

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
Balance as of 1 January 2014, stated at market value	16 329	10 246
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
Balance as of 31 December 2014, stated at market value	14 673	9 229
- Thereof recognized by Corporate Companies	14 673	9 229
- Thereof recognized by Georg Fischer Ltd		
Reserve for treasury shares	14 673	9 131
(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:		
Guaranteed maximum amount	1 467 713	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 ³	Total compensation 2013 ³
	Cash compensation	Shares	Share-related compensation ¹	Other benefits ²		
	CHF 1 000	Number	CHF 1 000	CHF 1 000	CHF 1 000	CHF 1 000
Andreas Koopmann						
Chairman of the Board of Directors						
Chairman Nomination Committee	229	300	189	30	448	443
Hubert Achermann⁴						
Member Audit Committee (as from 20 March 2014)	48	117	74	10	132	
Gerold Bühler						
Vice Chairman of the Board of Directors						
Member Audit Committee	87	150	94	13	194	232
Roman Boutellier						
Member Nomination Committee	49	150	94	12	155	193
Ulrich Graf						
Chairman of the Compensation Committee	56	150	94	11	161	191
Rudolf Huber						
Chairman of the Audit Committee	96	150	94	16	206	242
Roger Michaelis						
Member Board of Directors	85	150	94	13	192	192
Jasmin Staiblin						
Member Nomination Committee	49	150	94	12	155	184
Kurt E. Stirnemann⁵						
Member Audit Committee	13	33	21	2	36	164
Isabelle Welton						
Member Compensation Committee	49	150	94	12	155	163
Zhiqiang Zhang						
Member Compensation Committee	90	150	94	14	198	221
Rounding difference	-1		2	1	2	-1
Total	850	1 650	1 038	146	2 034	2 224

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 ¹	Shares	Share-related compensation ²	Pension and social insurance funds ³	Total compensation 2014 ⁴	Total compensation 2013 ⁴
	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
Total Directors		16 697

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
Total Executive Committee		9 913

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.