilities		5	1
<b>Cash flow from financing activities</b>		<b>-368</b>	<b>207</b>
Translation adjustment on cash and cash equivalents		11	-4
<b>Net cash flow</b>		<b>-267</b>	<b>311</b>
Cash and cash equivalents at beginning of year		641	330
<b>Cash and cash equivalents at year-end<sup>1</sup></b>		<b>374</b>	<b>641</b>

1 Cash, postal and bank accounts: CHF 367 million (previous year: CHF 319 million), fixed-term deposits: CHF 7 million (previous year: CHF 322 million).

# Notes to the consolidated financial statements

## Segment information

CHF million	GF Piping Systems	
	2014	2013
<b>Order intake</b>	<b>1 493</b>	1 418
<b>Orders on hand at year-end</b>	<b>73</b>	64
<b>Sales<sup>1</sup></b>	<b>1 476</b>	1 402
<b>Sales by region</b>		
Europe	593	582
– Thereof Germany	156	150
– Thereof Switzerland	111	114
– Thereof Austria	23	24
– Thereof Rest of Europe	303	294
Americas	321	316
Asia	375	385
– Thereof China	286	280
Rest of world	187	119
<b>Sales</b>	<b>1 476</b>	1 402
<b>EBITDA</b>	<b>190</b>	187
Depreciation on tangible fixed assets	–47	–44
Amortization on intangible assets	–1	–2
<b>Operating result (EBIT)</b>	<b>142</b>	141
<b>Assets<sup>2</sup></b>	<b>1 215</b>	1 165
– Thereof current assets	705	645
– Thereof non-current assets	510	520
<b>Investments by region</b>		
Europe	30	28
– Thereof Germany	1	3
– Thereof Switzerland	20	18
– Thereof Austria		3
– Thereof Rest of Europe	9	4
Americas	10	10
Asia	6	14
– Thereof China	6	14
Rest of world	6	7
<b>Investments</b>	<b>52</b>	59
– Thereof capital expenditures	49	55
– Thereof investments in intangible assets	3	4
<b>Liabilities</b>	<b>749</b>	679
– Thereof current liabilities	369	362
– Thereof non-current liabilities	380	317
<b>Research and development</b>	<b>38</b>	31

1 Sales with other divisions are not material.

2 The amount of investments in associates accounted for by the equity method is not material.



GF Automotive		GF Machining Solutions		Total segments	
2014	2013	2014	2013	2014	2013
<b>1 412</b>	1 527	<b>932</b>	852	<b>3 837</b>	3 797
<b>370</b>	382	<b>191</b>	132	<b>634</b>	578
<b>1 415</b>	1 498	<b>905</b>	867	<b>3 796</b>	3 767
1 214	1 300	425	418	2 232	2 300
809	882	141	142	1 106	1 174
3	6	58	66	172	186
61	58	15	16	99	98
341	354	211	194	855	842
40	49	168	158	529	523
156	143	269	255	800	783
154	140	188	166	628	586
5	6	43	36	235	161
<b>1 415</b>	1 498	<b>905</b>	867	<b>3 796</b>	3 767
<b>154</b>	139	<b>65</b>	62	<b>409</b>	388
-61	-69	-10	-10	-118	-123
		-2	-1	-3	-3
<b>93</b>	70	<b>53</b>	51	<b>288</b>	262
<b>1 108</b>	1 047	<b>650</b>	583	<b>2 973</b>	2 795
398	379	504	449	1 607	1 473
710	668	146	134	1 366	1 322
64	43	10	9	104	80
22	24		1	23	28
		7	7	27	25
42	19			42	22
		3	1	12	5
		1		11	10
15	16	2	7	23	37
15	16	2	7	23	37
				6	7
<b>79</b>	59	<b>13</b>	16	<b>144</b>	134
79	58	12	15	140	128
	1	1	1	4	6
<b>810</b>	785	<b>403</b>	402	<b>1 962</b>	1 866
351	342	235	214	955	918
459	443	168	188	1 007	948
<b>19</b>	18	<b>49</b>	46	<b>106</b>	95

## Reconciliation to the segment information

CHF million	2014	2013
<b>Sales</b>		
Sales for reportable segments	3 796	3 767
Elimination of intercompany sales	-1	-1
<b>Consolidated sales</b>	<b>3 795</b>	<b>3 766</b>
<b>Operating result (EBIT)</b>		
Total EBIT for reportable segments	288	262
Total EBIT Corporate Center and Corporate Services	-13	-11
Other unallocated amounts	-1	
<b>Consolidated operating result (EBIT)</b>	<b>274</b>	<b>251</b>
Interest income	3	3
Interest expense	-39	-36
Other financial result	-6	-12
<b>Ordinary result</b>	<b>232</b>	<b>206</b>
Non-operating result	14	1
Extraordinary result		-26
<b>Profit before taxes</b>	<b>246</b>	<b>181</b>
Income taxes	-51	-36
<b>Net profit</b>	<b>195</b>	<b>145</b>
<b>Assets</b>		
Assets for reportable segments	2 973	2 795
Elimination of intercompany positions	-305	-308
Other assets		
– Current assets (mainly cash and cash equivalents)	211	532
– Non-current assets	107	103
Other unallocated amounts	3	4
<b>Consolidated assets</b>	<b>2 989</b>	<b>3 126</b>
<b>Investments</b>		
Investments for reportable segments	144	134
Other investments		
– Germany	11	
– Switzerland	2	2
<b>Investments Corporation</b>	<b>157</b>	<b>136</b>
<b>Liabilities</b>		
Liabilities for reportable segments	1 962	1 866
Elimination of intercompany positions	-718	-658
Other liabilities		
– Current liabilities	41	354
– Non-current liabilities	567	552
Other unallocated amounts	33	34
<b>Consolidated liabilities</b>	<b>1 885</b>	<b>2 148</b>

## Geographical information

CHF million	Non-current assets		Sales	
	2014	2013	2014	2013
<b>Total</b>	<b>1 188</b>	1 137	<b>3 795</b>	3 766
Europe	833	809	2 231	2 299
– Thereof Germany	347	352	1 105	1 174
– Thereof Switzerland	261	257	172	185
– Thereof Austria	185	162	99	98
– Thereof Rest of Europe	40	38	855	842
Americas	80	70	529	523
Asia	218	200	800	784
– Thereof China	204	185	628	586
Rest of world	57	58	235	160

## Products and services

CHF million	Sales	
	2014	2013
<b>GF Piping Systems</b>	<b>1 476</b>	1 402
Industry <sup>1</sup>	500	524
Utility <sup>2</sup>	563	540
Building technology <sup>3</sup>	413	338
<b>GF Automotive</b>	<b>1 415</b>	1 498
Passenger cars	928	975
Trucks	409	433
Industrial applications	78	90
<b>GF Machining Solutions</b>	<b>905</b>	867
EDM (Electric Discharge Machining)	319	295
Milling	260	245
Automation/Tooling/Laser	71	73
Customer service	255	254

1 Products for the treatment and transport of water and other media for industrial applications.

2 Products for the supply of gas and water.

3 Products for the supply of water in buildings.

## Information about major customers

There are no single customers whose sales amount to 10% or more of the sales of the Corporation.

# Corporate accounting principles

## Accounting policies

**General //** The consolidated financial statements of Georg Fischer Ltd have been prepared in accordance with the entire existing guidelines of Swiss GAAP FER (Generally Accepted Accounting Principles/ FER = Fachempfehlung zur Rechnungslegung). The regulations of Swiss GAAP FER 31 "Complementary Recommendation for Listed Public Companies" have been adopted early. Furthermore, the accounting complies with the provisions of the listing rules of the SIX Swiss Exchange and with Swiss company law. The consolidated financial statements are based on the financial statements of the GF Corporate Companies for the year ended 31 December, prepared in accordance with uniform corporate accounting principles.

Furthermore, the consolidated financial statements have been prepared in accordance with the purchase cost method with the exception of marketable securities, participations under 20%, and derivative financial instruments, which are measured at fair value. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the consolidated financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the closing date, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

**Definition of non-Swiss GAAP FER measures //** The subtotal "Gross value added" includes all operating income less cost of materials and products, changes in inventory, and operating expenses.

As the subtotal "Gross value added" is a major key figure for GF; it is reported separately in the income statement.

"Free cash flow" consists of cash flow from operating activities and cash flow from investing activities together and is reported separately in the statement of cash flows.

"Free cash flow" is not only an important performance indicator for GF but is also a generally accepted and widely used performance figure in the financial sector.

**Scope and principles of consolidation //** The scope of consolidation includes Georg Fischer Ltd and all Swiss and foreign Corporate Companies which the parent company, directly or indirectly, controls either by holding more

than 50% of the voting rights or by otherwise having the power to govern their operating and financial policies. Those entities are fully consolidated, whereby assets, liabilities, income, and expenses are incorporated in the consolidated accounts. Intercompany balances and transactions (accounts receivable, accounts payable, income, and expenses) are eliminated upon consolidation. Non-controlling interests in the equity and net income of consolidated companies are presented separately but as a component of consolidated equity and consolidated net income, respectively. Gains arising from intercompany transactions are eliminated in full. Capital consolidation is based on the acquisitions method, whereby the acquisition cost of a Corporate Company is eliminated at the time of acquisition against the fair value of net assets acquired, determined according to uniform corporate accounting principles.

Companies acquired are consolidated from the date on which control is obtained, while companies sold are excluded from the scope of consolidation as of the date on which control is given up, with any gain or loss recognized in income.

Joint ventures in which the GF Corporation exercises joint control together with a joint venture partner are treated according to the method of proportionate consolidation.

Companies in which the GF Corporation has a non-controlling interest of at least 20% but less than 50%, or over which it otherwise has significant influence, are included in the consolidated financial statements using the equity method of accounting and presented as investments in associates. Investments with a voting power of less than 20% are stated at fair value and presented under other financial assets.

**Sales and revenue recognition //** Billings for goods and services are recognized as sales when they are delivered or when the risks and benefits incidental to ownership are transferred. An assessment as to whether the principal risks and opportunities were transferred for a particular delivery is made separately for each sales transaction on the basis of the contractual agreement underlying the transaction. The transfer of legal ownership alone does not necessarily result in the transfer of the principal risks and opportunities. This is the case, for instance, if

- the recipient of the delivery has a claim for insufficient quality of the item delivered that goes beyond the normal warranty claims
- the receipt of the proceeds depends on the sale of the goods by the buyer
- the installation of the goods at the recipient's is an essential part of the contract
- the buyer has the right to return the item for a contractu-

ally specified reason and the likelihood of such a return cannot be assessed with any certainty.

Services rendered are booked as sales depending on the degree of their completion if the result of the service can be reliably assessed.

Sales are stated before value-added tax, sales tax, and after any deduction of discounts and credits. Appropriate warranty provisions are recognized for anticipated claims.

**Foreign currencies //** Corporate Companies prepare their financial statements in their functional currency. Monetary assets and liabilities held in foreign currencies are translated at the spot rate on the balance sheet date. Foreign exchange gains and losses resulting from transactions and from the translation of balance sheet items denominated in foreign currencies are reported in the income statement. Derivative financial instruments used to hedge such balance sheet items are stated at fair value. In hedging contractually agreed future cash flows (hedge accounting), the effective portion of changes in the derivative financial instruments' fair value is recognized in equity with no effect on the income statement. An ineffective portion is therefore recognized in the income statement. As soon as an asset or liability results from the hedged underlying transaction, the gains and losses previously recognized in equity are derecognized and transferred at the same time with the valuation effect from the hedged underlying transaction to the income statement.

The consolidated financial statements are prepared and presented in Swiss francs. For consolidation purposes, the financial statements of the foreign entities are translated into Swiss francs as follows: balance sheets at year-end rates, income and cash flow statements at average rates for the year under review. Any translation differences resulting from the different translation of balance sheets and income statements or from the translation of equity-like corporate loans denominated in foreign currencies are recognized in equity. On divestment of a foreign subsidiary, the relevant cumulative exchange differences are transferred to the income statement.

**Maturities //** Assets that are either realized or consumed in the course of the Corporation's normal operating cycle within one year or held for trading are included in current assets. All other assets are included in non-current assets.

All liabilities that the Corporation intends to settle in the course of its normal operating cycle or that fall due within one year of the balance sheet date are included in current liabilities. All other liabilities are included in non-current liabilities.

**Segment information //** In accordance with the management structure and the reporting made to the Executive Committee and the Board of Directors, the reportable segments are the three operating divisions GF Piping Systems, GF Automotive, and GF Machining Solutions. GF Piping Systems develops, manufactures, and distributes piping systems for industry, utility, and building technology. GF Automotive produces castings for the automotive industry. GF Machining Solutions develops, manufactures, and distributes electric discharge machines, milling machines, laser machines, and automation solutions. GF Machining Solutions also provides services for these products. Business units within these segments have been aggregated as a single reportable segment because they manufacture similar products with comparable production processes and supply them to similar customer groups using similar distribution methods. Segment accounting is prepared up to the level of operating result (EBIT) because this is the key figure used for management purposes. All operating assets and liabilities that are directly attributable or can be allocated on a reasonable basis are reported in the respective divisions. No distinction is made between the accounting policies of segment reporting and those of the consolidated financial statements.

**Cash and cash equivalents //** Cash and cash equivalents are stated at nominal value. They include cash on hand, postal and bank accounts, and fixed-term deposits with an original maturity of up to 90 days.

**Marketable securities //** Marketable securities include investments held for trading and derivative financial instruments. Acquisitions and disposals are recognized on the trade date, rather than the settlement date. Held-for-trading investments are stated at market value, unrealized gains and losses being recognized in the income statement and presented in the financial result.

**Derivative financial instruments //** Derivative financial instruments are reported under marketable securities and other current liabilities, respectively. Foreign currency and interest rate risks are hedged by the Corporation using forward exchange contracts, currency options, and swaps. Foreign currency risks related to highly probable future cash flows from sales in foreign currencies are hedged in particular with cash flow hedges.

**Accounts receivable //** Short-term accounts receivable are stated at nominal value. Value adjustments for doubtful debts are established based on maturity structure and identifiable solvency risks. Besides individual value adjustments with respect to specific identifiable risks, value adjustments are also recognized based on statistically determined credit risks.



**Inventories //** Goods held for trading are generally stated at average cost and internally manufactured products at manufacturing cost, including direct labor and materials used, as well as a commensurate share of related overhead costs. If the net realizable value is lower, valuation adjustments are made accordingly. Cash discount deductions are treated as purchase cost reductions. Inventories with an unsatisfactory turnover are partly or fully adjusted in value.

**Property, plant, and equipment //** Items of property, plant, and equipment are stated at cost or manufacturing cost less depreciation and impairment. Borrowing costs for the financing of assets under construction are part of the costs of the asset if they are material. Assets acquired under finance lease contracts are capitalized at the lower of minimum lease payments and fair value. The related outstanding finance lease obligations are presented under liabilities. Assets are depreciated on a straight-line basis over their estimated useful lives or lease terms: investment properties and buildings 30 to 40 years, building components 8 to 20 years, machinery and production equipment 6 to 20 years, and other equipment (vehicles, IT systems, etc.) 1 to 5 years. Assets under construction are usually not depreciated. Assets held under finance lease are described in the section "Leases". Where components of larger assets have different useful lives, these components are depreciated separately. Useful lives and residual values are reviewed annually on the balance sheet date and any adjustments are recognized in the income statement. Any gains or losses on the disposal of items of property, plant, and equipment are recognized in the income statement.

**Intangible assets //** Acquired licenses, patents, and similar rights are capitalized and, with the exception of land use rights, are amortized on a straight-line basis over their estimated useful lives of 3 to 15 years. Land use rights are amortized over the duration of the usage rights granted. On this position, useful lives are up to 50 years. Software is amortized on a straight-line basis over the estimated useful lives of 1 to 5 years.

In the event of company acquisitions, goodwill at the date of acquisition is calculated as follows: the fair value of the net assets, plus transaction costs incurred in connection with the company acquisitions, plus the value of the minority interests in the acquired company, less the value of the acquired net assets carried on the balance sheet.

The positive or negative goodwill resulting from acquisitions is offset in equity at the date of acquisition against retained earnings. On the disposal of a portion of the company, the goodwill previously offset in equity is transferred to the income statement. If the purchase price contains elements that are dependent on future results, they

are estimated as closely as possible at the date of acquisition and recognized in the balance sheet. In the event of disparities when the definitive purchase price is settled, the goodwill offset in equity is adjusted accordingly. The consequences of a theoretical capitalization and amortization of goodwill are explained in note 9.

**Other financial assets //** Other financial assets mainly comprise loans to third parties, non-controlling interests of less than 20% held over the longer term, and pension assets. Loans are stated at amortized cost less valuation adjustments; the related interest income is recognized using the effective interest method. Non-controlling interests are stated at their estimated fair value.

**Liabilities //** Trade accounts payable as well as other liabilities are stated at nominal value.

**Employee benefit plans //** Employee benefit plans in the Corporation comply with the legislation in force in each country. These plans are usually organized as foundations that are financially independent of the Corporation. Pension funds are generally financed by employee and employer contributions.

The economical impact of the employee benefit plans is assessed each year. Surpluses or deficits are determined by means of the annual statements of the particular benefit plan, which are based either on Swiss GAAP FER 26 for Swiss plans or on accepted methods in each foreign country for foreign plans. An economic benefit is capitalized if the surplus is used to reduce the employee contributions and in case this is permissible and intended. If employer contribution reserves exist, they are also capitalized. An economic obligation is recognized as a liability if the conditions for an accrual are met. They are reported under "Employee benefit obligations". Changes in the economic benefit or economic obligation, as well as the contributions incurred for the period, are recognized in "Personnel expenses" in the income statement.

**Provisions //** Provisions are recognized for any present obligation incurred as a result of a past event if it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

**Taxes //** Taxes are accrued for all tax obligations, irrespective of their due date. Current income taxes are calculated on the taxable profit. Deferred taxes are calculated by applying the balance sheet liability method for any temporary difference between the carrying amount according to Swiss GAAP FER and the tax basis of assets and liabilities. Tax loss carryforwards are recognized only to the extent that it is probable that future taxable profits

or deferred tax liabilities will be available against which they can be offset. Calculation of deferred taxes is based on the country-specific tax rates. Tax assets and liabilities are offset if they concern the same taxable entity and tax authority and if there exists an offset entitlement for current taxes. No deferred tax is provided on temporary differences on investments in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

**Leases //** The present value of finance leases is recognized in the non-current assets and in the other financial liabilities on the balance sheet if the significant contractual risks and rewards have been transferred to the consolidated entity. Lease installments are divided into an interest and a redemption component based on the annuity method. Assets held under such finance leases are depreciated over the shorter of their estimated useful life and the lease term. Operating lease installments are charged to the income statement on a straight-line basis over the lease term.

**Financial liabilities //** Financial liabilities comprise bank loans, mortgages, convertible, and other bonds. They are carried at amortized cost. Borrowing costs are recognized in the income statement using the effective interest method, with the exception of borrowing costs that can be allocated directly to the construction, build-up, or purchase of a qualifying asset. These borrowing costs are capitalized as part of the costs of this asset.

**Research and development //** All research costs are recognized in the income statement as incurred. Development costs are recognized as an asset only to the extent that the following specific recognition criteria are cumulatively met:

- costs are clearly defined, clearly attributable to the product or process, and can be separately identified and measured reliably
- technical feasibility can be demonstrated
- the company intends to produce and market or use the product or process
- the existence of a market can be demonstrated
- adequate resources exist or their availability can be demonstrated to complete the project and market or use the product or process
- the amount recognized is recoverable through future cash flows

**Impairment //** The recoverable amount of non-current assets (especially property, plant, and equipment, intangible assets, financial assets as well as the goodwill reported in the sample accounting in note 9) is reviewed

at least once a year. If there is any indication of an impairment, an impairment test is performed immediately. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the income statement. As the goodwill is already offset with equity at the date of the acquisition, an impairment of the goodwill does not affect the income statement but leads to a disclosure in the notes only.

**Contingent liabilities //** Contingent liabilities are assessed on the basis of likelihood and the amount of the future liabilities and are disclosed in the notes.

**Assets held for sale //** Assets and disposal groups are classified as “held for sale” if the asset’s carrying amount is to be recovered principally by a sales transaction rather than by continued use.

For this purpose, such assets or disposal groups are recognized as a separate item in current assets. The assets are reclassified only if and when management has decided on the disposal and has begun to look for buyers. Moreover, the asset or disposal group must be available for immediate sale in its current condition, and it must be highly likely that the disposal will take place within a year.

Assets or disposal groups that are classified as “held for sale” are stated at the lower of carrying amount or fair value less costs to sell, and any impairments from the initial classification as “held for sale” are recognized in the income statement. Moreover, assets and disposal groups “held for sale” are no longer amortized on a straight-line basis from the time of reclassification. Current and deferred taxes paid on divestiture gains are to be reported as income tax expense.

Debt from the sale of assets held for sale is to be reported separately from other debt in the balance sheet and may not be offset against assets. The debt is carried at amortized cost.

**Discontinued operations //** Discontinued operations are reported as soon as a part of the company with business activities and cash inflows and outflows that can be clearly delimited from the rest of the company operationally and for the purposes of accounting is classified as held for sale or has already been disposed of, and this part of the company either

- represents a separate major line of business or geographical area of operations and
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations and
- represents an independent technology

The sales and the operating result (EBIT) from discontinued operations is disclosed separately in the notes. The disclosure includes the prior-year figures (as if the operation had been disposed of at the beginning of the reference year).

Information in connection with the discontinued operation is set out separately in notes 2 and 29.

**Treasury shares, share-related compensation, and earnings per share //** Treasury shares are stated at cost as a separate minus position in equity. Gains or losses arising on the disposal of treasury shares are respectively credited to or deducted from the related share premium.

Share-related compensation to members of the Executive Committee and senior management are measured at fair value at the grant date and recognized as a personnel expense in the period in which the service is performed.

Earnings per share is calculated by dividing the portion of net income attributable to Georg Fischer Ltd shareholders by the weighted average number of shares outstanding in the reporting period. Diluted earnings per share takes into account any potential shares that may result from exercised option or conversion rights.

#### **Management assumptions and estimates**

**Significant accounting policies //** Preparation of financial statements requires management to make estimates and assumptions that could materially affect the consolidated financial statements of GF, particularly with regard to the items described below, should actual results differ from these management estimates and assumptions.

**Impairment of non-current assets //** Non-current assets and intangible assets are reviewed whenever there are indications that, due to changed circumstances or events, their carrying amount may no longer be recoverable. If such a situation arises, the recoverable amount is determined on the basis of expected future inflows. It corresponds to either the discounted value of expected future net cash flows or the expected net selling price. If the recoverable amount is below the carrying amount, a corresponding impairment loss is recognized in the income statement. The main assumptions on which these measurements are based include growth rates, margins, and discount rates. The cash inflows actually generated can differ considerably from discounted projections. The carrying amounts and information regarding impairments of the items of property, plant, and equipment and intangible assets affected are set out in notes 8 and 9.

**Provisions for warranties and onerous contracts //** In the course of their ordinary operating activities, Corporate Companies can become involved in litigation. Provisions for pending legal proceedings are measured on the basis of the information available and a realistic estimate of the expected outflow of resources. The outcome of these proceedings may result in claims against the Corporation that cannot be met at all or in full through provisions or insurance cover.

If there are any contractual obligations for which the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits to be received (e.g. onerous delivery contracts), provisions for the agreed quantities over the whole or prudently estimated period are made. These provisions are based on management assumptions. The carrying amounts of these provisions are set out in note 13.

**Income taxes //** Current tax liabilities are measured on the basis of an interpretation of the tax regulations in place in the relevant countries. The adequacy of this interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This can result in material changes to tax expense. Furthermore, in order to determine whether tax loss carryforwards may be carried as an asset, it is first necessary to critically assess the probability that there will be future taxable profit against which to offset them. This assessment depends on a variety of influencing factors and developments. The carrying amounts of current and deferred tax assets and liabilities are disclosed in the consolidated balance sheet.



# Risk management

Enterprise risk management as a fully integrated risk management process was systematically applied in 2014 at all levels of the Corporation. The three divisions, the Corporate Staff, and all important Corporate Companies prepared a semi-annual risk map elaborating on the most important 25 to 30 risks with regard to the topics of strategy, markets, operations, management and resources, financials as well as sustainability. The structure of the likelihood was classified into four categories. Whenever possible and suitable, the risks listed were quantified taking into consideration already planned and executed measurements. Alternatively, a qualification of the risk exposure was applied.

The Risk Council, consisting of representatives of the divisions and the Corporate Staff and headed by the Chief Risk Officer, met for two meetings and dealt with the following topics: optimization of the recently implemented reporting tool, business continuity management, link of strategic planning and enterprise risk management, coordination of all activities in the area of enterprise risk management, and analysis of risk maps.

In accordance with the semi-annual risk reporting process, the Executive Committee and the management of the divisions discussed the risk maps twice during the year under review. They defined the top risks of the Corporation and the divisions and determined adequate measures to mitigate the risks. The Board of Directors dealt with enterprise risk management in February and September 2014 to analyze the corporate and divisional risk maps and to define the top risks and the measures to mitigate these risks.

The stepwise procedure, including workshops at the levels of division management, Executive Committee and Board of Directors, has proven to be very effective. Additionally, having Internal Auditing assess the risk maps prepared by the Corporate Companies has led to a clear improvement in reporting quality.

The following were identified as key risks: lack of achievement of strategic financial targets 2015 leading to a loss of reputation, cyclicity of certain business units of the divisions considering a potential slow down of the markets, product quality, and product competitiveness, and the development of foreign currencies.

Clear measures in order to reduce the risk exposure of the factors mentioned above as well as other identified risks were defined and are in the process of execution. They are in line with strategic targets of the three divisions and the Corporation.



## Financial risk management

The Board of Directors bears ultimate responsibility for financial risk management. The Board of Directors has tasked the Audit Committee with monitoring the development and implementation of the risk management principles. The Audit Committee reports regularly to the Board of Directors on the current status.

The risk management principles are geared to identifying and analyzing the risks to which the Corporation is exposed and to establishing the appropriate control mechanisms. The principles of risk management and the processes applied are regularly reviewed, taking due regard of changes in the market and in the Corporation's activities. The ultimate goal is to develop controls, based on the existing training and management guidelines and processes, that ensure a disciplined and conscious approach to risks. The Audit Committee is supported by the Head of Finance & Controlling in this task.

Owing to its business activities, GF is exposed to various financial risks such as credit risk, market risk (including currency, interest rate, and price risk), and liquidity risk. The following sections provide an overview of the extent of the individual risks and the goals, principles, and processes employed for measuring, monitoring, and hedging the financial risks.

**Credit risk //** The credit risk is the risk of suffering financial loss if a customer or counterparty of a financial instrument fails to meet its contractual obligations. At GF, the main credit risks arise from trade accounts receivable and bank deposits.

GF invests its cash worldwide and predominantly as deposits in leading Swiss and German banks with at least a BBB- rating. In accordance with the investment policy of GF, these transactions are entered into only with creditworthy commercial institutions. As a general rule, the investments have a maturity of less than three months. In addition, Corporate Companies hold current bank accounts. Cash is allocated to several banks to limit counterparty risk.

Transactions involving derivative financial instruments are also entered into only with major counter parties with at least a BBB- rating. The purpose of such transactions is to hedge against currency risks and price fluctuations for the purchase of raw materials and electric power for the Corporation.

The danger of cluster risks on trade accounts receivable is limited due to the large number and wide geographic spread of customers. The extent of the credit risk is determined mainly by the individual characteristics of each customer. Assessment of this risk involves a review of the customer's creditworthiness based on their financial situation and past experience. In monitoring default risk, customers are classified according to relevant factors such as geographic location, sector, and past financial difficulties.

The maximum credit risk on financial instruments corresponds to the carrying amounts of the relevant financial assets. GF has not entered into appreciable guarantees or similar obligations that would increase the risk over and above the carrying amounts. The maximum credit risk as of balance sheet date was as follows:

CHF million	2014	2013
Cash and cash equivalents	374	641
Other accounts receivable <sup>1</sup>	27	23
Accrued income	15	13
Trade accounts receivable	643	568
Derivative financial instruments	2	9
Other financial assets <sup>2</sup>	19	14
<b>Total</b>	<b>1 080</b>	<b>1 268</b>

1 Without tax credits.

2 Relates to loans to third parties, security deposits, and long-term-invested securities for the settlement of pension liabilities.

**Market risk //** Market risk is the risk that changes in market rates and prices, e.g. exchange rates, interest rates, or share prices, may have an impact on the profit and market value of financial instruments held by GF. The aim of managing such market risks is to monitor and control these risks in order to ensure that they do not exceed a defined limit.

**Currency risk //** Owing to its international activities, GF is exposed to currency risks. These financial risks occur in connection with transactions (in particular the purchase and sale of goods) which are effected in currencies different from the functional currency of the company in question. Such transactions are effected mainly in Swiss francs, euro and US dollar. Currency risks can be reduced by purchasing and producing goods in the functional currency (“congruency” rule). In some cases, US dollar or euros are hedged generally for a maximum of twelve months by means of forward exchange contracts.

The fair value hedges relate to foreign exchange contracts, which serve to hedge loans to Corporate Companies in foreign currencies. Unrealized gains and losses from changes to fair value are reported for these contracts in the financial result. The fair value hedges also include foreign exchange contracts which serve to hedge currency risks on receivables and liabilities. Like the currency effects on the underlying balance sheet item, gains and losses from changes to the fair value of these contracts are recognized in “Other operating income”.

The cash flow hedges mainly serve to hedge currency risks on future sales in foreign currencies. The volume of the foreign exchange contracts is limited to maximal 67% of the expected sales. This results in an entire effectiveness of the hedge. In individual cases, cash flow from orders is fully hedged. Unrealized gains and losses from changes to fair value are recognized directly in equity. They are transferred to the income statement when the service is performed and invoiced; as a result, the foreign exchange contracts become fair value hedges. Currency risks with respect to future inventory purchases were also hedged to a lesser extent during the reporting period.

The table below shows the contract values and market values of the foreign exchange contracts (net) as of balance sheet date:

#### Foreign exchange contracts, net

CHF million	Fair value hedges	Cash flow hedges	2014	2013
Contract value	249	99	348	250
Replacement value <sup>1</sup>	7	3	10	-9
<b>Market value</b>	<b>256</b>	<b>102</b>	<b>358</b>	<b>241</b>

1 Corresponds to the carrying amount recognized as other liabilities.

The fair value hedges cover not only US dollar contracts but also contracts for the euro, the Japanese yen and the other currencies. All open foreign exchange contracts fall due and have an effect on liquidity and the income statement within twelve months after the balance sheet date. Assuming unchanged exchange rates, a cash outflow of CHF 358 million (gross) would be offset by a cash inflow of CHF 348 million (gross), giving a negative replacement value of CHF 10 million. Cash flow hedges account for cash outflows of CHF 102 million and cash inflows of CHF 99 million.

#### Contract values, net by currencies

CHF million	2014	2013
USD/CHF	314	221
TRY/USD	6	11
TRY/EUR	9	
JPY/CHF	4	12
SGD/CHF	8	4
Others	7	2
<b>Total</b>	<b>348</b>	<b>250</b>

**Interest rate risk //** The interest rate risk may involve either changes in future interest payments owing to fluctuations in market interest rates or the risk of a change in market value, i.e. the risk that the market value of a financial instrument will change owing to fluctuations in market interest rates.

Market value sensitivity analysis for interest-bearing financial instruments with a fixed interest rate:

Market value fluctuations of fixed-interest financial instruments are not recognized in the Corporation's income statement. Therefore, a change in interest rates would not have any effect on the income statement. Hedge accounting was not applied for interest rate hedging.

Cash flow sensitivity analysis for financial instruments with variable interest rates:

A one-percentage-point increase in interest rates would have increased net income by CHF 2.3 million (previous year: CHF 5.3 million). A reduction in the interest rate by the same percentage would have reduced net income by the same amount. The underlying assumption for this analysis is that all other variables remain unchanged.

**Price risk //** The securities held for trading of CHF 4 million are exposed to price risks (on the stock market). Since the value of the securities held for trading is modest, there is no great sensitivity to changes in share prices. The shares held are those of Swiss blue chip companies.

**Liquidity risk //** The liquidity risk is the risk that GF is unable to meet its obligations when they fall due.

Liquidity is constantly monitored to ensure that it is adequate. Liquidity reserves are held in order to offset the usual fluctuations in requirements. At the same time, the Corporation has unused credit lines in case more serious fluctuations occur. The total amount of unused credit lines as of 31 December 2014 was CHF 617 million. The credit lines are spread over several banks so that there is no excessive dependence on any one institution.

The following tables show the contractual maturities (including interest rates) of the financial liabilities held by GF at the end of the reporting period and in the previous year:

CHF million	Carrying amount	Contractual cash flows	Up to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<b>2014</b>						
Trade accounts payable	419	419	419			
Other liabilities current/non-current <sup>1</sup>	120	120	59	10	50	1
Accrued liabilities and deferred income	181	181	181			
Bonds	497	553	7	6	379	161
Other financial liabilities	210	230	130	36	61	3
<b>Total</b>	<b>1 427</b>	<b>1 503</b>	<b>796</b>	<b>52</b>	<b>490</b>	<b>165</b>

CHF million	Carrying amount	Contractual cash flows	Up to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<b>2013</b>						
Trade accounts payable	421	421	421			
Other liabilities current/non-current <sup>1</sup>	106	106	51	9	45	1
Accrued liabilities and deferred income	175	175	175			
Bonds	796	874	7	320	388	159
Other financial liabilities	183	194	121	36	32	5
<b>Total</b>	<b>1 681</b>	<b>1 770</b>	<b>775</b>	<b>365</b>	<b>465</b>	<b>165</b>

<sup>1</sup> For more details see note 16.

# Notes

## 1 Changes in scope of consolidation

During the year under review, the scope of consolidation changed as follows:

### Additions (acquisitions) 2014 //

- As of 1 July 2014, Meco Eckel GmbH, Biedenkopf-Wallau, Germany  
Pro rata sales 2014: CHF 27.7 million, GF Automotive
- As of 1 July 2014, Liechti Engineering AG, Langnau, Switzerland  
Pro rata sales 2014: CHF 32.2 million, GF Machining Solutions

### Disposals (divestitures) 2014 //

- As of 1 January 2014, Georg Fischer Kokillenguss GmbH, Herzogenburg, Austria  
Pro rata sales 2014: CHF 0 million, GF Automotive
- As of 1 November 2014, Agie Charmilles Thailand Co Ltd, Bangkok, Thailand  
Pro rata sales 2014: CHF 0 million, GF Machining Solutions

During the previous year, the scope of consolidation changed as follows:

### Additions (acquisitions) 2013 //

- As of 16 July 2013, Hakan Plastik A.S., Cerkezköy, Turkey  
Pro rata sales 2013: CHF 50 million, GF Piping Systems
- As of 11 September 2013, Sterisol AG, Sissach, Switzerland  
Merged as per 11 September 2013 with Georg Fischer JRG AG, Sissach, Switzerland, GF Piping Systems

## 2 Acquisitions and divestitures of affiliated companies

### Additions (acquisitions) 2014

**Acquisition of Meco Eckel GmbH //** Georg Fischer BV & Co KG, Singen (Germany), acquired 51% of the capital of Meco Eckel GmbH, Biedenkopf-Wallau (Germany). The closing date was 1 July 2014.

Mold maker Meco Eckel generated sales of approximately CHF 43 million in 2013 with 130 employees. In addition to its headquarters in Biedenkopf-Wallau (Germany), the company also has a facility in Leipzig (Germany). Meco Eckel is a well-known and leading specialist in the production of tools and molds for the automobile industry. The partnership with Meco Eckel GmbH means contact early on for designing casting, quicker processes for implementing designs in production, and seamless delivery and services for clients.

The following table shows the assets and liabilities assessed at fair value at the time control was acquired. For this presentation, the translation of the original euro values into Swiss francs was calculated with the exchange rates of the respective transaction date:

CHF million	Acquired assets and liabilities (51%)
Trade accounts receivable	6
Inventories	4
Other accounts receivable	1
Property, plant, and equipment	2
Deferred tax assets	1
<b>Total assets</b>	<b>14</b>
Non-interest bearing liabilities	14
Interest-bearing liabilities	1
<b>Net assets</b>	<b>-1</b>

**Acquisition of Liechti Engineering AG //** Georg Fischer Ltd, Schaffhausen (Switzerland), acquired 100% of the capital of Liechti Engineering AG, Langnau (Switzerland), on 1 July 2014. The closing date was 1 July 2014.

Liechti Engineering, a family-owned company, employs approximately 120 persons globally and in 2013 generated sales of CHF 50 million. In addition to its headquarters in Langnau (Switzerland), the company also has a facility in Huntersville, North Carolina (USA). Liechti Engineering is the leading specialist of five-axis milling machines designed to produce blades and blisks for aircraft engines and power-generating turbines.

The following table shows the assets and liabilities assessed at fair value at the time control was acquired.

CHF million	Acquired assets and liabilities
Cash and cash equivalents	21
Marketable securities	1
Trade accounts receivable	15
Inventories	22
Other accounts receivable	2
Property, plant, and equipment	6
Other financial assets	1
<b>Total assets</b>	<b>68</b>
Deferred tax liabilities	1
Non-interest bearing liabilities	30
<b>Net assets</b>	<b>37</b>

Total cash-out for the acquisitions amounted to CHF 22 million in the period under review.



## Disposals (divestitures) 2014

**Divestiture of Georg Fischer Kokillenguss GmbH //** On 30 January 2014, the division GF Automotive signed an agreement with retroactive effect to 1 January 2014 for the sale of the mold-casting foundry in Herzogenburg (Austria). As part of the strategy implementation, the divestment was planned in December 2013 and resulted in the reclassification of all assets and liabilities to the category "Assets held for sale" or "Liabilities held for sale".

The following table shows the net assets that have been sold by the sale date and the cash outflow from the transaction:

CHF million	Disposed assets and liabilities
Financial assets	7
Total assets held for sale	20
Total liabilities held for sale	-20
<b>Net assets</b>	<b>7</b>
Liabilities from divestiture	-7
<b>Cash outflow from divestiture, net</b>	<b>0</b>

## Additions (acquisitions) 2013

**Acquisition of Hakan Plastik A.S. //** Georg Fischer Ltd, Schaffhausen (Switzerland), acquired 90% of the capital of Hakan Plastik A.S., Cerkezköy (Turkey). The acquisition includes an option to acquire the outstanding shares. The closing date was 16 July 2013.

Hakan Plastik A.S., founded in 1965, generated sales of approximately CHF 105 million in 2012 with 650 employees. In addition to its headquarters in Cerkezköy (Turkey), the company has another production site in Sanliurfa (Turkey). Hakan Plastik manufactures and sells plastic piping systems in the building technology, gas and water distribution, as well as irrigation applications. Hakan Plastik's main market is Turkey, the Middle East, and Eastern Europe.

The provisional price for the acquisition comes to CHF 69 million. This sum includes the purchase price in cash of CHF 67 million plus a conditional increase in the purchase price amounting to CHF 2 million (previous year: CHF 12 million), depending on the course of the business over a two-year period after the closing. For the goodwill calculation, the purchase price was calculated with the discounted contingent purchase price.

The following table shows the assets and liabilities assessed at fair value and the respective goodwill from the transaction at the time control was acquired. For this presentation, the translation of the original Turkish lira values into Swiss francs was calculated with the exchange rates of the respective transaction date. Additionally, a correction of CHF 2 million of the carrying amount of the acquired deferred tax assets of CHF 2 million (previous year: CHF 4 million) and a correction of CHF 1 million of the carrying amount of the acquired non-interest bearing liabilities of CHF 77 million (previous year: 78 million) as of December 2014 was taken into consideration:

CHF million

Acquired assets and liabilities (90%)

Cash and cash equivalents	5
Trade accounts receivable	61
Inventories	20
Other accounts receivable	1
Property, plant, and equipment	51
Deferred tax assets	2
<b>Total assets</b>	<b>140</b>
Non-interest bearing liabilities	77
Interest-bearing liabilities	55
<b>Net assets</b>	<b>8</b>
Goodwill, inclusive directly added cost	62
Purchase price	70
Less acquired cash and cash equivalents	-5
Less liabilities from contingent purchase price agreements	-3
<b>Cash outflow from acquisitions, net</b>	<b>62</b>

**Acquisition of Sterisol AG //** Georg Fischer JRG AG, Sissach (Switzerland), acquired 100% of the capital of Sterisol AG, Sissach (Switzerland), on 11 September 2013 within the scope of a "share deal". The price for the acquisition comes to CHF 2 million, plus a conditional increase in the purchase price amounting to a maximum of CHF 2 million, depending on the course of the business over a four-year period after the closing. For the goodwill calculation, the purchase price was calculated with the discounted contingent purchase price. Sterisol AG was merged on 4 October 2013 retroactively as of the acquisition date on 11 September 2013 into Georg Fischer JRG AG.

The acquisition of Sterisol AG included solely the acquisition of technology and know-how, therefore net assets amount to zero. The table below shows the assets and liabilities assessed at fair value and the respective goodwill from the transaction at the time control was acquired:

CHF million

Acquired assets and liabilities

<b>Total assets</b>	<b>0</b>
<b>Net assets</b>	<b>0</b>
Goodwill, inclusive directly added cost	3
Purchase price	3
Less liabilities from contingent purchase price agreements	-1
<b>Cash outflow from acquisitions, net</b>	<b>2</b>

### 3 Trade accounts receivable

Trade accounts receivable are, as shown in the table below and where required, value adjusted and allocated to the following regions:

CHF million	2014	2013
<b>Gross values</b>	<b>669</b>	593
Individual value adjustments	-8	-6
Overall value adjustments	-18	-19
<b>Net values</b>	<b>643</b>	568
Europe	322	296
– Thereof Germany	107	89
– Thereof Switzerland	26	25
– Thereof Austria	10	12
– Thereof Rest of Europe	179	170
Americas	86	71
Asia	198	169
– Thereof China	141	128
Rest of world	37	32
<b>Total</b>	<b>643</b>	568

As of the balance sheet date, the aging structure of the trade accounts receivable, which are not subject to individual value adjustments, was as follows:

CHF million	2014		2013	
	Receivable after individual value adjustments	Overall value adjustment	Receivable after individual value adjustments	Overall value adjustment
Not yet due	539		483	1
1 to 30 days overdue	49		46	
31 to 90 days overdue	43		33	
91 to 180 days overdue	15	3	10	3
More than 180 days overdue	15	15	15	15
<b>Total</b>	<b>661</b>	<b>18</b>	587	19

Value adjustments on trade accounts receivable have changed as follows:

CHF million	2014	2013
<b>Individual value adjustments</b>		
As of 1 January	6	6
Increase/decrease	2	
<b>As of 31 December</b>	<b>8</b>	6
<b>Overall value adjustments</b>		
As of 1 January	19	18
Increase/decrease	-1	1
<b>As of 31 December</b>	<b>18</b>	19

The individual value adjustments amounted to CHF 8 million (previous year: CHF 6 million). It is assumed that part of the underlying receivables will be paid. The receivables which are not due are mainly receivables arising from long-standing customer relationships. On past experience, GF does not anticipate any significant defaults. For further information on credit management and trade accounts receivable, see chapter "Risk management".

## 4 Inventories

CHF million	2014	2013
Raw materials and components	266	266
Work in progress	121	102
Finished goods	433	428
<b>Gross value inventories on hand</b>	<b>820</b>	<b>796</b>
Valuation adjustments	-154	-149
<b>Inventories</b>	<b>666</b>	<b>647</b>

## 5 Income taxes receivable

Out of the income taxes receivable of CHF 9 million, CHF 2 million relate to Germany, CHF 2 million to Switzerland, CHF 1 million to France, CHF 1 million to the USA, CHF 1 million to China, CHF 1 million to the Netherlands, and CHF 1 million to Turkey.

## 6 Other accounts receivable

CHF million	2014	2013
Tax credits from indirect taxes	35	40
Other current accounts receivable	27	23
<b>Total</b>	<b>62</b>	<b>63</b>

## 7 Assets held for sale

In the year under review, "Assets held for sale" are not reported.

In the previous year, under this position CHF 23 million have been reported representing the planned divestment of the gravity die-casting business in Herzogenburg (Austria), executed in January 2014 by the division GF Automotive. The corresponding liabilities also amount to CHF 23 million.

## 8 Movements of property, plant and equipment

CHF million	Investment properties	Undeveloped property	Land	Buildings	Building components	Machinery and production equipment	Other equipment	Assets under construction	Assets held under finance leases	Property, plant, and equipment for own use
<b>Cost</b>										
<b>As of 31 December 2012</b>	<b>71</b>	3	32	610	110	1 609	326	73	6	<b>2 769</b>
Additions				3	3	37	9	78		130
Disposals	-4			-3	-5	-28	-14		-1	-51
Changes in scope of consolidation			10	15		21			9	55
Other changes, reclassifications	3			-33	32	2	-8	-77		-84
Translation adjustment			-1			12	-1		-1	9
<b>As of 31 December 2013</b>	<b>70</b>	3	41	592	140	1 653	312	74	13	<b>2 828</b>
Additions				13	5	29	7	96	2	152
Disposals	-4				-1	-23	-12		-1	-37
Changes in scope of consolidation				7		2	1			10
Other changes, reclassifications	16			7	-12	46	5	-68	2	-20
Translation adjustment	-1			4			2	2		8
<b>As of 31 December 2014</b>	<b>81</b>	3	41	623	132	1 707	315	104	16	<b>2 941</b>
<b>Accumulated depreciation</b>										
<b>As of 31 December 2012</b>	<b>-24</b>			-364	-64	-1 149	-261	-3	-5	<b>-1 846</b>
Additions	-1			-16	-6	-88	-15		-1	-126
Impairment						-7				-7
Disposals	1			3	5	28	14		1	51
Other changes, reclassifications	-3			38	-27	51	13	3		78
Translation adjustment				-1		-12				-13
<b>As of 31 December 2013</b>	<b>-27</b>			-340	-92	-1 177	-249		-5	<b>-1 863</b>
Additions	-1			-16	-6	-83	-15		-2	-122
Impairment										
Disposals						22	11		1	34
Other changes, reclassifications	-9			-4	13	-1	4			12
Translation adjustment					1	6				7
<b>As of 31 December 2014</b>	<b>-37</b>			-360	-84	-1 233	-249		-6	<b>-1 932</b>
<b>Carrying amount</b>										
<b>As of 1 January 2013</b>	<b>47</b>	3	32	246	46	460	65	70	1	<b>923</b>
<b>As of 31 December 2013</b>	<b>43</b>	3	41	252	48	476	63	74	8	<b>965</b>
<b>As of 31 December 2014</b>	<b>44</b>	3	41	263	48	474	66	104	10	<b>1 009</b>

The insurance value of property, plant, and equipment amounted to CHF 4 246 million (previous year: CHF 4 241 million).

The line "Changes in the scope of consolidation" shows exclusively the acquisition of Meco Eckel GmbH (Germany), by GF Automotive and the acquisition of Liechti Engineering AG (Switzerland), by GF Machining Solutions.

Investments in property, plant, and equipment in 2014 came to CHF 152 million (previous year: CHF 130 million). They were made primarily by the two divisions GF Automotive (CHF 79 million; previous year: CHF 58 million) and GF Piping Systems (CHF 49 million; previous year: CHF 55 million). Investments in property, plant, and equipment with an effect on liquidity in the period 2015 to 2018 amount to CHF 139 million. This amount mainly relates to investments for the divisions GF Piping Systems in the amount of CHF 20 million and GF Automotive in the amount of CHF 118 million.



The values in the lines "Other changes, reclassifications" relate mainly to two circumstances. The first is that, following the divestment of the gravity die-casting foundry in Herzogenburg, properties no longer used in operations with a carrying amount of CHF 7 million were reclassified to the item "Investment properties". The second is that a fully depreciated asset in the position "Assets held for sale" was reclassified and exited the scope of consolidation in connection with the divestment of the gravity die-casting foundry in Herzogenburg.

The fair value of investment properties, as determined by internal experts on the basis of capitalized and current market values, is CHF 69 million (previous year: CHF 76 million). The reduction in the market value is attributable to the sale of investment properties.

No interest on liabilities was capitalized in the period under review.

## 9 Movements of intangible assets

CHF million	Land use rights	Software	Royalties, patents, others	Total
<b>Cost</b>				
<b>As of 31 December 2012</b>	13	27	16	<b>56</b>
Additions		6		6
Disposals			-1	-1
Translation adjustment		2	-2	
<b>As of 31 December 2013</b>	13	35	13	<b>61</b>
Additions		5		5
Disposals	-1			-1
Other changes, reclassifications	1	-1	1	1
Translation adjustment	2			2
<b>As of 31 December 2014</b>	15	39	14	<b>68</b>
<b>Accumulated amortization</b>				
<b>As of 31 December 2012</b>	-3	-18	-15	<b>-36</b>
Additions		-3		-3
Translation adjustment		-2	3	1
<b>As of 31 December 2013</b>	-3	-23	-12	<b>-38</b>
Additions		-3		-3
<b>As of 31 December 2014</b>	-3	-26	-12	<b>-41</b>
<b>Carrying amount</b>				
<b>As of 1 January 2013</b>	10	9	1	<b>20</b>
<b>As of 31 December 2013</b>	10	12	1	<b>23</b>
<b>As of 31 December 2014</b>	12	13	2	<b>27</b>

The intangible assets are subdivided into the categories: land use rights, software, and royalties, patents, others. These are the major categories of the intangible values.

Land use rights amounted to CHF 12 million, nearly remained unchanged compared to the previous year (CHF 10 million) as did the category software which amounted to CHF 13 million (previous year: CHF 12 million), and the category royalties, patents, others which amounted to CHF 2 million (previous year: CHF 1 million).

The main reason for the change in the category software was the SAP implementation in various countries by GF Piping Systems.

**Goodwill //** Goodwill from acquisitions is offset against the Corporation's equity at the acquisition date. The theoretical amortization is based on the straight-line method over the useful live of five years. The theoretical capitalization of the goodwill would affect the result of the consolidated financial statements as follows:

#### Theoretical movements goodwill

CHF million	2014	2013
<b>Cost</b>		
<b>As of 1 January</b>	<b>488</b>	424
Additions from acquisitions	6	71
Adjustments (earn-out, others)	-6	4
Translation adjustment	13	-11
<b>As of 31 December</b>	<b>501</b>	488
<b>Accumulated amortization</b>		
<b>As of 1 January</b>	<b>406</b>	390
Additions regular	21	18
Translation adjustment	10	-2
<b>As of 31 December</b>	<b>437</b>	406
<b>Theoretical book values, net</b>		
<b>As of 1 January</b>	<b>82</b>	34
<b>As of 31 December</b>	<b>64</b>	82

#### Effect on income statement

CHF million	2014	2013
Operating result (EBIT)	274	251
Return on sales (EBIT margin) %	7.2	6.7
Amortization goodwill	-21	-18
Theoretical operating result (EBIT) incl. amortization goodwill	253	233
Theoretical return on sales (EBIT margin) %	6.7	6.2
Net profit	195	145
Amortization goodwill	-21	-18
Theoretical net profit incl. amortization goodwill	174	127

#### Effect on balance sheet

CHF million	2014	2013
Equity according to balance sheet	1 104	978
Theoretical capitalization net book value goodwill	64	82
Theoretical equity incl. net book value goodwill	1 168	1 060
Equity as % of balance sheet total	36.9	31.3
Theoretical equity incl. net book value goodwill as % of balance sheet total (incl. goodwill)	38.3	33.0

All goodwill positions offset against equity are tested for impairment once a year. An impairment test is performed if there is any indication that the goodwill positions could be affected from such an impairment. On the basis of the impairment test made on the balance sheet date, it was found that there were not any indications for impairments and therefore all goodwill positions have retained their recoverable value.

The goodwill of Georg Fischer Hakan Plastik AS was additionally tested for impairment. The recoverable amount of Georg Fischer Hakan Plastik AS equals the value in use, which is determined based on future discounted cash flows.

As a basis for the calculation, business plans for the next five years are used. Subsequent years are included in the calculation using a perpetual annuity with a growth assumption of zero. The projections are based on knowledge and experience and also on current judgments made by management as to the probable economic development of the relevant markets. It is assumed that there are no significant planned changes in the organization of any of the divisions, except for the measures already decided and announced.

By applying the capital asset pricing model, a specific rate for the cost of capital was calculated for Georg Fischer Hakan Plastik AS. The calculation of this discount rate refers to the data of a relevant peer group. Furthermore, specific values for the risk-free interest rate, the market risk premium, the borrowing costs, and the tax rate were applied.

Since the cash flow projections are based on cash flows after tax, the discount rate has also been determined taking tax effects into account. The discount rate for Georg Fischer Hakan Plastik AS was determined at 14.1%.

It was confirmed that the theoretical goodwill of Georg Fischer Hakan Plastik AS retained its recoverable value.

## 10 Categories of financial instruments

The following table shows the carrying amount of all financial instruments per category. For details on the market values of the bonds, see note 14.

CHF million	2014	2013
<b>Financial instruments (assets)</b>		
<b>Cash and cash equivalents (without fixed-term deposits)</b>	<b>367</b>	319
Fixed-term deposits	7	322
Other financial assets <sup>1</sup>	19	14
Trade accounts receivable	643	568
Other accounts receivable <sup>2</sup>	27	23
Accrued income	15	13
<b>Loans and receivables started at amortized cost</b>	<b>711</b>	940
Marketable securities	4	3
<b>Financial assets at market value through profit or loss</b>	<b>4</b>	3
<b>Derivative financial instruments</b>	<b>2</b>	9
<b>Financial instruments (liabilities)</b>		
Other financial liabilities	210	183
Trade accounts payable	419	421
Bonds	497	796
Other liabilities current/non-current <sup>3</sup>	68	69
Accrued liabilities and deferred income <sup>4</sup>	181	175
<b>Liabilities stated at amortized cost</b>	<b>1 375</b>	1 644
<b>Derivative financial instruments</b>	<b>52</b>	37

1 Relates to loans to third parties, security deposits, and long-term invested securities for the settlement of pension liabilities. For more details, see note 11.

2 The balance sheet item "Other accounts receivable" includes tax credits. For more details, see note 6.

3 The balance sheet items "Other liabilities current/non-current" include derivative financial instruments. For more details, see note 16.

4 For more details, see note 17.

The carrying amount of the securities and listed non-controlling interests recognized at their fair value is determined on the basis of the share prices at the balance sheet date. The market value of the foreign exchange contracts on the balance sheet is determined by the replacement value at the balance sheet date.

## 11 Other financial assets

Other financial assets amounted to CHF 20 million and included investments in associates with a carrying value of CHF 1 million as well as long-term loans and receivables of CHF 15 million (previous year: CHF 12 million).

**Investments in associates //** The investments are in detail:

- Wibilea AG, Neuhausen (Switzerland)
- Eisenbergwerk Gonzen AG, Sargans (Switzerland)
- Mecartex SA, Losone (Switzerland)
- Georg Fischer Corys LLC, Dubai (United Arab Emirates)
- Polytherm Central Sudamericana SA, Buenos Aires (Argentina)

**Long-term loans and receivables //** CHF 11 million of the long-term loans and receivables fall due in the next three years and CHF 4 million at a later date. CHF 12 million were lent in euros, CHF 2 million in Brazilian reais and CHF 1 million in UAE dirhams. The interest rates for the loans granted in euros were around 6%. The long-term loans in Brazil are receivables from customer financing activities in local currency, the average interest rate for these loans is 12%.

Other financial assets also include long-term invested securities for the settlement of pension liabilities in the amount of CHF 4 million (previous year: CHF 2 million).

## 12 Deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following balance sheet items:

CHF million	Tax assets	Tax liabilities	2014 net	Tax assets	Tax liabilities	2013 net
Investment properties		9	9		8	8
Property, plant, and equipment for own use	12	39	27	10	34	24
Intangible assets	4		-4	4		-4
Tax loss carryforwards	8		-8	13		-13
Inventories	20	12	-8	16	11	-5
Provisions	17	3	-14	18	3	-15
Other non-interest-bearing liabilities	40	3	-37	33	7	-26
Other balance sheet items	10	3	-7	19	2	-17
<b>Total</b>	<b>111</b>	<b>69</b>	<b>-42</b>	<b>113</b>	<b>65</b>	<b>-48</b>
Offsetting	-23	-23		-23	-23	
<b>Deferred tax assets/liabilities</b>	<b>88</b>	<b>46</b>	<b>-42</b>	<b>90</b>	<b>42</b>	<b>-48</b>

Deferred tax assets and liabilities are offset within Corporate Companies if there is a legally enforceable right to offset current tax assets against current tax liabilities and if the deferred taxes relate to the same fiscal authority. The effect from offsetting at Corporate Company level amounted to CHF 23 million (previous year: CHF 23 million). Deferred tax assets and liabilities are calculated based on the actually expected income tax rates per Corporate Company. For further information on the recognition of tax loss carryforwards, see note 30.

Temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities have been recognized, amounted to CHF 357 million as of 31 December 2014 (previous year: CHF 354 million).

## 13 Movements of provisions

CHF million	Warranties	Onerous contracts	Legal cases	Restructuring provisions	Other provisions	Personnel and social security	Provisions	Deferred tax liabilities	Provisions and deferred tax liabilities
<b>As of 1 January 2013</b>	28	11	14	3	19	70	<b>145</b>	40	<b>185</b>
Reclassifications	-1	-1				-9	-11		-11
Increase	15	3	6	1	21	8	54	3	57
Use	-12	-2	-1	-2	-1	-6	-24		-24
Release	-4	-2	-3	-1	-1		-11	-5	-16
Changes in scope of consolidation	1					1	2	5	7
Translation adjustment						3	3	-1	2
<b>As of 31 December 2013</b>	27	9	16	1	38	67	<b>158</b>	42	<b>200</b>
- Thereof current	14	7		1	11	5	38		38
- Thereof non-current	13	2	16		27	62	120	42	162
<b>As of 1 January 2014</b>	27	9	16	1	38	67	<b>158</b>	42	<b>200</b>
Reclassifications						3	3		3
Increase	18	5	4	1	7	10	45	5	50
Interest expense arising from discounting					2		2		2
Use	-12	-3	-5	-1	-1	-6	-28		-28
Release	-4	-1	-3		-11	-4	-23	-3	-26
Changes in scope of consolidation	1	1			2		4	1	5
Translation adjustment						-1	-1	1	
<b>As of 31 December 2014</b>	30	11	12	1	37	69	<b>160</b>	46	<b>206</b>
- Thereof current	15	9		1	7	5	37		37
- Thereof non-current	15	2	12		30	64	123	46	169

Provisions are classified as follows: warranties on serial products (machines, etc.), onerous contracts (when the costs of meeting the contractual obligations exceed the expected economic benefits), legal cases, restructuring provisions (constructive and contractual obligations to third parties, which have been communicated), personnel and social security (provisions that are related to employee benefits), and other provisions.

The valuation of provisions in all categories is based on actual data if available (e.g. claims that have occurred or been reported) or on past experience in recent years and management estimates. The deferred tax liabilities are based on temporary valuation differences which are reported in the balance sheet at the Corporate Company level.

Warranty provisions amounting to CHF 30 million increased only slightly compared to the previous year (CHF 27 million). Thanks to a favorable claim history, it was possible to release CHF 4 million. At the same time, new warranty provisions of CHF 18 million had to be set aside, and CHF 12 million were utilized.

About one third of the warranty provisions are for GF Machining Solutions and about one quarter for GF Automotive. They derive from complaints and claims for damages at the various sites.

The interest expense arising from discounting was CHF 2 million and consists primarily of long-term provisions in the category of "Other provisions", which has a remaining term to maturity of two to three years and is discounted at an interest rate of 7.4%.

The non-current provisions in the category "Personnel and social security" in the amount of CHF 64 million (previous year: CHF 62 million) are expected to result in a cash outflow in an average of ten years, the non-current provisions in the other categories are expected to result in a cash outflow within the next two to three years.



Provisions shown under the category “Legal cases” can be split into a number of individual cases in the divisions with an estimated cash outflow of less than CHF 5 million per case.

The category “Other provisions” contains liabilities in connection with the divestment of the gravity die-casting foundry in Herzogenburg in the amount of CHF 14 million and provisions for employee commitments (CHF 10 million), for captive insurances (CHF 2 million), and for other operating risks.

Expenditures not connected with pension plans in the narrow sense, such as awards for length of service and anniversary bonuses – especially in Austria – are recognized in the category “Personnel and social security” and came to CHF 69 million in 2014 (previous year: CHF 67 million).

The values in the line “Reclassification” in the category “Personnel and social security” (CHF 3 million) refer to the takeover of personnel provisions of the gravity die-casting foundry in Herzogenburg that was divested.

## 14 Interest-bearing financial liabilities

Net debt, which is calculated as the difference between interest-bearing liabilities and cash, cash equivalents, and marketable securities, was virtually unchanged at CHF 354 million in the year under review (previous year: CHF 352 million). This modest change was primarily due to the fact that the free cash flow, which came to CHF 90 million, was offset by the dividend distribution (CHF 73 million) to GF shareholders and minority shareholders, as well as by currency effects and the impact of the change in the scope of consolidation.

Interest-bearing financial liabilities consist of the following items:

CHF million	Within 1 year	Up to 5 years	Maturity over 5 years	<b>2014</b>	Within 1 year	Up to 5 years	Maturity over 5 years	2013
Other financial liabilities (at fixed interest rates) <sup>1</sup>	17	46		63	50	22	1	73
Other financial liabilities (at variable interest rates)	137	7	3	147	99	7	4	110
Bonds (at fixed interest rates)		348	149	497	300	348	148	796
Loans from pension fund institutions	27			27	26			26
<b>Total</b>	<b>181</b>	<b>401</b>	<b>152</b>	<b>734</b>	<b>475</b>	<b>377</b>	<b>153</b>	<b>1 005</b>

<sup>1</sup> This category comprises other financial liabilities with a fixed interest period of more than three months.

In order to secure non-current liabilities, assets valued at CHF 17 million (previous year: CHF 16 million) were pledged or assigned. These assets consisted of property, valued at CHF 2 million (previous year: CHF 2 million), buildings at CHF 14 million (previous year: CHF 12 million), and payments to customers at CHF 1 million (previous year: CHF 2 million).

Further information on pledged assets can be found in note 23, “Pledged assets”.

The table below shows in detail the various categories of other financial liabilities by currency and interest rate.

CHF million	Issuing currency	Range interest rate %	2014	Issuing currency	Range interest rate %	2013
<b>Other financial liabilities (at fixed interest rates)<sup>1</sup></b>			<b>63</b>			<b>73</b>
	CHF	1.1–3.5	22	USD	3.2–7.2	35
	EUR	4.7–5.1	20	CHF	3.2	20
	CNY	6.1–7.6	11	EUR	3.2–4.7	12
	Others	4.3–7.2	10	Others	4.8–6.4	6
<b>Other financial liabilities (at variable interest rates)</b>			<b>147</b>			<b>110</b>
	CNY	5.0–6.0	64	CNY	2.6–7.4	65
	TRY	6.8–16.0	45	EUR	1.8–2.0	30
	EUR	1.2–2.0	29	SGD	2.4	5
	Others	0–17.3	9	Others	0–15.5	10
<b>Bonds (at fixed interest rates)</b>			<b>497</b>			<b>796</b>
Bond (Georg Fischer Finanz AG) 4 ½% 2009–2014 (22 September) Nominal value: CHF 300 million				CHF	4.7	300
Bond (Georg Fischer AG) 3 ¾% 2010–2016 (12 May) Nominal value: CHF 200 million			199	CHF	3.7	198
Bond (Georg Fischer Finanz AG) 1 ½% 2013–2018 (12 September) Nominal value: CHF 150 million			149	CHF	1.6	149
Bond (Georg Fischer Finanz AG) 2 ½% 2013–2022 (12 September) Nominal value: CHF 150 million			149	CHF	2.6	149
<b>Loans from pension fund institutions</b>			<b>27</b>			<b>26</b>
	EUR	6.0	25	EUR	6.0	25
	CHF	2.0	2	CHF	2.0	1
<b>Total</b>			<b>734</b>			<b>1 005</b>

1 This category comprises other financial liabilities with a fixed interest period of more than three months.

GF has the following syndicated loan:

Debtors	Term	Credit	Thereof utilized
Georg Fischer Ltd/Georg Fischer Finanz AG	2011–2016	CHF 250 million	CHF 0 million

The 4 ½% 2009–2014 bond of Georg Fischer Finanz AG was paid back in 2014. This bond had already been refinanced early in 2013.

The syndicated loan gives GF the necessary financial security to be able to act swiftly in the event it wishes to make acquisitions. This line of credit was not drawn on in the year under review. In addition to other terms, the loan contains covenants with respect to the net debt ratio (ratio of net debt to EBITDA), interest-coverage ratio (ratio of EBITDA to net interest expense), and equity ratio (ratio of equity to total assets).

The loan also has additional terms such as are usual for a syndicated loan.

The bonds placed on the market as well as the syndicated loan are subject to the usual cross-default clauses: the outstanding amounts move into default if the premature repayment of another financial obligation is demanded of the company or one of its major Corporate Companies owing to failure to meet the credit terms. As of the balance sheet date, the effective credit terms had been met.

The interest-bearing financial liabilities also include loan debts to employee benefit plans in Germany amounting to CHF 27 million (previous year: CHF 26 million).

## 15 Employee benefit liabilities

The overall situation for employee benefits in the Corporation is as follows:

**Employer contribution reserves //** As of 31 December 2014, employer contribution reserves amounted to CHF 1 million and result from the acquisition of Liechti Engineering AG, Langnau (Switzerland). The employer contribution reserves are included under Non-current assets in the position Other financial assets. There were no employer contribution reserves in the previous year.

**Economical benefit/economical obligation and pension benefit expenses //** The table below shows the economical benefit and the economical obligation at the end of the year under review and for the previous year, as well as the development of pension benefit expenses:

CHF million	2014		2013	2014				2013
	Surplus/deficit according to FER 26	Economical part of the Corporation	Economical part of the Corporation	Translation differences	Change to prior-year period or recognised in the current result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses	Pension benefit expenses within personnel expenses
Patronage funds	9					1	1	1
Pension institutions w/o surplus/deficit						12	12	17
Pension institutions with surplus	12					7	7	2
Pension institutions with deficit	-21	-20	-19			1	1	1
Pension institutions without own assets		-111	-109	-2	4	-1	3	5
Loans from pension fund institutions		-27	-26					
<b>Total</b>		<b>-158</b>	<b>-154</b>	<b>-2</b>	<b>4</b>	<b>20</b>	<b>24</b>	<b>26</b>

The employee benefit plans with a shortfall of CHF 21 million in cover are based on defined benefit plans in the UK and the US. The amount of the shortfall depends largely on the value of the securities as well as discount rates. The entire economical obligation covering the outflow of funds anticipated in the medium term corresponds to the reported shortfall. It amounts to CHF 20 million. The economical obligation recognized in the balance sheet for employee benefit plans without own assets, i.e. unfunded plans, amounts to CHF 111 million and relates mainly to employee benefit plans in Germany. The loans by employee benefit plans to the amount of CHF 27 million (previous year: CHF 26 million) are from employee benefit plans in Germany that have invested their funds in Corporate Companies.

The table below summarizes pension benefit expenses in the year under review and for the previous year:

CHF million	2014	2013
Contributions to pension institutions from Corporate Companies	21	21
Contributions to pension institutions from employer contribution reserves		
Total contributions	21	21
+/- Changes ECR from asset development, value adjustments etc.		
<b>Contributions and changes employer contribution reserves</b>	<b>21</b>	<b>21</b>
Increase/decrease economical benefit Corporate from surplus		
Decrease/increase economical obligation Corporate from deficit		
Decrease/increase economical obligation Corporate from pension institutions without own assets	3	5
Total changes economical effects from surplus/deficit	3	5
<b>Pension benefit expenses within personnel expenses in the period under review</b>	<b>24</b>	<b>26</b>

The change in the economical obligation recognized in the balance sheet from employee benefit plans and the employer contributions paid for the year under review amount to CHF 24 million (previous year: CHF 26 million) and are contained in "Personnel expenses".

## 16 Other liabilities

CHF million	2014	2013
Social security	15	14
Other non-interest-bearing liabilities	27	34
Derivative financial instruments	52	37
Other tax liabilities (e.g. withholding tax)	26	21
<b>Total</b>	<b>120</b>	<b>106</b>
- Thereof short term	69	60
- Thereof long term	51	46

**Derivative financial instruments** // GF uses financial instruments as part of its Corporation-wide efforts to manage risk. Currency risks from accounts receivable, accounts payable, and financing in foreign currencies are partially hedged. The only hedging instruments employed are forward exchange contracts and currency swaps with a maximum maturity of twelve months. The hedging of other underlying assets consists of hedging against price fluctuations for the purchase of raw materials and electric power.

Positive market values are reported in the balance sheet under the item "Marketable securities", while negative values are carried under "Other liabilities".

The following table shows the market value (gross) of the derivative financial instruments as of 31 December 2014 and 2013, broken down by investment category:

CHF million	2014			2013		
	Contract- or nominal value	Positive fair value	Negative fair value	Contract- or nominal value	Positive fair value	Negative fair value
<b>Derivative financial instruments</b>						
Foreign exchange (e.g. derivative)	348		-10	250	9	
Other underlying basic values	148		-42	96		-37
<b>Total</b>	<b>496</b>		<b>-52</b>	<b>346</b>	<b>9</b>	<b>-37</b>

Furthermore, GF obtained with the acquisition of Hakan Plastik A.S. an option for the purchase of the remaining shares, which corresponds to a capital share of 10% of the company. This option cannot be valued reliably at present and therefore it is not recognized.

## 17 Accrued liabilities and deferred income

CHF million	2014	2013
Overtime, holiday, bonuses, and profit-sharing	81	74
Other accrued expenses and deferred income	100	101
<b>Total</b>	<b>181</b>	<b>175</b>

The other accrued expenses and deferred income in the amount of CHF 100 million (previous year: CHF 101 million) were recognized among others for interest, rents, commissions, and annual audit costs.

## 18 Share capital/capital management

**Share capital //** In the period under review the share capital decreased by CHF 37 million due to the pay-out in form of a reduction in par value of CHF 9 per registered share in 2014. As of 31 December 2014, it comprised 4 100 898 registered shares with a par value of CHF 1 each. Total dividend-bearing nominal capital amounted to CHF 4 100 898.

**Capital management //** The capital managed by the Corporation consists of the consolidated equity. The Corporation has set the following goals for the management of its capital:

- maintaining a healthy and sound balance sheet structure based on continuing values
- ensuring the necessary financial scope in order to be able to make investments and acquisitions in the future
- achieving a return for investors that is appropriate to the risk

The Corporation employs two ratios to monitor equity: the equity ratio and the return on equity. The equity ratio equates to equity as a percentage of total assets. Return on equity is obtained by measuring net profit as a percentage of average equity. These ratios are reported to the Executive Committee and the Board of Directors at regular intervals by internal financial reporting. The equity ratio as of 31 December 2014 was at 37%. The increase of this ratio (previous year: 31%) is mainly resulting from the higher net profit and the redemption of the bonds in 2014 in the amount of CHF 300 million reducing the balance sheet total.

As an industrial group, GF strives to have a strong balance sheet with a high portion of equity. In the medium term, the Corporation aims for an equity ratio of 35% to 40%. The medium-term target for return on equity is above 15%.



The ratios are shown in the table below:

CHF million	2014	2013
Equity attributable to shareholders of Georg Fischer Ltd	1 057	935
Non-controlling interests	47	43
Equity	1 104	978
Total assets	2 989	3 126
Equity ratio as %	37	31
Theoretical equity incl. net value goodwill	1 168	1 060
Theoretical equity ratio incl. net value goodwill as %, balance sheet total incl. goodwill	38	33
Average reported equity	1 041	979
Net profit	195	145
Return on average reported equity as %	19	15

The Corporation does not have any financial covenants with minimal capital requirements.

The Board of Directors proposes the appropriation of retained earnings to the Annual Shareholders' Meeting. GF pursues a results-oriented dividend policy and distributes as a rule about 30% to 40% of the Corporation's consolidated net profit to shareholders. This may be distributed either in the form of a dividend payment from the retained earnings or from the reserves from capital contributions. The Board of Directors is proposing to the Annual Shareholders' Meeting a dividend payment out of the reserves from capital contributions and the retained earnings of CHF 17 in total per registered share for the fiscal year 2014 (previous year: reduction in par value of CHF 9 and dividend payment out of the reserves from capital contributions of CHF 7 per registered share). As of 31 December 2014 the par value of the Georg Fischer registered share amounts to CHF 1.

The authorized capital and the conditional capital amount to a maximum of CHF 600 000. The maximum authorized or conditional capital is reduced by the amount that conditional or authorized capital is created by the issue of bonds or similar debt instruments or new shares.

By no later than 19 March 2016, the maximum authorized share capital will be CHF 600 000 divided into no more than 600 000 registered shares each with a par value of CHF 1.

The reserves which are not disposable respectively distributable amount to CHF 124 million as of 31 December 2014 (previous year: CHF 137 million).

## 19 Earnings per share

The earnings per share in the amount of CHF 45 (previous year: CHF 34) is calculated by dividing the portion of net profit attributable to Georg Fischer Ltd shareholders by the weighted average number of shares outstanding during the year under review (number of shares issued less number of treasury shares). The weighted average number of shares amounted to 4 085 397 in 2014 (previous year: 4 085 110).

There was no dilution of earnings per share in either the year under review or the previous year.

## 20 Treasury shares

CHF million	2014			2013		
	Quantity	Transaction price (Ø)	Purchase cost (Ø)	Quantity	Transaction price (Ø)	Purchase cost (Ø)
<b>As of 1 January</b>	<b>16 329</b>	<b>571.48</b>	<b>9</b>	15 248	357.39	5
Purchases	33 996	629.67	21	16 391	572.65	9
Disposals	-27 373	645.20	-18	-6 985	391.06	-3
Transfers (share-related compensation)	-8 279	627.50	-5	-8 325	370.07	-3
Changes in stock price			2			1
<b>As of 31 December</b>	<b>14 673</b>	<b>622.33</b>	<b>9</b>	16 329	571.48	9

As of end-2014, GF held 14 673 treasury shares each with a par value of CHF 1 (previous year: 16 329 registered shares). In the year under review, 33 996 treasury shares were purchased on the stock market at an average transaction price of CHF 629.67, and 27 373 treasury shares were sold on the stock market at an average transaction price of CHF 645.20.

In accordance with a plan defined by the Board of Directors, a fixed number of Georg Fischer registered shares are granted to members of the Executive Committee and members of senior management as a long-term financial incentive. Of the 14 673 treasury shares (registered shares) held by GF as of end-2014, 8 386 registered shares are earmarked for this long-term financial incentive, after consideration of the registered shares transferred in 2014 for the year under review. The distribution of these share-related compensations is effected in line with the conditions of the above-mentioned plan.

The share-related compensations to members of the Board of Directors and the Executive Committee and members of senior management are measured at fair value and recognized as an expense at the grant date; these compensations are booked to "Operating expenses" (see note 25) for the Board of Directors and to "Personnel expenses" (see note 26) for the Executive Committee and senior management. The total expense for the stock compensation plan came to CHF 5 million (previous year: CHF 5 million).

## 21 Contingent liabilities

Contingent liabilities amounted to CHF 4 million (previous year: CHF 6 million) and included obligations to take back leasing transactions entered into by third parties totaling CHF 2 million (previous year: CHF 3 million), as well as guarantees and securities granted to third parties of CHF 2 million (previous year: CHF 3 million). There are no contingent receivables.

## 22 Leases

CHF million	2014	2013
Liabilities under leases up to 1 year	17	17
Liabilities under leases 1 to 5 years	47	42
Liabilities under leases over 5 years	16	19
<b>Operating leases (nominal values)</b>	<b>80</b>	<b>78</b>

Liabilities under financial lease contracts amounted to CHF 10 million (previous year: CHF 8 million), and mainly relating to the machinery leases of the Georg Fischer Hakan Plastik AS of GF Piping Systems. The liabilities under financial lease are included in the position "Other financial liabilities" and are disclosed in note 14 "Interest-bearing financial liabilities".

## 23 Pledged assets

Assets pledged or restricted on title in full or in part amounted to CHF 22 million (previous year: CHF 22 million). In the year under review, CHF 15 million (previous year: CHF 14 million) related to land and buildings, CHF 6 million (previous year: CHF 7 million) to accounts receivable and CHF 1 million (previous year: CHF 1 million) to inventories.

The assets are pledged or restricted on title to secure bank loans.

## 24 Other operating income

CHF million	2014	2013
Sales of material, waste, and scrap	9	10
Income from insurance contracts	5	6
Income from services	14	10
Gains on disposal of property, plant, and equipment	1	
Foreign exchange gains/losses	3	-8
Remaining other operating income	13	10
<b>Total</b>	<b>45</b>	<b>28</b>

## 25 Operating expenses

CHF million	2014	2013
External services <sup>1</sup>	160	141
Rent, leases	49	47
Utility services third parties	103	118
Selling costs, commissions	124	127
Advertisements, communication	92	93
Repair, maintenance	100	95
Other expenses <sup>2</sup>	37	37
<b>Total</b>	<b>665</b>	<b>658</b>

1 External services include e.g. temporary employees, IT costs, R&D, insurance costs as well as consulting.

2 Other expenses include compensation to the members of the Board of Directors of CHF 2.0 million.

## 26 Personnel expenses

CHF million	2014	2013
Salaries and wages	757	739
Employee benefits	24	26
Social security	154	149
<b>Total</b>	<b>935</b>	<b>914</b>

According to a plan established by the Board of Directors, a fixed number of registered shares of Georg Fischer Ltd are distributed to the members of the Executive Committee and the members of senior management as a long-term incentive. For the year under review, 6 753 shares (previous year: 6 398) were issued and recognized as personnel expenses at their market value of CHF 4.2 million (previous year: CHF 4.0 million).

## 27 Financial result

CHF million	2014	2013
Interest income	3	3
Net gains on financial instruments at fair value through profit or loss	1	
<b>Financial income</b>	<b>4</b>	<b>3</b>
Interest expenses	39	36
Net losses on financial instruments at fair value through profit or loss	1	9
Other financial expenses	6	3
<b>Financial expenses</b>	<b>46</b>	<b>48</b>

Additions of accrued interest of bonds are recognized in the amount of CHF 1 million (previous year: CHF 1 million) under interest expenses.

Net losses on financial instruments at fair value through profit or loss include mainly foreign exchange losses.

## 28 Non-operating result

The non-operating result amounted to CHF 14 million (previous year: CHF 1 million). The income mainly reflects the result of the sale of different investment properties.

## 29 Extraordinary result

In 2014, costs of CHF 5 million related to the sale of the gravity die-casting foundry in Herzogenburg (Austria) by the division GF Automotive were charged to the extraordinary result.

An earn-out adjustment for the discontinued operations of 2012 comprising the companies Georg Fischer GmbH, Friedrichshafen (Germany), and Georg Fischer GmbH, Garching (Germany) by the division GF Automotive resulted in an extraordinary income of CHF 5 million. Therefore the extraordinary result amounted to CHF 0 million.

In the previous year, the "Extraordinary result" was a loss of CHF 26 million. The sale of the gravity die-casting foundry in Herzogenburg (Austria) on 30 January 2014, with retroactive effect to 1 January 2014, was treated in 2013 as a discontinued operation. The extraordinary loss of CHF 26 million was reported in "Extraordinary result".

The table below shows the results of the gravity die-casting foundry as a discontinued operation:

CHF million	2014	2013
<b>Sales</b>	<b>0</b>	<b>75</b>
<b>Operating result (EBIT)</b>	<b>0</b>	<b>-9</b>
<b>Cash flow from operating activities</b>	<b>0</b>	<b>1</b>

## 30 Income taxes

The difference between the expected income tax expense and the effective income tax expense reflected in the financial statements can be explained as follows:

CHF million	2014			2013		
	Total	Thereof current taxes	Thereof deferred taxes	Total	Thereof current taxes	Thereof deferred taxes
<b>Tax rate reconciliation</b>						
Profit before taxes	246			181		
Expected income tax rate in %	22			20		
<b>Expected income tax expense</b>	<b>53</b>	<b>50</b>	<b>3</b>	36	43	-7
Non-tax deductible expenses/ tax exempted income				2	2	
Use of unrecognized tax loss carryforwards	-7	-10	3	-4	-5	1
Effect of non-recognition of tax losses in current year	4	4		6	6	
Recognition of previously unrecog- nized tax loss carryforwards	-2		-2			
Depreciation of recognized tax loss carryforwards	2		2			
Tax charges and credits related to prior periods, net	-1		-1	-1	-1	
Effect of change in tax rates	1		1	-1		-1
Other effects	1	-1	2	-2	2	-4
<b>Effective income tax expense</b>	<b>51</b>	<b>43</b>	<b>8</b>	36	47	-11
Effective income tax rate in %	21			20		

The expected income tax expense of the Corporation corresponds to the weighted average tax rate which is based on the profit/loss before taxes and the income tax rate of each individual Corporate Company. The change of the expected income tax rate is due to the variation in profitability and the change of the tax rate of different Corporate Companies.

The following unrecognized tax loss carryforwards are at the disposal of the Corporation:

CHF million	2014	2013
Expiry unlimited	198	250
After 2017	48	37
2017	8	4
2016	5	5
2015	11	13
2014		2
<b>Total unrecognized tax loss carryforwards</b>	<b>270</b>	311
Potential tax relief effect	73	85

The recognition of tax loss carryforwards is assessed on an annual basis and is based on current assumptions and estimates of the management. Tax loss carryforwards are recognized only to the extent that, within the next two to three years, sufficient taxable profit is expected to be available to allow the deferred tax asset to be utilized. In countries or Corporate Companies where such utilization is not probable, tax loss carryforwards are not recognized. The potential tax relief effect from the unrecognized tax loss carryforwards amounted to CHF 73 million.

As of 31 December 2014, based on the aforementioned estimates, tax loss carryforwards of CHF 32 million (previous year: CHF 51 million) were activated resulting in a deferred tax asset of CHF 8 million (previous year: CHF 13 million). Country-specific tax-relevant regulations and opportunities were hereby respected.

## 31 Related parties

Related parties include members of the Executive Committee and the Board of Directors, Employee benefit plans or important shareholders as well as companies under their control. Transactions with related persons and companies are generally conducted at arm's length.

The members of the Board of Directors are compensated with a fixed number of Georg Fischer registered shares and a cash remuneration. For special functions (e.g. Chairman, Vice Chairman, committee member, extraordinary meetings), an additional compensation commensurate with the time required is granted in cash.

The members of the Board of Directors received cash compensation of CHF 0.9 million in the year under review (previous year: CHF 1.0 million). In addition, a total of 1 650 Georg Fischer registered shares (par value of CHF 1) with a market value of CHF 1.0 million were allocated as share-related compensation (previous year: 1 600 Georg Fischer registered shares, equivalent to a market value of CHF 1.0 million). Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 2.0 million (previous year: CHF 2.2 million). This total compensation of the Board of Directors is recognized in operating expenses (see note 25).

The members of the Executive Committee received 2 050 Georg Fischer registered shares (par value of CHF 1) with a market value of CHF 1.3 million in the year under review (previous year: 1 750 Georg Fischer registered shares with a market value of CHF 1.1 million). In addition, the members of the Executive Committee received a cash compensation and social security and pension contributions of CHF 5.3 million for the year under review (previous year: CHF 5.2 million). The total compensation of the Executive Committee is included in personnel expenses (see note 26).

Apart from the regular compensation paid to the Board of Directors and the Executive Committee, and the regular contributions to the various pension fund institutions, no transactions with related persons or companies took place.

The total compensation paid to the Board of Directors and Executive Committee breaks down as follows:

CHF 1 000	2014	2013
Compensation	5 259	5 376
Employee benefit contributions	748	712
Social security	330 <sup>1</sup>	400
Share-related compensation	2 327	2 102
<b>Total compensation</b>	<b>8 664</b>	<b>8 590</b>

1 Excluding for the Board of Directors employer contributions to social security of CHF 100 thousand.

**Additional fees and remuneration //** No member of the Executive Committee or the Board of Directors or any person closely associated with them received any fees or other payments for additional services to Georg Fischer Ltd or its Corporate Companies in the fiscal year 2014.

**Loans to members of governing bodies //** Neither Georg Fischer Ltd nor its Corporate Companies granted any guarantees, loans, advances, or credit facilities to members of the Executive Committee or the Board of Directors or to any person closely associated with them.

The detailed disclosure of compensation and participation of the Board of Directors and the Executive Committee in accordance with Swiss law can be found in the financial statements of Georg Fischer Ltd on pages 116 to 118.



## 32 Foreign exchange rates

CHF		Average rates		Spot rates	
		2014	2013	2014	2013
1	AED	0.249	0.252	0.270	0.242
1	ARS	0.113	0.171	0.117	0.136
1	AUD	0.825	0.898	0.810	0.793
1	BRL	0.389	0.432	0.372	0.376
1	CAD	0.828	0.901	0.852	0.835
1	CNY	0.149	0.151	0.160	0.147
1	EUR	1.215	1.231	1.203	1.226
1	GBP	1.506	1.450	1.540	1.468
1	HKD	0.118	0.120	0.128	0.115
1	INR	0.015	0.016	0.016	0.014
1	MXN	0.069	0.073	0.067	0.068
1	MYR	0.280	0.295	0.283	0.271
1	NZD	0.759	0.760	0.775	0.731
1	SGD	0.722	0.741	0.748	0.703
1	TRY	0.418	0.488	0.425	0.421
1	USD	0.915	0.927	0.990	0.889
100	CZK	4.413	4.743	4.338	4.475
100	DKK	16.296	16.503	16.151	16.432
100	JPY	0.866	0.952	0.827	0.847
100	KRW	0.087	0.085	0.091	0.085
100	NOK	14.551	15.802	13.330	14.615
100	PLN	29.030	29.356	28.075	29.560
100	SEK	13.365	14.241	12.770	13.845
100	THB	2.817	3.021	3.005	2.705
100	TWD	3.017	3.123	3.129	2.981

## 33 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 13 February 2015. They must also be approved at the Annual Shareholders' Meeting.

On 15 January 2015, the Swiss National Bank announced that it would abandon its peg of 1.20 Swiss francs per euro. The figures quoted in these annual financial statements are translated at the closing rates as at 31 December 2014 and therefore do not account for changes in the exchange rate after 31 December 2014.

GF's reporting currency for its financial statements is the Swiss franc. The increase in the value of the Swiss franc against the relevant foreign currencies has a negative exchange rate effect on sales and net profit. Half of the Corporation's invoices are denominated in euros and five percent in Swiss francs. Regarding costs, 20 percent are in Swiss francs.

Since 2011, GF has gradually reduced its euro and US dollar exposure. As of the end of 2014, the Corporation's transactional exposure amounts to CHF 50 million for the euro and CHF 150 million for the US dollar.

There were no other events between 31 December 2014 and 13 February 2015 that would require an adjustment to the carrying amounts of assets and liabilities and equity or would need to be disclosed under this heading.

## 34 Affiliated companies

Country	Division	Company	Functional currency	Share capital million	Participation %	Consolidation	Function	
<b>Europe</b>								
Austria	PS	Georg Fischer Fittings GmbH, Traisen	EUR	3.7	51	C	P	
	PS	Georg Fischer Rohrleitungssysteme GmbH, Herzogenburg	EUR	0.2	100	C	S	
	AU	Georg Fischer Automobilguss GmbH, Herzogenburg <sup>1</sup>	EUR	4.6	100	C	H	
	AU	Georg Fischer Druckguss GmbH, Herzogenburg	EUR	0.1	100	C	P	
	AU	Georg Fischer Eisenguss GmbH, Herzogenburg	EUR	0.1	100	C	P	
	AU	Georg Fischer GmbH & Co KG, Altenmarkt	EUR	2.4	100	C	P	
Belgium	PS	Georg Fischer NV-SA, Bruxelles	EUR	0.5	100	C	S	
Czech Republic	MS	GF Machining Solutions sro, Brno <sup>1</sup>	CZK	12.3	100	C	S	
	MS	System 3R Czech sro, Praha <sup>1</sup>	CZK	0.1	100	C	S	
Denmark	PS	Georg Fischer A/S, Taastrup <sup>1</sup>	DKK	0.5	100	C	S	
France	CM	Georg Fischer Holding SAS, Palaiseau <sup>1</sup>	EUR	6.4	100	C	H	
	PS	Georg Fischer SAS, Villepinte	EUR	1.1	100	C	S	
	MS	GF Machining Solutions SAS, Palaiseau	EUR	4.0	100	C	S	
Germany	CM	Georg Fischer BV & Co KG, Singen <sup>1</sup>	EUR	25.6	100	C	H	
	CM	Georg Fischer Geschäftsführungs-GmbH, Singen	EUR	0.1	100	C	M	
	CM	Georg Fischer Giessereitechnologie GmbH, Singen	EUR	0.5	100	C	M	
	CM	MGH Verwaltungs GmbH, Biedenkopf-Wallau	EUR	0.1	100	C	M	
	PS	Georg Fischer DEKA GmbH, Dautphetal-Mornshausen	EUR	2.6	100	C	P	
	PS	Georg Fischer GmbH, Albershausen	EUR	2.6	100	C	S	
	PS	Georg Fischer Fluorpolymer Products GmbH, Ettenheim	EUR	4.0	100	C	P	
	AU	Georg Fischer Automobilguss GmbH, Singen	EUR	12.8	100	C	P	
	AU	Georg Fischer GmbH, Mettmann	EUR	0.1	100	C	P	
	AU	Georg Fischer GmbH, Leipzig	EUR	0.9	100	C	P	
	AU	Georg Fischer GmbH, Werdohl	EUR	0.3	100	C	P	
	AU	Georg Fischer Dienstleistungen GmbH, Mettmann	EUR	0.1	100	C	M	
	AU	MECO Eckel GmbH & Co KG, Biedenkopf-Wallau	EUR	0.2	100	C	P	
	AU	Eckel & Co GmbH, Biedenkopf-Wallau	EUR	0.1	100	C	M	
	MS	GF Machining Solutions GmbH, Schorndorf	EUR	2.6	100	C	S	
	MS	System 3R Europe GmbH, Gross-Gerau	EUR	0.3	100	C	S	
	Great Britain	PS	George Fischer Sales Ltd, Coventry <sup>1</sup>	GBP	4.0	100	C	S
		MS	GF Machining Solutions Ltd, Coventry <sup>1</sup>	GBP	2.0	100	C	S
	Italy	CM	Georg Fischer Holding Srl, Caselle di Selvazzano	EUR	0.5	100	C	H
PS		Georg Fischer TPA Srl, Busalla	EUR	0.7	100	C	P	
PS		Georg Fischer Omicron Srl, Caselle di Selvazzano	EUR	0.1	100	C	P	
PS		Georg Fischer Pfcì Srl, Valeggio sul Mincio	EUR	0.5	100	C	P	
PS		Georg Fischer SpA, Cernusco sul Naviglio	EUR	1.3	100	C	S	
MS		GF Machining Solutions SpA, Cusano Milanino	EUR	3.0	100	C	S	
Netherlands	CM	Georg Fischer Holding NV, Epe <sup>1</sup>	EUR	0.9	100	C	H	
	CM	Georg Fischer Management BV, Epe <sup>1</sup>	EUR	0.1	100	C	M	
	PS	Georg Fischer NV, Epe	EUR	0.9	100	C	S	
	PS	Georg Fischer WAGA NV, Epe	EUR	0.4	100	C	P	
Norway	PS	Georg Fischer AS, Rud <sup>1</sup>	NOK	1.0	100	C	S	
Poland	PS	Georg Fischer Sp.z.o.o., Warszawa <sup>1</sup>	PLN	18.5	100	C	S	
	MS	GF Machining Solutions Sp.z.o.o., Warszawa <sup>1</sup>	PLN	1.3	100	C	S	

<sup>1</sup> Directly held by Georg Fischer Ltd.

Country	Division	Company	Functional currency	Share capital million	Participation %	Consolidation	Function
Spain	PS	Georg Fischer SA, Madrid <sup>1</sup>	EUR	1.5	100	C	S
	MS	GF Machining Solutions SAU, Barcelona <sup>1</sup>	EUR	2.7	100	C	S
Sweden	PS	Georg Fischer AB, Stockholm <sup>1</sup>	SEK	1.6	100	C	S
	MS	System 3R International AB, Vällingby <sup>1</sup>	SEK	17.1	100	C	P
Switzerland	CM	WIBILEA AG, Neuhausen <sup>1</sup>	CHF	1.0	43	E	M
	CM	Eisenbergwerk Gonzen AG, Sargans <sup>1</sup>	CHF	0.5	49	F	M
	CM	Georg Fischer AG, Schaffhausen	CHF	4.1		C	H
	CM	Georg Fischer Liegenschaften AG, Schaffhausen <sup>1</sup>	CHF	4.0	100	C	M
	CM	Georg Fischer Finanz AG, Schaffhausen <sup>1</sup>	CHF	10.0	100	C	M
	PS	Georg Fischer Rohrleitungssysteme AG, Schaffhausen <sup>1</sup>	CHF	20.0	100	C	P
	PS	Georg Fischer Rohrleitungssysteme (Schweiz) AG, Schaffhausen <sup>1</sup>	CHF	0.5	100	C	S
	PS	Georg Fischer Wavin AG, Schaffhausen <sup>1</sup>	CHF	17.8	60	C	P
	PS	Georg Fischer JRG AG, Sissach <sup>1</sup>	CHF	1.8	100	C	P
	AU	Georg Fischer Automotive AG, Schaffhausen <sup>1</sup>	CHF	1.0	100	C	M
	MS	Agie Charmilles SA, Losone <sup>1</sup>	CHF	10.0	100	C	P
	MS	Agie Charmilles Services SA, Meyrin <sup>1</sup>	CHF	3.6	100	C	S
	MS	GF Machining Solutions Management SA, Meyrin <sup>1</sup>	CHF	0.5	100	C	M
	MS	GF Machining Solutions International SA, Losone <sup>1</sup>	CHF	2.6	100	C	S
	MS	Agie Charmilles New Technologies SA, Meyrin <sup>1</sup>	CHF	10.0	100	C	P
	MS	Mecartex SA, Losone	CHF	0.4	30	E	P
	MS	System 3R Schweiz AG, Flawil <sup>1</sup>	CHF	1.0	100	C	P
MS	Mikron Agie Charmilles AG, Nidau <sup>1</sup>	CHF	3.5	100	C	P	
MS	Step-Tec AG, Luterbach <sup>1</sup>	CHF	1.3	98	C	P	
MS	Liechti Engineering AG, Langnau <sup>1</sup>	CHF	0.1	100	C	P	
<b>Near East</b>							
UAE	PS	Georg Fischer Corys LLC, Dubai <sup>1</sup>	AED	0.3	49	E	P
Turkey	PS	Georg Fischer Hakan Plastik AS, Cerkezköy <sup>1</sup>	TRY	20.0	90	C	P
	MS	System 3R Hassas Baglama Ekipmanlari Tic Ltd Sti, Istanbul <sup>1</sup>	TRY	0.1	100	E	S
<b>Americas</b>							
Argentina	PS	Georg Fischer Central Plastics Sudamerica SRL, Buenos Aires <sup>1</sup>	ARS	1.4	100	C	S
	PS	Polytherm Central Sudamericana SA, Buenos Aires	ARS	0.1	49	E	S
Bermuda	CM	Munot Reinsurance Ltd, Hamilton <sup>1</sup>	EUR	0.1	100	C	M
Brazil	PS	Georg Fischer Sistemas de Tubulacoes Ltda, São Paulo <sup>1</sup>	BRL	4.1	100	C	S
	MS	GF Machining Solutions Ltda, São Paulo <sup>1</sup>	BRL	60.9	100	C	S
Canada	PS	Georg Fischer Piping Systems Ltd, Mississauga <sup>1</sup>	CAD	0.1	100	C	S
Mexico	PS	Georg Fischer SA de CV Mexico, Monterrey <sup>1</sup>	MXN	0.1	100	C	S
USA	CM	George Fischer Corporation, El Monte, CA <sup>1</sup>	USD	0.1	100	C	H
	PS	Georg Fischer LLC, Irvine, CA	USD	3.8	100	C	S
	PS	Georg Fischer Signet LLC, El Monte, CA	USD	0.1	100	C	P
	PS	Georg Fischer Central Plastics LLC, Shawnee, OK	USD	1.1	100	C	P
	PS	Georg Fischer Harvel LLC, Easton, PA	USD	0.1	100	C	P
	MS	GF Machining Solutions LLC, Lincolnshire, IL	USD	0.1	100	C	S
	MS	System 3R USA LLC, Chicago, IL	USD	0.1	100	C	S
MS	Liechti America LLC, Huntsville, NC	USD	0.1	100	C	S	

1 Directly held by Georg Fischer Ltd.

Country	Division	Company	Functional currency	Share capital million	Participation %	Consolidation	Function
<b>Asia/Australia</b>							
Australia	CM	George Fischer IPS Pty Ltd, Riverwood <sup>1</sup>	AUD	7.1	100	C	H
	PS	George Fischer Pty Ltd, Riverwood <sup>1</sup>	AUD	3.8	100	C	S
China	CM	Georg Fischer Business Services (Shanghai) Co Ltd, Shanghai <sup>1</sup>	CNY	1.1	100	C	M
	PS	Changchun Chinaust Automobile Parts Corp Ltd, Changchun	CNY	10.0	50	P	P
	PS	Chinaust Plastics Corp Ltd, Zhuozhou	CNY	53.6	50	P	P
	PS	Chinaust Plastics (Shenzhen) Co Ltd, Shenzhen <sup>1</sup>	CNY	45.0	50	P	P
	PS	Chinaust Plastics (Sichuan) Corp Ltd, Dujiangyan <sup>1</sup>	CNY	50.0	50	P	P
	PS	Hebei Chinaust Automotive Plastics Corp Ltd, Zhuozhou <sup>1</sup>	CNY	58.2	50	P	P
	PS	Shanghai Chinaust Automotive Plastics Corp Ltd, Shanghai <sup>1</sup>	CNY	40.3	50	P	P
	PS	Shanghai Chinaust Plastics Corp Ltd, Shanghai	CNY	58.3	50	P	P
	PS	Shanghai Georg Fischer Chinaust Plastics Fittings Corp Ltd, Shanghai <sup>1</sup>	CNY	52.0	51	C	P
	PS	Georg Fischer Piping Systems Ltd, Shanghai <sup>1</sup>	CNY	41.4	100	C	P
	PS	Georg Fischer Piping Systems (Trading) Ltd, Shanghai <sup>1</sup>	CNY	1.7	100	C	S
	PS	Georg Fischer Piping Systems Ltd, Beijing <sup>1</sup>	CNY	36.7	100	C	P
	AU	Georg Fischer Automotive (Suzhou) Co Ltd, Suzhou <sup>1</sup>	CNY	209.5	100	C	P
	AU	Georg Fischer Automotive (Kunshan) Co Ltd, Kunshan <sup>1</sup>	CNY	149.5	100	C	P
	MS	GF Machining Solutions Ltd, Hongkong <sup>1</sup>	HKD	3.0	100	C	S
	MS	ACM North China (HK) Ltd, Hongkong <sup>1</sup>	HKD	0.1	100	C	S
	MS	Agie Charmilles China (HK) Ltd, Hongkong <sup>1</sup>	HKD	0.5	100	C	S
	MS	Agie Charmilles China (Shanghai) Co Ltd, Shanghai	CNY	2.5	100	C	S
	MS	Agie Charmilles China (Shenzhen) Ltd, Shenzhen	CNY	2.5	100	C	S
	MS	Agie Charmilles China (Tianjin) Ltd, Tianjin	CNY	1.7	100	C	S
MS	Beijing Agie Charmilles Industrial Electronics Co Ltd, Beijing <sup>1</sup>	CNY	80.3	78	C	P	
MS	Beijing Agie Charmilles Technology & Service Ltd, Beijing	CNY	4.5	78	C	S	
MS	Changzhou Agie Charmilles Machine Tool Co Ltd, Changzhou <sup>1</sup>	CNY	55.4	100	C	P	
MS	System 3R Shanghai Co Ltd, Shanghai	CNY	1.5	100	C	S	
MS	Liechti (Shanghai) Engineering Co Ltd, Shanghai	CNY	0.1	100	C	S	
India	PS	Georg Fischer Piping Systems PVT Ltd, Mumbai <sup>1</sup>	INR	215.4	100	C	P
Japan	PS	Georg Fischer Ltd, Osaka <sup>1</sup>	JPY	480.0	81	C	S
	MS	GF Machining Solutions Ltd, Yokohama <sup>1</sup>	JPY	50.0	100	C	S
	MS	System 3R Japan Co Ltd, Tokyo <sup>1</sup>	JPY	94.0	100	C	S
Korea	PS	Georg Fischer Korea Co. Ltd., Yongin-si <sup>1</sup>	KRW	600.0	100	C	S
	MS	GF Machining Solutions Co Ltd, Seoul <sup>1</sup>	KRW	975.0	100	C	S
Malaysia	PS	George Fischer (M) SDN BHD, Shah alam <sup>1</sup>	MYR	10.0	100	C	P
New Zealand	PS	Georg Fischer Ltd, Wellington <sup>1</sup>	NZD	0.1	100	C	S
Singapore	PS	George Fischer Pte Ltd, Singapore <sup>1</sup>	SGD	3.0	100	C	S
	MS	GF Machining Solutions Pte Ltd, Singapore <sup>1</sup>	SGD	2.1	100	C	S
	MS	System 3R Far East Pte Ltd, Singapore <sup>1</sup>	SGD	0.8	100	C	S
Taiwan	PS	Georg Fischer Co Ltd, New Taipei City <sup>1</sup>	TWD	1.0	100	C	S
	MS	GF Machining Solutions Ltd, San Chung, Taipei Hsien <sup>1</sup>	TWD	10.0	100	C	S

<sup>1</sup> Directly held by Georg Fischer Ltd.

#### Division

CM = Corporate Management  
PS = GF Piping Systems  
AU = GF Automotive  
MS = GF Machining Solutions

#### Consolidation

C = Fully consolidated  
P = Proportionately consolidated  
E = Stated based on the equity method  
F = Stated at estimated fair value

#### Function

H = Holding  
P = Production  
M = Management and Services  
S = Sales

Status as of 31 December 2014

## Report of the statutory auditor on the consolidated financial statements to the Annual Shareholders' Meeting of Georg Fischer Ltd, Schaffhausen

As statutory auditor, we have audited the consolidated financial statements of Georg Fischer Ltd, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes (pages 64 to 108), for the year ended 31 December 2014.

**Board of Directors' responsibility //** The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility //** Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion //** In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

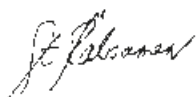
**Report on other legal requirements //** We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 13 February 2015

PricewaterhouseCoopers Ltd



Stefan Räbsamen  
Audit expert  
Auditor in charge



Diego J. Alvarez  
Audit expert



# Financial statements

## Georg Fischer Ltd

### Balance sheet as of 31 December 2014

CHF 1 000	Notes	2014	2013
Cash and cash equivalents		72 188	416 407
Marketable securities		3 635	3 249
Prepaid expenses and accrued income		485	349
Other accounts receivable		7 736	5 776
Loans to Corporate Companies		99 110	30 102
<b>Current assets</b>	(1)	<b>183 154</b>	455 883
Investments		947 226	904 142
Loans to third parties		1 989	0
Loans to Corporate Companies		326 456	340 442
<b>Non-current assets</b>	(2)	<b>1 275 671</b>	1 244 584
<b>Assets</b>		<b>1 458 825</b>	1 700 467
Current liabilities			
– Accounts payable to third parties		1 864	2 592
– Tax liabilities		3 591	2 767
– Accrued expenses and deferred income		5 088	4 750
– Accounts payable to Corp. Companies and loans from Corp. Companies		46 868	356 396
Non-current liabilities			
– Bonds		200 000	200 000
– Loans from third parties		3 760	2 430
– Provisions		31 240	28 551
<b>Liabilities</b>	(3)	<b>292 411</b>	597 486
Share capital		4 101	41 009
Legal reserves			
– General reserves		148 740	148 740
– Reserves from capital contributions		9 983	38 689
– Reserves for treasury shares		9 131	9 332
Retained earnings			
– Available earnings carried forward		865 411	788 464
– Net profit for the year		129 048	76 747
<b>Equity</b>	(4)	<b>1 166 414</b>	1 102 981
<b>Liabilities and equity</b>		<b>1 458 825</b>	1 700 467

# Income statement for the year ended 31 December 2014

CHF 1 000	Notes	2014	2013
Ordinary income from investments		160 448	94 371
Financial income		15 968	21 162
Income from services provided to Corporate Companies		41 184	40 874
Other income		2 192	2 206
<b>Income</b>	(6)	<b>219 792</b>	<b>158 613</b>
Ordinary expenses for investments		46 064	42 627
Financial expenses		6 444	2 559
Cost of services provided by Corporate Companies		2 435	2 029
External expenses		15 924	15 925
Personnel expenses		16 306	15 620
Income taxes		3 571	3 106
<b>Expenses</b>	(7)	<b>90 744</b>	<b>81 866</b>
<b>Net profit for the year</b>		<b>129 048</b>	<b>76 747</b>

# Statement of changes in equity for the year ended 31 December 2014

CHF 1 000	Share capital	General reserves <sup>1</sup>	Reserves from capital contributions <sup>1</sup>	Reserves for treasury shares <sup>1</sup>	Retained earnings	Equity
<b>Balance as of 31 December 2012</b>	<b>41 009</b>	<b>148 740</b>	<b>100 202</b>	<b>5 450</b>	<b>792 346</b>	<b>1 087 747</b>
Net profit for the year					76 747	76 747
Dividend from reserves from capital contributions			-61 513			-61 513
Reclassification				3 882	-3 882	
<b>Balance as of 31 December 2013</b>	<b>41 009</b>	<b>148 740</b>	<b>38 689</b>	<b>9 332</b>	<b>865 211</b>	<b>1 102 981</b>
Net profit for the year					129 048	129 048
Reduction in par value	-36 908					-36 908
Dividend from reserves from capital contributions			-28 706			-28 706
Reclassification				-200	200	
Rounding difference				-1		-1
<b>Balance as of 31 December 2014</b>	<b>4 101</b>	<b>148 740</b>	<b>9 983</b>	<b>9 131</b>	<b>994 459</b>	<b>1 166 414</b>

<sup>1</sup> Legal reserves.

# Notes to the financial statements

## 1 Current assets

Current assets decreased during the year under review by roughly CHF 273 million. The decrease mainly concerned the balance sheet position "Cash and cash equivalents" due to the repayment of the bond 2009–2014 in the amount of CHF 300 million by Georg Fischer Finanz Ltd. In order to pay back the bonds, Georg Fischer Finanz AG issued two bonds in 2013 and invested the funds from these two bonds in Georg Fischer AG until the bonds maturing in 2014 were paid.

Reportable cash pool items are disclosed on a gross basis either as short-term "Loans to Corporate Companies" or "Accounts payable to Corporate Companies and loans from Corporate Companies".

The securities were valued at 31 December 2014 at year-end stock market prices.

## 2 Non-current assets

Direct and indirect investments in Corporate Companies, joint ventures, and associates of Georg Fischer Ltd included the companies listed on pages 106 to 108. They were valued at the lower of historical cost and market value. Compared to 2013, investments increased by roughly CHF 43 million, mainly due to the following:

- Acquisition and capital increases: CHF 62 million (Liechti Engineering AG, Schweiz; Georg Fischer Holding NV, Epe, Netherlands; Georg Fischer Automotive (Suzhou) Co Ltd, Suzhou, China; Georg Fischer Automobilguss GmbH, Herzogenburg, Austria; GF Machining Solutions Ltd, Yokohama, Japan)
- Divestments: CHF 1 million (GF Geschäftsführungs-GmbH, Singen, Germany; Agie Charmilles Thailand Co Ltd, Bangkok, Thailand)
- Adjustment of book value of investments: CHF 18 million

Loans granted by Georg Fischer Ltd to Corporate Companies slightly decreased by CHF 14 million. The financing policy of the Corporation, according to which the activities of Corporate Companies are, whenever possible and suitable, financed by corporate loans instead of local bank credit facilities, was retained during the year under review.

As of 31 December 2014, none of the loans to Corporate Companies were subordinated (previous year: CHF 21 million).

### 3 Liabilities

Compared to the previous year, non-current liabilities remained stable. On the other hand, current liabilities decreased considerably by CHF 309 million, mainly concerning the balance sheet position "Accounts payable to subsidiaries and loans from subsidiaries". The reason for the decrease was the repayment of the bond 2009–2014 in the amount of CHF 300 million by Georg Fischer Finanz Ltd (see note 1).

A breakdown of the bonds is disclosed in note 14 to the consolidated financial statements on pages 94 to 96.

At year-end 2014, pension fund obligations amounted to CHF 1.4 million (previous year: CHF 0.5 million).

### 4 Equity

**Share capital //** As a result of a repayment of par value to the shareholders, the share capital decreased in comparison with 2013 by roughly CHF 37 million. As of 31 December 2014, it comprised 4 100 898 registered shares with a par value of CHF 1 each. Total dividend-bearing nominal capital amounted to CHF 4 100 898.

**Legal reserves //** As a result of a dividend payment to the shareholders, reserves from capital contributions decreased by CHF 29 million to roughly CHF 10 million in comparison with the previous year.

**Conditional capital //** At the Annual Shareholders' Meeting of 24 March 2010, conditional capital in the amount of maximum CHF 12 million was decided by issuing at most 600 000 registered shares with a fully paid par value of CHF 20 each. This capital can be issued by exercising conversion rights or options which are related to bonds or similar debt securities of Georg Fischer Ltd or its Corporate Companies. Due to the reduction in par value of CHF 9 per registered share, decided by the Annual Shareholders' Meeting of 19 March 2014, the conditional capital decreased to maximum CHF 0.6 million.

**Authorized capital //** According to the decision of the Annual Shareholders' Meeting of 19 March 2014, the Board of Directors of Georg Fischer Ltd is authorized to increase the share capital until 19 March 2016 in the maximal amount of CHF 0.6 million by issuing at most 600 000 registered shares with a fully paid par value of CHF 1 each. The capital increase can be executed in partial amounts.

**Significant shareholders //** An overview is disclosed in the Corporate Governance section of the Annual Report on page 42.

#### Treasury shares held by Georg Fischer Ltd and by Corporate Companies

	Number of registered shares	Net market value CHF 1 000
<b>Balance as of 1 January 2014, stated at market value</b>	<b>16 329</b>	<b>10 246</b>
Purchases	33 996	21 406
Sales	-27 373	-17 661
Used for employee incentive program and Board of Directors	-8 279	-5 195
Value adjustments		433
<b>Balance as of 31 December 2014, stated at market value</b>	<b>14 673</b>	<b>9 229</b>
- Thereof recognized by Corporate Companies	14 673	9 229
- Thereof recognized by Georg Fischer Ltd		
<b>Reserve for treasury shares</b>	<b>14 673</b>	<b>9 131</b>
(at Ø purchase cost of 622.33 per registered share)		

## 5 Contingent liabilities

CHF 1 000	2014	2013
Guarantees and pledges in favor of third parties:		
<b>Guaranteed maximum amount</b>	<b>1 467 713</b>	1 681 121
– Thereof utilized	617 780	849 536

In comparison with the previous year, the guaranteed maximum amount and the amount utilized thereof decreased significantly by approximately CHF 213 million and CHF 232 million, respectively. This was due, among other reasons, to the repayment of the bond 2009–2014 by Georg Fischer Finanz Ltd. This bond was guaranteed by Georg Fischer Ltd.

Georg Fischer Ltd carries joint liability to the federal tax authorities for value added tax debts of all Swiss Corporate Companies.

## 6 Income

Ordinary dividend income from investments increased in comparison with 2013 by CHF 66 million. The increase was generally caused by more dividend income from various Corporate Companies due to enhanced profitability and positive value adjustments of investments. Additionally, Georg Fischer JRG, Sissach (Switzerland), paid out an accumulated dividend.

Financial income decreased by CHF 5 million to roughly CHF 16 million due to negative foreign currency developments.

Income from Corporate Companies and other income remained unchanged.

## 7 Expenses

Adjustments to the fair market value of Corporate Companies (see note 2) were the main reason for the ordinary expenses for investments in the amount of CHF 46 million.

Financial expenses increased due to the depreciation of an intercompany loan in the context of a disposal of an investment.

Cost of services provided by Corporate Companies, external expenses, and personnel expenses remained stable in comparison with the previous year.

Income taxes in the period under review concerned not only income taxes of Georg Fischer Ltd, but also income taxes of Georg Fischer BV & Co KG (formerly Georg Fischer AG & Co OHG), Singen, acting as the German fiscal unity parent. Georg Fischer Ltd as the associate of Georg Fischer BV & Co KG is liable for German income taxes.

## 8 Compensation and shareholdings

### Compensation paid to the members of the Board of Directors 2014

	Compensation				Total compensation 2014 <sup>3</sup>	Total compensation 2013 <sup>3</sup>
	Cash compensation	Shares	Share-related compensation <sup>1</sup>	Other benefits <sup>2</sup>		
	CHF 1 000	Number	CHF 1 000	CHF 1 000	CHF 1 000	CHF 1 000
<b>Andreas Koopmann</b>						
Chairman of the Board of Directors						
Chairman Nomination Committee	229	300	189	30	448	443
<b>Hubert Achermann<sup>4</sup></b>						
Member Audit Committee (as from 20 March 2014)	48	117	74	10	132	
<b>Gerold Bühler</b>						
Vice Chairman of the Board of Directors						
Member Audit Committee	87	150	94	13	194	232
<b>Roman Boutellier</b>						
Member Nomination Committee	49	150	94	12	155	193
<b>Ulrich Graf</b>						
Chairman of the Compensation Committee	56	150	94	11	161	191
<b>Rudolf Huber</b>						
Chairman of the Audit Committee	96	150	94	16	206	242
<b>Roger Michaelis</b>						
Member Board of Directors	85	150	94	13	192	192
<b>Jasmin Staiblin</b>						
Member Nomination Committee	49	150	94	12	155	184
<b>Kurt E. Stirnemann<sup>5</sup></b>						
Member Audit Committee	13	33	21	2	36	164
<b>Isabelle Welton</b>						
Member Compensation Committee	49	150	94	12	155	163
<b>Zhiqiang Zhang</b>						
Member Compensation Committee	90	150	94	14	198	221
Rounding difference	-1		2	1	2	-1
<b>Total</b>	<b>850</b>	<b>1 650</b>	<b>1 038</b>	<b>146</b>	<b>2 034</b>	<b>2 224</b>

1 The share-related compensation consists in the allocation of a fixed number of shares. The amount of the share-related compensation is calculated on the basis of the full value of the shares at the year-end price of CHF 629 on 31 December 2014.

2 The other benefits include employee contributions to social insurance funds and lump-sum remuneration for expenses which are assumed by GF.

3 The total compensation encompasses the compensation plus the other benefits. Excluding employer contributions to social security of CHF 100 thousand (previous year: CHF 111 thousand).

4 Member of the Board of Directors and member of the Audit Committee as from 20 March 2014.

5 Member of the Board of Directors and member of the Audit Committee until the Annual Shareholders' Meeting 2015 (19 March 2014).

The compensation paid to the Board of Directors for the year 2014 was below that of the previous year due to a lower number of meetings in 2014, whereas the share value remained at a similar level.

In the year under review, Mr. Kurt E. Stirnemann, member of the Board of Directors until the Annual Shareholders' Meeting of 19 March 2014, was compensated for the time 1 January through 19 March. Mr. Hubert Achermann, member of the Board of Directors as from 20 March 2014, was compensated for the time 20 March through 31 December. No further compensation was paid to former members of the Board of Directors. No compensation was paid to parties closely related to members of Board of Directors.



## Compensation paid to the members of the Executive Committee 2014

	Fixed salary in cash	Bonus in cash <sup>1</sup>	Shares	Share-related compensation <sup>2</sup>	Pension and social insurance funds <sup>3</sup>	Total compensation 2014 <sup>4</sup>	Total compensation 2013 <sup>4</sup>
	CHF 1 000	CHF 1 000	Number	CHF 1 000	CHF 1 000	CHF 1 000	CHF 1 000
Executive Committee	2 763	1 500	2 050	1 289	1 078	6 630	6 255
Of whom							
Yves Serra, CEO (highest individual compensation)	860	545	850	535	346	2 286	2 154

- 1 The bonus is based on a bonus plan. The amount is determined by the fulfillment of personal performance objectives and by the financial results of the divisions and the Corporation. The bonus for the 2014 financial year was approved by the Board of Directors on 13 February 2015. Payment will be made in 2015.
- 2 The share-related remuneration is based on a long-term incentive plan. Each year a fixed number of GF shares is allocated. These shares are blocked for five years. The amount of the share-related compensation is calculated on the basis of the full value of the shares at the year-end price of CHF 629 on 31 December 2014. All shares are transferred in 2015.
- 3 The pension and social insurance fund expenses include employer contributions to social security funds and to pension funds.
- 4 The total compensation is comprised of the fixed salary, the bonus, the share-related remuneration, and the social and pension contributions.

Total compensation for the Executive Committee and the CEO and the other members of the Executive Committee in 2014 was 6% higher than in 2013. The increase is explained by the following factors:

- The number of shares granted has been increased from 750 to 850 shares for the CEO and from 250 to 300 shares for the other members of the Executive Committee, while the value of the shares slightly increased from CHF 627.50 in 2013 to CHF 629.00 in 2014.
- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was of similar level in 2014 compared to 2013. Consequently, the overall short-term incentive percentage ranges from 49% to 54% of the base salary for the Executive Committee members and amounts to 63% of the base salary for the CEO.
- The fixed remuneration was slightly adjusted in order to keep competitive levels that are in line with the market practice of our industrial sector.
- The employer contributions to social security and to company retirement plans have increased following the adjustments of fixed remuneration and the increase of number of restricted shares awarded. A significant portion of the social security payments of the employer to the Swiss social security system (CHF 281 thousand) represents a solidarity payment as the individuals will not get any return or benefit due to these payments.

In the year under review, no compensation was paid to former members of the Executive Committee. No compensation was paid to parties closely related to members of the Executive Committee.

Total compensation paid to the Board of Directors and Executive Committee is contained in the Corporation's total expenses.

**Shareholdings of members of the Board of Directors, Executive Committee, or persons related to them //** Related persons and companies are defined as family members and persons or companies over which a significant influence can be exercised. Transactions with related persons and companies must be settled on prevailing market terms.

Apart from the compensation paid to the Board of Directors and the Executive Committee and the regular contributions to the various pension fund institutions, no transactions with related persons or companies took place.

## Shareholdings Board of Directors

		Number of Georg Fischer registered shares as of 31 Dec. 2014
Andreas Koopmann	Chairman of the Board of Directors	1 581
Hubert Achermann	Member Audit Committee	117
Gerold Bühler	Vice Chairman of the Board of Directors	2 572
Roman Boutellier	Member Nomination Committee	2 649
Ulrich Graf	Chairman of the Compensation Committee	1 998
Rudolf Huber	Chairman of the Audit Committee	4 114
Roger Michaelis	Member Board of Directors	417
Jasmin Staiblin	Member Nomination Committee	595
Isabelle Welton	Member Compensation Committee	417
Zhiqiang Zhang	Member Compensation Committee	2 237
<b>Total Directors</b>		<b>16 697</b>

## Shareholdings Executive Committee

		Number of Georg Fischer registered shares as of 31 Dec. 2014
Yves Serra	President and CEO	4 678
Roland Abt	CFO, Head of Corporate Finance & Controlling	1 764
Josef Edbauer	Head of GF Automotive	1 432
Pietro Lori	Head of GF Piping Systems	1 634
Pascal Boillat	Head of GF Machining Solutions	405
<b>Total Executive Committee</b>		<b>9 913</b>

The registered shares transferred as part of share-related compensation to the Executive Committee are blocked for at least five years.

As of 31 December 2014, members of the senior management registered a total of 16 047 shares of Georg Fischer Ltd. A total of 42 657 Georg Fischer shares were held by the Board of Directors, the Executive Committee, and the senior management as of 31 December 2014, corresponding to 1.0% of issued shares.

Neither Georg Fischer Ltd nor its Corporate Companies granted any guarantees, loans, advances, or credit facilities to members of the Executive Committee or the Board of Directors or related parties.

Compensation has not involved the allocation of options to current or past members of the Executive Committee or Board of Directors. Neither they nor any related persons possess option rights allocated by Georg Fischer. As of 31 December 2014, the members of the Executive Committee held no option rights for Georg Fischer registered shares.

In 2014, GF did not make any severance payments to members of the Board of Directors or Executive Committee who left the company in the period under review or earlier.

## 9 Risk Management

Enterprise Risk Management as a fully integrated risk management process for Georg Fischer Ltd was systematically applied in 2014 as part of the corporate-wide activities. The semi-annual risk maps prepared by Corporate Staff relating to strategic, market, operational, management and resources, financial, and sustainability risks also include specific risks of Georg Fischer Ltd.

The structure of the likelihood was classified into four categories. Whenever possible and suitable, the risks listed were quantified taking into consideration already planned and executed measures. Alternatively, a qualification of the risk exposure was applied.

During the year under review, the risk maps were analysed twice each by the Executive Committee and the Board of Directors. In addition, workshops with the management of the divisions took place in order to discuss the risk maps of the Corporate Companies and to assess the risk situation of the division.

Key risks for Georg Fischer Ltd were the sustainability of the value of individual investments and loans granted to Corporate Companies as well as the development of foreign currency exchange rates.

Clear measures to reduce the risk exposure of the above mentioned risks as well as other identified risks were defined and are in the process of execution. They are in line with the strategic targets of the Corporation.

## 10 Accounting law

The financial statements of Georg Fischer Ltd comply with the requirements of the Swiss law for companies, the Swiss Code of Obligations. Applying the transitional provisions of the new Swiss accounting law introduced on 1 January 2013, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations valid until 31 December 2012.

# Proposal by the Board of Directors for the appropriation of retained earnings 2014 and for the appropriation of reserves from capital contributions

## Proposal by the Board of Directors for the appropriation of the retained earnings 2014

CHF 1 000	2014	2013
Net profit for the year	129 048	76 747
Earnings carried forward	865 211	792 346
Allocation/reduction to treasury share reserves	200	-3 882
<b>Retained earnings</b>	<b>994 459</b>	<b>865 211</b>
Dividend payment CHF 14.57 per registered share <sup>1</sup>	-59 750	
<b>To be carried forward</b>	<b>934 709</b>	<b>865 211</b>

## Proposal by the Board of Directors for the appropriation of reserves from capital contributions

CHF 1 000	2014	2013
Reserves from capital contributions carried forward from previous year	9 983	38 689
<b>Balance as of 31 December 2014</b>	<b>9 983</b>	<b>38 689</b>
Dividend payment out of reserves from capital contributions of CHF 2.43 <sup>1</sup>	-9 965	-28 706
Reclassification of reserves from capital contribution to retained earnings	-18	
<b>To be carried forward</b>		<b>9 983</b>

<sup>1</sup> The dividend payment is based on the issued share capital as of 31 December 2014. No distribution will be made for treasury shares held by Georg Fischer Ltd.

The Board of Directors will propose to the Annual Shareholders' Meeting of 18 March 2015 to pay out a dividend of CHF 14.57 per registered share out of retained earnings. In addition, the Board of Directors will propose to the Annual Shareholders' Meeting to pay out a dividend of CHF 2.43 per registered share free of 35% withholding tax out of reserves from capital contributions. A profit distribution of CHF 17 per registered share will be proposed to the Annual Shareholders' Meeting.

In the previous year, a dividend of CHF 7 per registered share free of 35% withholding tax out of reserves from capital contributions and a par value reduction of CHF 9 per registered share was paid out according to the decision taken by the Annual Shareholders' Meeting of 19 March 2014.

Schaffhausen, 13 February 2015

For the Board of Directors  
The Chairman



Andreas Koopmann

# Report of the statutory auditor on the financial statements to the Annual Shareholders' Meeting of Georg Fischer Ltd, Schaffhausen

As statutory auditor, we have audited the financial statements of Georg Fischer Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 111 to 120), for the year ended 31 December 2014.

**Board of Director's responsibility //** The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility //** Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion //** In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

**Report on other legal requirements //** We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings and reserves from capital contributions complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 13 February 2015

PricewaterhouseCoopers Ltd



Stefan Räbsamen  
Audit expert  
Auditor in charge



Diego J. Alvarez  
Audit expert

# Investor information

## Share information

	2014	2013	2012	2011	2010
<b>Share capital</b>					
<b>Number of shares as of 31 December</b>					
Registered shares	4 100 898	4 100 898	4 100 898	4 100 898	4 100 898
Thereof dividend-entitled	4 100 898	4 100 898	4 100 898	4 100 898	4 100 898
<b>Number of registered shareholders</b>	<b>13 446</b>	12 269	14 212	13 966	14 180
<b>Share prices in CHF</b>					
Registered share					
Highest (intraday)	738	648	451	574	579
Lowest (intraday)	495	363	302	261	261
Closing as of 31 December	629	628	368	321	528
<b>Earnings/loss in CHF</b>					
Per registered share	45	34	32	39	24
<b>Price-earnings ratio</b>	<b>14</b>	18	11	8	22
<b>Market capitalization as of 31 December</b>					
CHF million	2 579	2 573	1 509	1 316	2 163
In % of sales	68	68	41	36	63
In % of equity attributable to shareholders of Georg Fischer Ltd	244	275	161	112	200
<b>Cash flow from operating activities in CHF</b>					
Per registered share	61	76	56	61	59
<b>Equity attributable to shareholders of Georg Fischer Ltd in CHF</b>					
Per registered share	259	229	229	288	264
<b>Dividend paid (proposed) in CHF million<sup>1</sup></b>	<b>70</b>	66	62	62	41
<b>Dividend paid (proposed) in CHF</b>					
Per registered share <sup>1</sup>	17	16	15	15	10
<b>Pay-out ratio in %</b>	<b>38</b>	47	47	38	42

<sup>1</sup> In 2014 as a dividend of CHF 14.57 out of retained earnings and as a dividend of CHF 2.43 out of reserves from capital contributions. In 2013 as a par value reduction and as a dividend out of reserves from capital contributions. In 2012 and 2011 as a dividend out of reserves from capital contributions. In 2010 as a par value reduction.

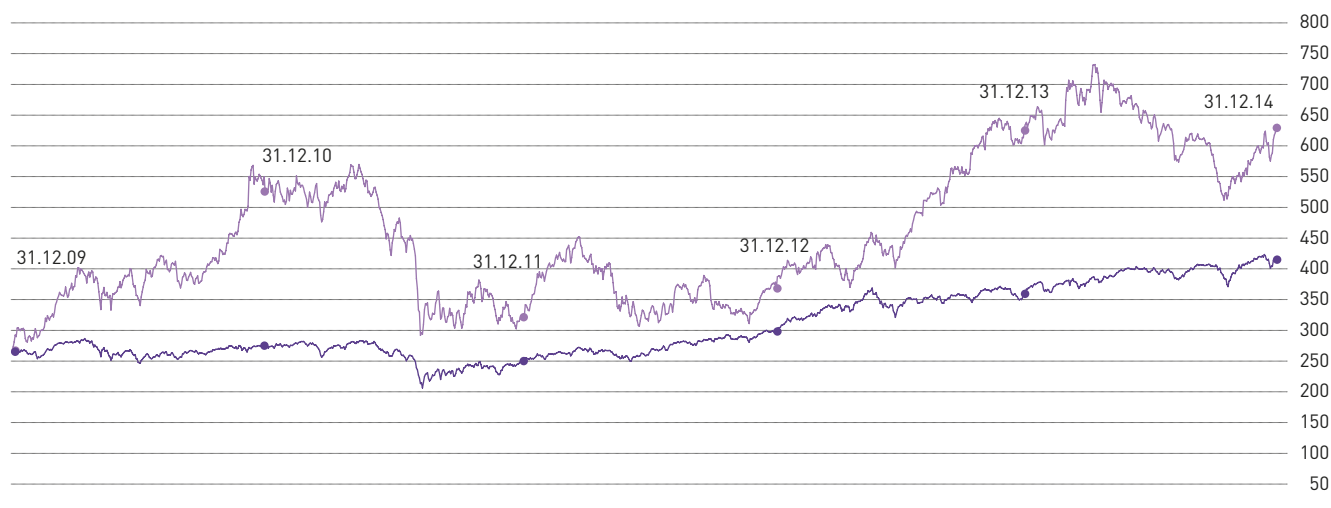
The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of 2013. Prior-year figures have been adjusted accordingly.

Ticker symbols  
Telekurs, Dow Jones (DJT): FI-N  
Reuters: FGEZn

Security number: 175 230  
ISIN: CH000175 230 9  
Cedel/Euroclear Common Code: XS008592691



# Share price 2010–2014



GF daily closing (CHF)  
SPI daily closing – rebased

**Market capitalization, earnings per share //** The market capitalization stood at CHF 2 579 million on 31 December 2014. Earnings per share was at CHF 45 (previous year: CHF 34).

**Proposed distribution of dividends //** At the Annual Shareholders' Meeting, the Board of Directors will propose a profit distribution of CHF 17 per registered share in the form of a dividend out of the retained earnings and the reserves from capital contributions.

**Significant shareholders //** Eleven disclosure notifications were published in the year under review: eight in relation to the BlackRock Group (see group structure as published on the SIX disclosure platform), held indirectly by BlackRock Inc (USA), two in relation to LSV Asset Management, Chicago (USA), and one in relation to Norges Bank (the Central Bank of Norway), Oslo (Norway).

As of 31 December 2014, no shareholder or shareholder group had voting rights in excess of 5%. The Norges Bank (the Central Bank of Norway), Oslo (Norway), LSV Asset Management, Chicago (USA), and the UBS Fund Management (Switzerland) AG, Basel (Switzerland), had voting rights between 3% and 5%.

Disclosure notifications pertaining to shareholdings in Georg Fischer Ltd that were filed with Georg Fischer Ltd and the SIX Swiss Exchange are published on the latter's electronic publication platform. The notifications can be accessed via the following weblink to the database search page of the disclosure office:

[www.six-exchange-regulation.com/obligations/disclosure/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html)

## Categories of shareholders as of 31 December 2014

Number of shares	Number of shareholders	Number of shares %
1–100	11 312	9.2
101–1 000	1 918	12.4
1 001–10 000	191	10.6
10 001–100 000	21	13.0
> 100 000	4	15.1
Shares not registered in share register	–	39.7
<b>Total</b>	<b>13 446</b>	<b>100.0</b>

# Five-year overview Corporation

CHF million	2014	2013	2012	2011	2010
Order intake	3 836	3 795	3 691	3 734	3 625
Orders on hand at year-end <sup>1</sup>	634	577	565	666	579
<b>Income statement</b>					
Sales	3 795	3 766	3 720	3 638	3 447
EBITDA	399	380	351	370	329
Operating result (EBIT)	274	251	222	235	180
Net profit/loss	195	145	138	168	108
<b>Cash flow</b>					
Cash flow from operating activities	248	309	230	250	243
Depreciation on tangible fixed assets	122	126	125	121	140
Amortization on intangible assets	3	3	4	14	9
Additions to property, plant, and equipment	-152	-130	-132	-147	-124
Cash flow from acquisitions and divestitures	-20	-66	-80		
Free cash flow before acquisitions/divestitures	110	174	99	103	150
Free cash flow	90	108	19	103	150
<b>Balance sheet</b>					
Current assets	1 801	1 989	1 584	1 651	1 569
Non-current assets	1 188	1 137	1 080	1 274	1 269
Assets	2 989	3 126	2 664	2 925	2 838
Current liabilities	981	1 282	839	904	836
Non-current liabilities	904	866	846	798	878
Equity	1 104	978	979	1 223	1 124
Invested capital (IC)	1 354	1 224	1 217	1 476	1 418
Net debt	354	352	334	294	321
<b>Asset structure</b>					
- Current assets %	60	64	59	56	55
- Non-current assets %	40	36	41	44	45
<b>Capital structure</b>					
- Current liabilities %	33	41	31	31	29
- Non-current liabilities %	30	28	32	27	31
- Equity %	37	31	37	42	40
<b>Key figures</b>					
Return on equity (ROE) %	18.7	14.8	14.2	14.0	9.5
Return on invested capital (ROIC) %	17.9	16.7	15.7	13.3	9.1
Return on sales (EBIT margin) %	7.2	6.7	6.0	6.5	5.2
Asset turnover	2.9	3.0	3.2	2.5	2.3
Cash flow from operating activities in % of sales	6.5	8.2	6.2	7.0	7.0
<b>Employees</b>					
Employees at year-end	14 140	14 066	13 412	13 606	12 908
Europe	8 676	8 548	8 871	9 465	9 196
- Thereof Germany	3 383	3 220	3 351	3 859	3 754
- Thereof Switzerland	2 686	2 539	2 577	2 650	2 521
- Thereof Austria	1 719	1 926	2 059	2 073	2 075
- Thereof Rest of Europe	888	863	884	883	846
Asia	3 455	3 468	3 226	3 077	2 721
- Thereof China	3 085	3 073	2 839	2 688	2 374
Americas	1 259	1 290	1 259	1 011	934
Rest of world	750	760	56	53	57

1 In 2012 change of definition for GF Piping Systems.

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of 2013. Prior-year figures have been adjusted accordingly. The years 2010–2011 are represented according to IFRS.

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**21 July** // Publication of Mid-Year Report 2015

## 2016

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**23 March** // Shareholders' Meeting for fiscal year 2015

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