

Notes to the financial statements

1 Principles

1.1 General // These annual financial statements were prepared in accordance with the provisions of the Swiss accounting law (Title 32 of the Swiss Code of Obligations). The main valuation principles applied that are not prescribed by law are described below. Georg Fischer Ltd, Schaffhausen (Switzerland), reports its consolidated financial statements based on a recognized standard (Swiss GAAP FER) and, in accordance with the legal provisions, the company has decided not to provide notes on the audit fees, a cash flow statement or an annual report.

1.2 Securities with market price // Securities held for the short term are valued at the market price on the balance sheet date. No equalization reserve has been created.

1.3 Loans to Corporate Companies and other financial assets // Loans granted to Corporate Companies and other financial investments in foreign currencies are valued at the market rate on the actual closing date. Unrealized currency losses are booked, while unrealized gains are deferred (impairment principle). The valuation is at nominal values, taking into consideration any value adjustments required.

1.4 Investments // Investments are valued in line with the principle of individual valuation. In addition, further flat-rate value adjustments can be applied.

1.5 Dividend income // Dividend income is booked when paid out.

1.6 Share-based compensation // More information about share-based compensation is available in the compensation report as well as on pages 108 to 111 of the Annual Report.

1.7 Long-term interest-bearing liabilities // Interest-bearing liabilities are recognized at nominal value.

2 Information on balance sheet positions

2.1 Cash and cash equivalents and short-term investments with a quoted market price // This balance sheet position contains securities in the amount of CHF 3.5 million (previous year: CHF 3.6 million).

2.2 Other current receivables due from Corporate Companies // The balance sheet position includes short-term receivables and loans to Corporate Companies and positions from cash pooling with Corporate Companies. These are reported as a gross amount under "Other current receivables due from Corporate Companies" and "Short-term interest-bearing liabilities due from Corporate Companies".

2.3 Loans to Corporate Companies // The activities of Corporate Companies are, whenever possible and suitable, financed by loans from the Corporation instead of credit facilities from local banks.

2.4 Investments // Direct and indirect investments in Corporate Companies of Georg Fischer Ltd include the companies listed on pages 98 to 100 of the Annual Report.

2.5 Short-term interest-bearing liabilities due from third parties // The balance sheet item includes the 3 ⅜% debenture loan with a nominal value of CHF 200 million and with a term from 2010 to 12 May 2016. Due to its maturity in May 2016, this liability was rebooked from long-term to short-term interest-bearing liabilities.

2.6 Short-term interest-bearing liabilities due from Corporate Companies // This balance sheet item includes short-term liabilities and loans from Corporate Companies and items from cash pooling with Corporate Companies. These are reported as a gross amount under "Other current receivables due from Corporate Companies" and "Short-term interest-bearing liabilities due from Corporate Companies".

2.7 Accrued expenses and deferred income // Accrued expenses and deferred income largely comprises the interest expense on bonds, variable compensation for employees, and fees for the Board of Directors.

2.8 Long-term interest-bearing liabilities // The change in this balance sheet item compared with the prior year is due to the rebooking of the 3 ¾% debenture loan with a nominal value of CHF 200 million to the short-term interest-bearing liabilities due from third parties.

2.9 Long-term provisions // This provision concerns currency risks.

2.10 Share capital // As of 31 December 2015, amounted to 4 100 898 registered shares at a par value of CHF 1.

Conditional capital: As of 31 December 2015, amounted to CHF 0.6 million and can be created by exercising conversion or option rights granted in connection with debenture loans or similar bonds of Georg Fischer Ltd or its Corporate Companies that were issued on the capital markets.

Authorized capital: In accordance with the resolution of the Annual General Meeting of 19 March 2014, the Board of Directors is authorized to increase the share capital, until no later than 19 March 2016, by a maximum amount of CHF 0.6 million, by issuing a maximum of 600 000 fully paid-in registered shares with a nominal value of CHF 1 each. The increase may be made in partial amounts.

2.11 Reserves for treasury shares // Georg Fischer Finanz Ltd, a Corporate Company held by Georg Fischer Ltd, owned 8 635 registered shares of Georg Fischer Ltd on the balance sheet date. Accordingly, a reserve for treasury shares was set up at Georg Fischer Ltd.

3 Information on the income statement

3.1 Dividend income // The dividend income for the year was CHF 132 million (previous year: CHF 135 million).

3.2 Income from services provided to Corporate Companies // The income from Corporate Companies consisted primarily of licensing income for the use of the corporate brand +GF+ as well as income for services provided.

3.3 Financial Income // The financial income comes primarily from interest income on the loans granted to Corporate Companies.

3.4 Valuation allowance on investments // Some investments of Georg Fischer Ltd had to be written down due to the application of the principle of individual evaluation. The principles for the valuation of investments are found in section 1.4.

3.5 Financial expenses // This income statement item includes the interest expense for the debenture loan (described in section 2.5) and foreign currency gains.

3.6 Other operating expenses // The main expense items related to external consulting services, marketing expenses, fees for the Board of Directors, and data processing costs.

3.7 Direct taxes // Income taxes in the period under review concerned not only the income taxes of Georg Fischer Ltd, but also the corporation taxes of Georg Fischer BV & Co KG, Singen (Germany), acting as the German fiscal unity parent of GF. Georg Fischer Ltd, as the associate of Georg Fischer BV & Co KG, is liable for German corporation taxes.

4 Additional information

4.1 Full-time equivalents // As of 31 December 2015, Georg Fischer Ltd employed 60 people.

4.2 Contingent liabilities

| CHF 1000 | 2015 | 2014 |
|---|------------------|-----------|
| Guarantees and pledges in favor of third parties: | | |
| Guaranteed maximum amount | 1 572 503 | 1 467 713 |
| Thereof utilized | 733 118 | 617 780 |

Georg Fischer Ltd bears joint liability with regard to the Swiss Federal Tax Administration for the amounts due of value-added tax of all the Swiss Corporate Companies.

4.3 Pension fund obligations // At year-end 2015, pension fund obligations amounted to CHF 1.5 million (previous year: CHF 1.4 million).

4.4 Significant shareholders // An overview can be found on page 32 of the Annual Report.

4.5 Shareholdings of members of the Board of Directors, Executive Committee, or persons related to them // Information on the shareholdings of members of the Board of Directors, Executive Committee, or persons related to them is provided on pages 110 to 111 of the Annual Report.

5 Events after the balance sheet date

On 27 January 2016, Georg Fischer Ltd acquired the remaining 10% of the capital of Georg Fischer Hakan Plastik AS, Cerkezköy (Turkey), for CHF 11 million. The transaction is expected to be completed by the end of the first quarter of 2016, once all of the authorities have given their approval. Georg Fischer Ltd will then own 100% of the capital of Georg Fischer Hakan Plastik AS.

In addition, on 27 January 2016, the outstanding earn-out in the amount of CHF 31 million was paid by Georg Fischer Ltd to the former owners of Georg Fischer Hakan Plastik AS.

There were no events between 31 December 2015 and 19 February 2016 that would require an adjustment to the carrying amounts of assets and liabilities and equity or would need to be disclosed under this heading.

6 Compensation and shareholdings

Board of Directors // The members of the Board of Directors received cash compensation of CHF 1.175 million in the year under review. In addition, a total of 1 534 GF registered shares with a total market value of CHF 1.042 million were allocated as share-based compensation. In the previous year, the allocation had been 1 650 GF registered shares, equivalent to a total market value of CHF 1.038 million. Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 2.331 million (previous year: CHF 2.034 million). The detailed disclosure of compensation to the Board of Directors is as follows:

Compensation paid to the members of the Board of Directors 2015

| | Compensation | | | Other benefits ³ | Total compensation 2015 ⁴ | Total compensation 2014 ⁴ |
|------------------------------------|--------------------------------|------------------|---------------------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| | Cash compensation ¹ | Number of shares | Share-based compensation ² | | | |
| Andreas Koopmann | | | | | | |
| Chairman Board of Directors | | | | | | |
| Chairman Nomination Committee | 270 | 300 | 204 | 25 | 499 | 448 |
| Hubert Achermann | | | | | | |
| Chairman Audit Committee | 139 | 150 | 102 | 13 | 254 | 132 |
| Gerold Bühler | | | | | | |
| Vice Chairman Board of Directors | | | | | | |
| Member Audit Committee | 123 | 150 | 102 | 10 | 235 | 194 |
| Roman Boutellier | | | | | | |
| Member Nomination Committee | 90 | 150 | 102 | 9 | 201 | 155 |
| Ulrich Graf | | | | | | |
| Chairman Compensation Committee | 110 | 150 | 102 | 10 | 222 | 161 |
| Rudolf Huber⁵ | | | | | | |
| Chairman Audit Committee | 33 | 33 | 22 | 3 | 58 | 206 |
| Roger Michaelis | | | | | | |
| Member Audit Committee | 116 | 150 | 102 | 12 | 230 | 192 |
| Eveline Saupper⁶ | | | | | | |
| Member Compensation Committee | 71 | 118 | 80 | 8 | 159 | |
| Jasmin Staiblin | | | | | | |
| Member Compensation Committee | 90 | 150 | 102 | 10 | 202 | 155 |
| Isabelle Welton⁷ | | | | | | |
| Member Compensation Committee | 20 | 33 | 22 | 2 | 44 | 155 |
| Zhiqiang Zhang | | | | | | |
| Member Nomination Committee | 113 | 150 | 102 | 12 | 227 | 198 |
| Rounding | | | | | | 2 |
| Total | 1 175 | 1 534 | 1 042 | 114 | 2 331 | 1 998 |

(all in CHF 1 000, except column "Number of shares")

* The total compensation in 2014 amounted to CHF 2.034 million, including a compensation for Kurt E. Stirnemann (member Audit Committee until Annual Shareholders' Meeting 2015) of CHF 36 000.

1 The cash compensation includes reimbursements for international travel amounting to CHF 45 000.

2 The share-based 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 679 on 31 December 2015.

3 The other benefits represent employer contributions to social insurance funds.

4 The total compensation encompasses the cash compensation, the share-based compensation and the other benefits.

5 Member of the Board of Directors and Chairman Audit Committee until 18 March 2015.

6 Member of the Board of Directors and member Compensation Committee since 18 March 2015.

7 Member of the Board of Directors and member Compensation Committee until 18 March 2015.

The compensation paid to the Board of Directors for the year 2015 was above that of the previous year. The increase is explained by the following factors:

- Based on the review conducted in 2014, the applicable compensation model has been adapted to be aligned with the relevant market levels.
- The value of the shares increased from CHF 629 in 2014 to CHF 679 in 2015.

Other benefits reflect the social security contributions.

In the year under review, Mr. Rudolf Huber, Chairman of the Audit Committee, and Ms. Isabelle Welton, member of the Compensation Committee, were remunerated until the Annual Shareholders' Meeting of 18 March 2015. Ms. Eveline Saupper, member of the Compensation Committee, was compensated for the time 18 March through 31 December 2015. Both Mr. Roger Michaelis and Mr. Zhiqiang Zhang received each CHF 22 500 for international travel time spent; these reimbursements are included in the cash compensation. No further compensation was paid to 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-based compensation, social security and pension contributions amounting to CHF 7.736 million for the year under review (previous year: CHF 6.630 million). 2 050 GF registered shares with a total value of CHF 1.392 million, based on a share price of CHF 679 at year-end 2015, were allocated to members of the Executive Committee for the year under review (previous year: 2 050 GF registered shares with a total value of CHF 1.289 million).

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 2015

| | Fixed salary in cash | Short-term incentive in cash ¹ | Number of shares | Share-based compensation ² | Pension and social insurance funds ³ | Total compensation 2015 ⁴ | Total compensation 2014 ⁴ |
|--|-------------------------|--|------------------|--|--|---|---|
| Executive Committee | 2 860 | 2 274 | 2 050 | 1 392 | 1 210 | 7 736 | 6 630 |
| Of whom | | | | | | | |
| Yves Serra, CEO (highest individual compensation) | 869 | 938 | 850 | 577 | 397 | 2 781 | 2 286 |

(all in CHF 1 000, except column "Number of shares")

- 1 The short-term incentive is based on the short-term incentive plan. The amount is determined by the fulfillment of personal performance objectives and by the financial results of the divisions and the Corporation. The short-term incentive for the 2015 financial year was approved by the Board of Directors on 19 February 2016. Payment will be made in 2016.
- 2 The share-based compensation is based on the 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-based compensation is calculated on the basis of the full value of the shares at the year-end price of CHF 679 on 31 December 2015. All shares are transferred in 2016.
- 3 The pension and social insurance fund expenses include employer contributions to social security and to pension funds.
- 4 The total compensation is comprised of the fixed salary, the short-term incentive, the share-based compensation and the pension and social contributions.

The total compensation for the Chief Executive Officer and the other members of the Executive Committee in 2015 was higher than in 2014. The increase is explained by the following factors:

- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was clearly better in 2015 compared to 2014, especially as the objectives of the Strategy 2011–2015 have been achieved. Consequently, the overall short-term incentive percentage ranges from 66.2% to 68.3% of the base salary for the Executive Committee members and amounts to 108% of the base salary for the Chief Executive Officer.
- The value of the shares increased from CHF 629 in 2014 to CHF 679 in 2015.
- The maximum short-term incentive level for the Chief Executive Officer was increased from 110% to 150% of the fixed base salary in order to be aligned with relevant market practice.
- The fixed salary was slightly adjusted in order to keep competitive levels in line with the market practice of our industrial sector.
- The employer's contributions to social security and to company retirement plans have increased following the adjustments of fixed salary. Please note that a significant portion of the social security payments of the employer to the Swiss social security system 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.

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. 2015 | Number of Georg Fischer registered shares as of 31 Dec. 2014 |
|-------------------------------|----------------------------------|---|---|
| Andreas Koopmann | Chairman Board of Directors | 1 881 | 1 581 |
| Hubert Achermann ¹ | Chairman Audit Committee | 267 | 117 |
| Gerold Bühler | Vice Chairman Board of Directors | 2 722 | 2 572 |
| Roman Boutellier | Member Nomination Committee | 2 799 | 2 649 |
| Ulrich Graf | Chairman Compensation Committee | 1 166 | 1 998 |
| Rudolf Huber ² | Chairman Audit Committee | | 4 114 |
| Roger Michaelis | Member Audit Committee | 567 | 417 |
| Eveline Saupper ³ | Member Compensation Committee | 628 | |
| Jasmin Staiblin | Member Compensation Committee | 745 | 595 |
| Isabelle Welton ⁴ | Member Compensation Committee | | 417 |
| Zhiqiang Zhang | Member Nomination Committee | 2 387 | 2 237 |
| Total Directors | | 13 162 | 16 697 |

1 Chairman Audit Committee since the Annual Shareholders' Meeting 2015 (18 March 2015).

2 Member of the Board of Directors and Chairman Audit Committee until the Annual Shareholders' Meeting 2015 (18 March 2015).

3 Member of the Board of Directors and member Compensation Committee since the Annual Shareholders' Meeting 2015 (18 March 2015).

4 Member of the Board of Directors and member Compensation Committee until the Annual Shareholders' Meeting 2015 (18 March 2015).

Shareholdings Executive Committee

| | | Number of Georg Fischer registered shares as of 31 Dec. 2015 | Number of Georg Fischer registered shares as of 31 Dec. 2014 |
|----------------------------------|--|---|---|
| Yves Serra | President and CEO | 5 528 | 4 678 |
| Roland Abt | CFO, Head of Corporate Finance & Controlling | 2 064 | 1 764 |
| Pietro Lori | Head of GF Piping Systems | 1 934 | 1 634 |
| Josef Edbauer | Head of GF Automotive | 1 732 | 1 432 |
| Pascal Boillat | Head of GF Machining Solutions | 705 | 405 |
| Total Executive Committee | | 11 963 | 9 913 |

The registered shares transferred as part of share-based compensation to the Executive Committee are blocked for at least five years.

As of 31 December 2015, members of the senior management registered a total of 18 159 shares of Georg Fischer Ltd. A total of 43 284 Georg Fischer shares were held by the Board of Directors, the Executive Committee, and the senior management as of 31 December 2015, corresponding to 1.06% 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 GF. As of 31 December 2015, the members of the Executive Committee held no option rights for Georg Fischer registered shares.

In 2015, 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.