

Notes to the financial statements

1 Current assets

Current assets decreased during the year under review by roughly CHF 66 million. The decrease mainly concerned the balance sheet position "Cash and cash equivalents" due to the financing of acquisitions and the position "Loans to Corporate Companies" due to repayments of loans by Corporate Companies.

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 2012 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 109. They were valued at the lower of historical cost and market value. Compared to 2011, investments decreased by roughly CHF 113 million, mainly due to the following:

- adjustment of book value of investments due to accumulated dividend payments or capital reduction: CHF 69 million (Georg Fischer Corporation, El Monte, USA; Georg Fischer Liegenschaften AG, Schaffhausen, Switzerland);
- increase of value adjustment on investments in Corporate Companies, joint ventures and associates by reclassifying a provision for investment risks: CHF 60 million (see note 3);
- write-off of an investment due to liquidation: CHF 1 million (Agie Charmilles Makine Tic Ltd Sti, Istanbul, Turkey);
- capital increases of CHF 17 million in total (Georg Fischer Holding NV, Epe, Netherlands; Georg Fischer Sp.z.o.o., Warsaw, Poland; Changzhou Agie Charmilles Machine Tool Co Ltd, Changzhou, China).

Loans granted by Georg Fischer Ltd to Corporate Companies slightly increased by CHF 22 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 2012, CHF 24 million of the loans to Corporate Companies were subordinated (previous year: CHF 25 million).

3 Liabilities

Non-current liabilities in comparison with the previous year decreased by CHF 61 million, mainly due to the reclassification of a provision for investment risks (see note 2).

Current liabilities decreased by roughly CHF 135 million compared to 2011. Main reason for the decrease was a reduction of obligations relating to unrealized losses resulting from intercompany foreign exchange contracts.

A breakdown of the bonds is disclosed in note 16 to the consolidated financial statements on page 89.

4 Equity

Share capital // The share capital remained unchanged in comparison with 2011. As of 31 December 2012, it comprised 4,100,898 registered shares with a par value of CHF 10 each. Total dividend-bearing nominal capital amounted to CHF 41,008,980.

Legal reserves // As a result of a dividend payment to the shareholders, reserves from capital contributions decreased by roughly CHF 62 million.

Conditional capital // At the Annual Shareholders' Meeting of 24 March 2010 a conditional capital in the amount of maximal 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 10 per registered share, decided by the Annual Shareholders' Meeting of 23 March 2011, the conditional capital decreased to maximal CHF 6 million.

Authorized capital // According to the decision of the Annual Shareholders' Meeting of 21 March 2012, the Board of Directors of Georg Fischer Ltd is authorized to increase the share capital until 21 March 2014 in the maximal amount of CHF 6 million by issuing at most 600,000 registered shares with a fully paid par value of CHF 10 each. The capital increase can be executed in partial amounts.

Significant shareholders // An overview is disclosed in the Corporate Governance part of the Annual Report on page 44.

Treasury shares held by Georg Fischer Ltd and by Corporate Companies

	Number of registered shares	Total carrying amount 1 000 CHF
Balance as per 1 January 2012	21 974	7 053
Purchases	52 193	18 882
Sales	-49 413	-17 761
Used for employee incentive program and Board of Directors	-9 506	-3 129
Value adjustments		566
Balance as per 31 December 2012, stated at market value	15 248	5 611
Thereof recognized by Corporate Companies	15 248	5 611
Thereof recognized by Georg Fischer Ltd		

5 Contingent liabilities

1 000 CHF	2012	2011
Guarantees and pledges in favour of third parties:		
Guaranteed maximum amount	1 439 872	1 523 176
Thereof utilized	573 355	581 583

In comparison with the previous year, the guaranteed maximum amount and the amount utilized thereof decreased by approximately CHF 83 million and CHF 8 million respectively, amongst others due to the reduction of long-term facilities in China and the abolition of a guarantee relating to an acquisition in the USA.

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 the previous year by CHF 73 million, caused by an improved economic situation of various Corporate Companies and the accumulated dividend payment of George Fischer Corporation, El Monte, USA.

Compared to 2011, financial income decreased by CHF 9 million mainly due to a reduction of loans to Corporate Companies (see note 1).

The income from Corporate Companies remained unchanged in comparison to the previous year.

7 Expenses

The adjustments of the fair market value of Corporate Companies (see note 2) caused the ordinary expenses for investments in the amount of CHF 73 million.

Financial expenses decreased considerably due to reduced, non realized exchange losses on intercompany loans granted to Corporate Companies and foreign exchange contracts.

The tax income of approximately CHF 1 million in the period under review mainly concerned German income taxes of Georg Fischer AG & Co OHG, Singen, acting as the German fiscal unity parent. It results from reimbursements of taxes due to final tax assessments of previous years. Georg Fischer Ltd as the associate of Georg Fischer AG & Co OHG is liable for German income taxes.

The tax expense in the previous year (CHF 11 million) as well concerned Georg Fischer AG & Co OHG, Singen. The income tax position not only comprised income taxes relating to the year 2011 but also tax charges concerning the German tax audit 2003 – 2007.

8 Compensation and shareholdings

Compensation paid to the members of the Board of Directors 2012

	Compensation				Total compensation 2012 ⁴ 1 000 CHF	Total compensation 2011 ⁴ 1 000 CHF
	Cash compensation ¹ 1 000 CHF	Number	Share-related compensation ² 1 000 CHF	Other benefits ³ 1 000 CHF		
Andreas Koopmann						
Chairman of the Board of Directors						
Chairman Nomination Committee	192	228	84	27	303	160
Gerold Bühler						
Vice Chairman of the Board of Directors						
Member Audit Committee	84	150	55	16	155	136
Roman Boutellier						
Member Nomination Committee	49	150	55	10	114	124
Ulrich Graf						
Chairman of the Compensation Committee	49	150	55	9	113	111
Rudolf Huber						
Chairman of the Audit Committee	108	150	55	17	180	176
Roger Michaelis⁵						
Member Board of Directors	67	117	43	10	120	
Jasmin Staiblin						
Member Nomination Committee	49	150	55	11	115	86
Kurt E. Stirnemann						
Member Audit Committee	63	150	55	12	130	133
Isabelle Welton⁵						
Member Compensation Committee	38	117	43	8	89	
Zhiqiang Zhang						
Member Compensation Committee	90	150	55	13	158	155
Martin Huber⁶	46	57	21	5	72	343
Bruno Hug⁶	21	34	13	2	36	172
Gertrud Höhler⁷						29
Rounding difference	-2		1	1		-3
Total	854	1 603	590	141	1 585	1 622

- 1 The cash compensation may be drawn in the form of Georg Fischer registered shares as per the regulations. The number of shares is calculated on the basis of the year-end share price on 28 December 2012. For 2012, compensation amounting to CHF 193 thousand was drawn in the form of shares; on the basis of a share price of CHF 368.00 the number of shares allocated was 524. Further there is the possibility to block the transferred shares for five years.
- 2 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 368.00 on 28 December 2012.
- 3 The other benefits include employee contributions to social insurance funds and lump-sum remuneration for expenses which are assumed by Georg Fischer.
- 4 The total compensation encompasses the compensation plus the other benefits. Excluding employer contributions to social security of CHF 79 thousand (previous year: CHF 70 thousand).
- 5 Member of the Board of Directors since the Annual Shareholders' Meeting 2012 (21 March 2012).
- 6 Member of the Board of Directors until the Annual Shareholders' Meeting 2012 (21 March 2012).
- 7 Member of the Board of Directors until the Annual Shareholders' Meeting 2011 (23 March 2011).

The compensation paid to the Board of Directors in 2012 was slightly lower than in 2011.

Compensation paid to the members of the Executive Committee 2012

	Fixed salary in cash	Bonus in cash ¹	Number	Share-related compensation ²	Pension and social insurance funds ³	Total compensation 2012 ⁴	Total compensation 2011 ⁴
	1 000 CHF	1 000 CHF		1 000 CHF	1 000 CHF	1 000 CHF	1 000 CHF
Executive Committee	2 539	1 237	1 750	644	1 022	5 442	5 267
Of whom							
Yves Serra, CEO (highest individual salary)	800	430	750	276	300	1 806	1 732

- 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 division and the Corporation. The bonus for the 2012 financial year was approved by the Board of Directors on 14 February 2013. Payment will be made in 2013.
- 2 The share-related remuneration is based on a long-term incentive plan. Each year a fixed number of Georg Fischer 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 368.00 on 28 December 2012. All shares are transferred in 2013.
- 3 The pension and social insurance fund expenses include employer contributions to social insurance 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 benefits.

Total compensation for the Executive Committee and the CEO in 2012 was slightly higher than in 2011. In order to bring the fixed portion of the compensation into line with the average for our industrial sector, the fixed salary for members of the Executive Committee and the CEO were adjusted accordingly in 2012. The bonus linked to the financial results of the Corporation and the divisions was lower than in 2011. While the number of Georg Fischer shares allocated was unchanged, the share-based compensation paid in 2012 was somewhat higher than in the previous year owing to the higher year-end share price.

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 per 31 Dec. 2012
Andreas Koopmann	Chairman of the Board of Directors	920
Gerold Bühler	Vice Chairman of the Board of Directors	2 272
Roman Boutellier	Member Nomination Committee	2 286
Ulrich Graf	Chairman of the Compensation Committee	1 696
Rudolf Huber	Chairman of the Audit Committee	4 611
Roger Michaelis ¹	Member Board of Directors	117
Jasmin Staiblin	Member Nomination Committee	295
Kurt E. Stirnemann	Member Audit Committee	3 671
Isabelle Welton ¹	Member Compensation Committee	117
Zhiqiang Zhang	Member Compensation Committee	1 937
Total Directors		17 922

¹ Member of the Board of Directors since the Annual Shareholders' Meeting 2012 (21 March 2012).

Shareholdings Executive Committee

		Number of Georg Fischer registered shares as per 31 Dec. 2012
Yves Serra	President and CEO	3 178
Roland Abt	CFO, Head of Corporate Finance & Controlling	1 451
Josef Edbauer	Head of GF Automotive	932
Pietro Lori	Head of GF Piping Systems	1 137
Jean-Pierre Wilmes	Head of GF AgieCharmilles	841
Total Executive Committee		7 539

The registered shares transferred as part of share-related compensation are blocked for at least five years.

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 2012 the members of the Executive Committee held no option rights for Georg Fischer registered shares.

In 2012, Georg Fischer 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 2012 as part of the corporate-wide activities. The semi-annual risk maps prepared by Corporate Staff 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 presented to and discussed by the Executive Committee (twice) and the Board of Directors (once). In addition, workshops with the Executive Committee and the Board of Directors took place in order to assess the risk situation of Georg Fischer Ltd and the Corporation and to compare the workshop findings with the risk assessment of the management of Corporate Companies and divisions.

Similarly to the previous year, the following were identified as main risks: sustainability of the value of 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 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 Events after the balance sheet date

There were no events between 31 December 2012 and 14 February 2013 that would require an adjustment to the carrying amounts of assets and liabilities or that would need to be disclosed under this heading.

There are no further facts present that would require disclosure according to Article 663b of the Swiss Code of Obligations.