Annual Report 2016

Innovations for your success

In 2016, GF has developed itself fully in line with its strategic objectives.

Financial Report 2016

Our Corporation

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 33 countries with 131 companies, 51 of them production facilities. Its approximately 14’800 employees generated sales of CHF 3’744 million in 2016. 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

GF Piping Systems is a leading supplier of piping systems made of plastics and metal. The division focuses on system solutions, high-quality components for the safe transport of water, chemicals and gas as well as corresponding services. Its product range includes fittings, valves, pipes, automation and jointing technologies and covers all applications throughout the water cycle.

GF Automotive

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 other industrial applications. The highly complex lightweight components contribute to making modern vehicles lighter and reduce their CO_2 emissions.

GF Machining Solutions

GF Machining Solutions provides milling and electrical discharge machines (EDM), additive manufacturing solutions, laser texturing, automation, tooling, and spindles. These complete solutions make the division one of the world’s leading provider to the tool- and mold-making industry and to manufacturers of precision components. The key customer segments are the aerospace, medical, ICT, electronics, and automotive industries.

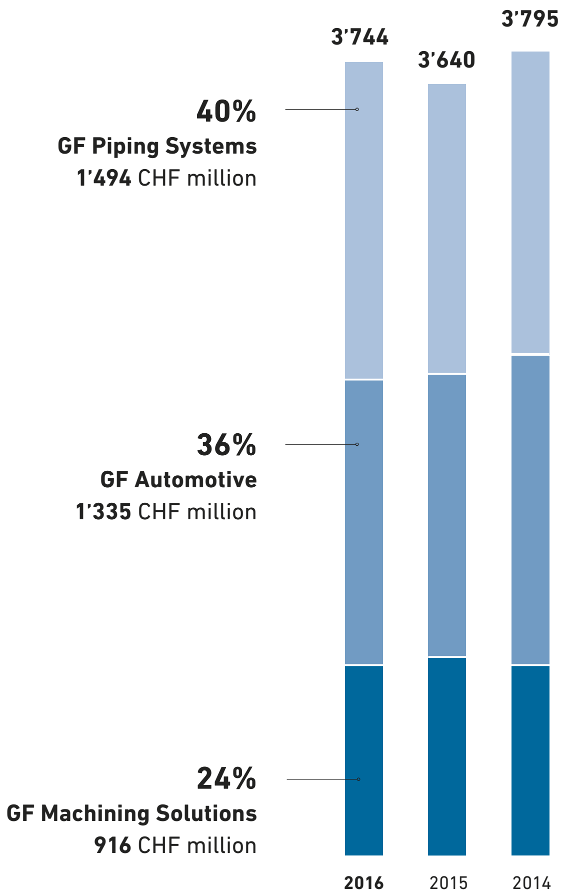
COOL-FIT 2.0 – the revolution for efficient cooling: the solution is ideal for the transport of chilled water in buildings, in data centers and for process cooling.

Battery housing for e-mobility: the lightweight component offers high functional integration in one large part.

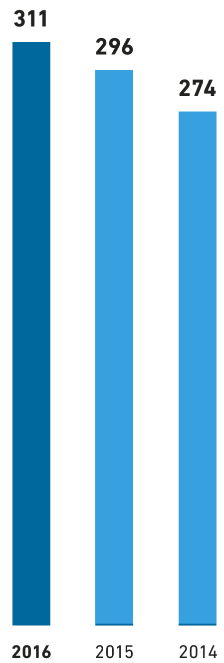
Laser P 400 U: the femtosecond laser is specifically designed for aesthetic and functional texturing of precision parts.

Key figures

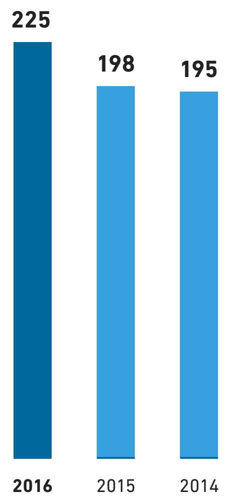
Sales 3'744 CHF million



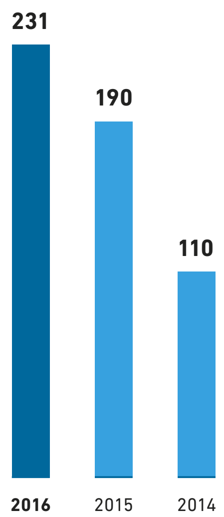
EBIT 311 CHF million



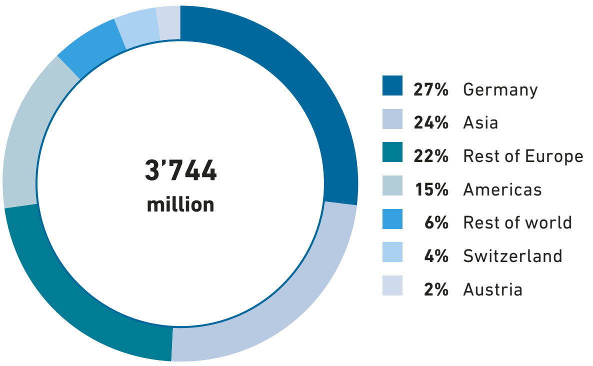
Net profit 225 CHF million



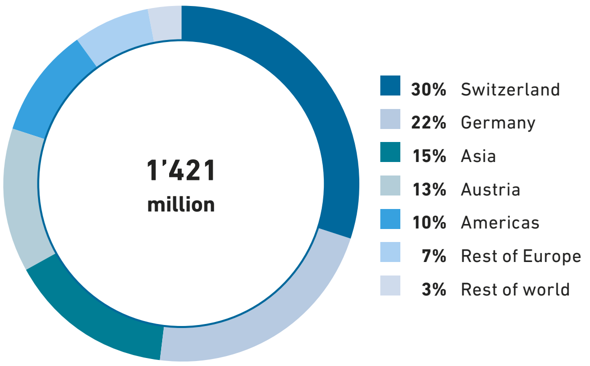
Free cash flow before acquisitions/divestitures
231 CHF million



Sales 2016 by region (in %)
(100% = CHF 3'744 million)



Gross value added 2016 by region (in %)
(100% = CHF 1'421 million)



	GF Corporation		GF Piping Systems		GF Automotive		GF Machining Solutions	
CHF million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Order intake	**3'749**	3'662	**1'488**	1'429	**1'346**	1'331	**917**	902
Sales	**3'744**	3'640	**1'494**	1'417	**1'335**	1'321	**916**	902
EBITDA	**443**	422	**214**	193	**161**	148	**77**	92
EBIT	**311**	296	**162**	143	**100**	89	**62**	78
Net profit	**225**	198						
Free cash flow before acquisitions/divestitures	**231**	190						
Return on sales (EBIT margin) %	**8.3**	8.1	**10.8**	10.1	**7.5**	6.7	**6.8**	8.6
Return on invested capital (ROIC) %	**19.3**	18.9	**20.6**	18.0	**23.1**	22.1	**18.3**	21.9
Number of employees	**14'808**	14'424	**6'507**	6'237	**5'047**	5'037	**3'102**	3'003

A further increase in performance

Dear shareholders,

GF has developed itself in 2016 fully in line with its strategic objectives 2016–2020. Sales and profits increased anew and all three divisions generated value.

The Corporation has increased its sales by 3% to CHF 3'744 million. In local currencies and adjusted for acquisitions and divestments, turnover growth amounted to 2%. The operating result (EBIT) rose to CHF 311 million, up 5% compared to previous year. This resulted in an EBIT margin (ROS) of 8.3% against 8.1% in 2015. The return on invested capital (ROIC) increased to 19.3%, up from 18.9% in 2015. All three divisions generated ROICs well above their cost of capital, thus creating a high amount of value for the company.

Net profit amounted to CHF 225 million, 14% above previous year, resulting in earnings per share of CHF 53 against CHF 46 in 2015. Free cash flow before acquisitions and divestments reached CHF 231 million, clearly above the already high level of the previous year (CHF 190 million). Based on the above, the Board of Directors proposes to the Annual Shareholders' Meeting a dividend of CHF 20 per share (CHF 18 in 2016).

"Net profit amounted to CHF 225 million, 14% above previous year."

GF Piping Systems

GF Piping Systems generated sales of CHF 1'494 million, up 5% from previous year. Adjusted for currency effects and acquisitions, sales went up 5%. In particular, the industrial applications experienced a strong demand worldwide. The Building Technology sector also brought significant increases in sales whereas the utility-related turnover remained stable.

The operating result grew by CHF 19 million to CHF 162 million for a 10.8% ROS, against 10.1% in 2015. Well-loaded plants, including in Switzerland, and the strong growth in higher-margin businesses were the main factors behind this profitability increase.

GF Piping Systems acquired three companies during the year. In May, PT Eurapipe, Karawang (Indonesia), a manufacturer of polyethylene pipes and fittings, has been purchased to allow GF Piping Systems to set foot in this promising market. In August, GF Piping Systems acquired, through its Chinaust joint venture, two companies in China, Lingyun Jingran Gas Valve, which complements the divisional portfolio in the gas distribution sector, and Shuchang Auto Part, a supplier of plastic quick connectors for automotive fuel lines in cars and trucks. The integration of all acquired units is fully on track.

GF Automotive

GF Automotive increased its turnover by 1% to CHF 1'335 million. In local currencies, sales were at previous year's level.

It is however to be noted that raw material prices, specially scrap iron, decreased substantially in 2016. As price fluctuations are contractually passed over to customers, this had a negative impact of ca. 3% on the GF Automotive turnover. Discarding this negative effect, sales volume in local currencies would have been up approx. 3%.

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

Both passenger cars and commercial vehicles demand remained overall healthy, particularly in China but with significant differences among car and truck manufacturers.

The operating result amounted to CHF 100 million, a strong 12% increase to previous year resulting in a 7.5% ROS against 6.7% in 2015. Both Chinese plants as well as most light metal plants in Europe were fully utilized amid a high demand for aluminum components, including more and more for electric cars. The load of the European iron casting plants remained at previous year's level.

In the USA, the construction of the new light metal plant in Mills River, North Carolina, is proceeding according to plan for a start of production at year-end 2017.

GF Machining Solutions

Amid uneven markets, GF Machining Solutions increased its turnover by 2% to CHF 916 million. In local currencies and adjusted for acquisitions, sales stood at previous year's level. GF Machining Solutions enjoyed a healthy demand in the aerospace and medical fields, whereas the electronics sector in Asia remained flat in part because sales of electronic devices did not grow as fast as in the recent past.

The operating result reached CHF 62 million for a 6.8% ROS, supported by an increased focus on higher margin products. In 2015, the operating result of CHF 78 million had been boosted by the sale of an administrative building in Geneva, which added a one-time CHF 18 million to it.

In May 2016, the division acquired Microlution Inc. based in Chicago (USA), widening its technology portfolio in the promising field of micromachining to support its customers' precision needs in the medical, aerospace, and electronics sectors.

"The implementation of our 2016–2020 strategy is well under way."

Strategy 2020 – well under way

The implementation of our 2016–2020 strategy is well under way. The 2016 financial results are in line with our goal of a 3–5% annual top line growth and profitability ranges of 8–9% for the ROS as well as 18–22% for the ROIC.

GF kept expanding in growth markets with two acquisitions in China and one in Indonesia for GF Piping Systems. At the same time, productivity optimization is proceeding apace in Europe where the commissioning of a new automatized molding line has been started in Singen (Germany), and a high number of automation projects have been implemented in the other plants of GF Automotive.

The shift to higher-margin businesses is also on track with the entry at GF Piping Systems into new sectors like air-conditioning and the push at GF Automotive into electric car components. In addition, GF Machining Solutions has significantly expanded its offering and its sales in the growing aerospace business.

Finally, specific training programs are being conducted corporate-wide in order to accompany this shift, on one hand to accelerate customer-focused innovation and on the other hand to further enhance sales proficiency.

Solid financial structure allows for further growth

In April, GF successfully issued a CHF 225 million bond over ten years with a 0.875% coupon to replace a CHF 200 million bond, placed in 2010 with a 3.375% coupon. This new bond issuance supports the financing of future acquisitions and at the same time allows GF to reduce its financing costs.

Outlook 2017

Recent economic and political developments may add more uncertainty and volatility to our markets. We believe, however, that new businesses and recent acquisitions will support growth at GF Piping Systems. GF Automotive and GF Machining Solutions enjoy promising order backlogs in their core segments and the focus at all three divisions on higher-margin sectors starts bearing fruits. Based on today's evaluation of the overall business environment, we therefore expect for 2017 to increase results anew, in line with our 2016–2020 objectives.

Changes in the Board of Directors

At the Annual Shareholders' Meeting of March 2016, Ulrich Graf left the GF Board upon reaching the mandatory retirement age. Ulrich Graf served on the GF Board for 18 years during which GF benefited from his vast experience as CEO and Chairman of several listed Swiss companies. Ulrich Graf also served as Chairman of the GF Compensation Committee from 2010–2016. We thank him very much for his long-lasting commitment and very valuable contributions to our company. At the same meeting, Riet Cadonau has been elected as new Board Member.

"Our heartfelt thanks go to our employees for their commitment and collaborative spirit."

A great collaborative spirit to better serve our customers

Despite volatile and uneven markets, we achieved growth and financial results in line with our 2020 strategy. Our heartfelt thanks go to our employees for their commitment and collaborative spirit. This great teamwork across borders and various cultures, nurtured over the years, has been a key factor behind the best successes we have had, owing to a better understanding of and a quicker response to our customers' needs.

We have enjoyed working hand in hand with our customers whose feedback and ideas guide our innovation and service efforts. We are also very much honored and motivated by the trust placed in our company by our mid- and long-term as well as new shareholders.

Andreas Koopmann
Chairman of the
Board of Directors

Yves Serra
President and CEO

Highlights 2016

21/09

Technology Day: Innovations for attractive business segments

Every three years, GF holds a Technology Day in Schaffhausen, Switzerland, to present the trends and technologies of the future. At Technology Day 2016, all three divisions presented innovations that will lead to profitable growth in attractive business segments. The focus was on the latest developments in the fields of cooling in buildings, e-mobility and laser technology.

01/03

Kick-off for Strategy 2020

The year 2016 marked the start of a new chapter at GF: Strategy 2020. In order to grow profitably over the next five years, the company aims to expand into growth markets, shift the portfolio of the divisions into higher-margin businesses and drive sales and innovation excellence. By 2020, the objective is to achieve a turnover in the CHF 4.5 to 5 billion range (at constant currency levels) whilst maintaining a high profitability level.

Major orders from renowned customers

Over the course of the year, GF received several major orders from renowned customers. In spring, GF Machining Solutions secured large orders for high-end milling machines with a value of USD 35 million. In July and September, GF Automotive entered into new agreements with European automotive manufacturers, amounting to EUR 84 million for the production of lightweight car components and EUR 77 million for the production of battery housings for hybrid vehicles.

01/09

New state-of-the-art production line for GF Automotive

On 1 September 2016 the iron foundry of GF Automotive in Singen (Germany) has started the commissioning of a new cutting-edge molding line. The state-of-the-art line has a capacity of 100'000 tons of iron castings per year and will be fully operational in the course of 2017. The automated production and the high mold precision open up new opportunities for manufacturing modern lightweight components for trucks.

01/08

New Head of GF Piping Systems

As of 1 August 2016, Joost Geginat took over the lead of GF Piping Systems. The new Head of the division is a German citizen and succeeded Pietro Lori, who retired after almost 30 years at GF. Joost Geginat has a broad international experience as a strategic and operational consultant in various industries.

04/05

GF Piping Systems is growing in South East Asia

Thanks to the acquisition of PT Eurapipe Solutions Indonesia, the division GF Piping Systems has strengthened its position in South East Asia. The acquired company, located in Karawang, east of Jakarta, has a strong reputation as a producer of high-quality pipes and fittings made of polyethylene.

Precision parts for watches: the femtosecond laser technology leads into a new era of micro-machining.

11/05

GF Machining Solutions acquires specialist for micro-machining

The division GF Machining Solutions expanded its technology portfolio by acquiring Microlution Inc. This Chicago-based, innovative company is specialized in five-axis milling and femtosecond laser for drilling holes and the micro-machining of small parts.

Innovation as key strategic topic

Innovations are a key factor for profitable growth at GF. They ensure competitiveness and therefore the future of the company. At the fifth Technology Day in Schaffhausen, the divisions showcased their latest developments and informed about the trends and technologies of tomorrow.

"In all three divisions, we are aiming to grow in higher margin businesses," explained CEO Yves Serra on the occasion of the GF Technology Day in Schaffhausen at the end of September 2016. "Innovations," he added, "are key to our success." With this statement, the CEO clearly expressed how the topic of innovation is perceived within the company: at GF, innovations are products, solutions, and services developed in partnership with customers in order to address a genuine need. After all, it is only possible to generate true added value and expand into new market segments, if you fully understand the problems customers are facing. This is why the topic of innovation is a main pillar of Strategy 2020.

"In all three divisions, we are aiming to grow in higher margin businesses. Innovations are key to our success."

Yves Serra
President and CEO

In the coming years, GF aims to enhance its innovative capacity and increase its pace of innovation with the support of the design thinking approach (see text box). At the fifth Technology Day, the divisions impressively illustrated that GF is already pursuing this path successfully.

Revolutionary cooling system

At the Technology Day, GF Piping Systems focused on the efficient cooling of buildings. With COOL-FIT 2.0, the division has developed a pre-insulated, corrosion-free plastic piping system for transporting cooling media in air-conditioning systems for larger buildings. It is perfectly suited for use in air-conditioning for shopping malls, hospitals, hotel and office complexes, as well as for cooling large data centers where special requirements apply in terms of safety and efficiency. The revolutionary new system not only reduces energy consumption in water-cooled buildings by up to 30% but also makes installation incredibly simple.

The market potential is highly promising. While the air-conditioning market has been dominated by heavy steel pipes to date, there are signs of change now. More and more metal solutions are being substituted by plastic as building owners seek to avoid rusty, corroding pipes that result in leaks. The future belongs to light, durable systems such as COOL-FIT 2.0 which is also easy to handle. Steel pipes require a lot of effort to be welded, installed, and then, in a separate stage, covered in insulation material. COOL-FIT 2.0 significantly shortens this process due to the fact that it is an integrated solution. The comprehensive system with a globally unique combination of pre-insulated plastic pipes and fittings as well as cutting-edge electrofusion jointing technology eliminates several steps in the working process. As a matter of fact, installers who opt for the new GF Piping Systems solution are twice as fast as those still using conventional steel piping.

After the successful market launch in Switzerland, Germany, and the UK in 2016, the revolutionary cooling system is now being employed in several trend-setting representative buildings such as the Empa "Nest" in Dübendorf (Switzerland) and the "Triangle" at Cambridge University (UK).

COOL-FIT 2.0 is a combination of pre-insulated COOL-FIT pipes and fittings with state-of-the-art jointing technology which is unique worldwide.

Lightweight expertise in e-mobility: in cooperation with car visionaries such as Rinspeed, GF is working on the car of the future.

Lightweight expertise in e-mobility

Casting, machining, coating: GF Automotive is constantly improving its processes, tools and production lines in an effort to provide customers with more stable components at a lower weight. Several million lightweight components sold to date reflect the success of this approach. A look ahead to the future reveals that this development is set to continue: in 2025, every fifth new car worldwide will be equipped with a hybrid or electro engine, while production of vehicles with conventional engines will remain more or less constant. Consequently, more and more manufacturers are working together with GF Automotive to reduce the weight of their vehicles. The most important parts include structural parts, gearbox housings, and wheel carriers in bionic design, as well as battery and electric motor housings in the e-mobility segment.

In addition, GF Automotive specialists are working increasingly on ready-to-mount components in order to provide finished parts to the customers. In doing so, the division is responding to a central customer need and aligning its production accordingly. More and more customers are asking for one-piece components in which various functions are integrated. This makes processes more streamlined and vehicles lighter. Especially with regard to the discussions revolving around the ranges of electric cars, weight reduction is a pivotal factor. Structural parts previously manufactured out of steel can now be made much lighter using aluminum or magnesium. Bionic design and the functional integration offered by casting technology offer additional weight savings potential: while automobile manufacturers previously had to install door frames composed of ten steel parts, GF Automotive is now offering a much lighter and more functional component as a single unit.

With this know-how spanning all engine types, GF Automotive is endeavoring to proactively shape the future of the automotive industry. This can be seen for example in cooperations with car visionaries such as Rinspeed, a Swiss think-tank conducting research into the car of the future. In addition to technology know-how for autonomous driving, Rinspeed studies involve a lot of bionic lightweight construction expertise contributed by GF Automotive.

Future-oriented laser technology

Industry 4.0, automated production, interconnected machines – innovation has many facets at GF Machining Solutions. In addition to the development of intelligent systems, the focus is also on future-oriented manufacturing technologies. One of these is femtosecond laser technology, which is heralding a new era in the field of micro-processing. The technology enables application of functional surfaces to any kind of mold or part. Moreover, femtosecond lasers allow optimum processing of extremely small parts and cavities. This opens up outstanding opportunities – even at a microscopic nano level.

> “Femtosecond lasers allow optimum processing of extremely small parts and cavities.”

In creating these new functional surface structures, the developers of GF Machining Solutions drew direct inspiration from nature itself, be it self-cleaning surfaces that function like the skin of a fly’s eye, or surfaces that completely repel water and ice like lotus leaves. There are virtually no limits to applications; thanks to femtosecond laser technology, customers can create surfaces with entirely new functionalities.

Design Thinking for innovation excellence

Innovation excellence and innovation speed are key elements of GF’s Strategy 2020. This is why the company started to roll out the Design Thinking approach developed by Californian company IDEO in autumn 2016. The aim of this popular method is to develop solutions that address genuine customer needs. Success depends on clearly defined factors: multi-disciplinary teams, a “try early and often” culture and a structured process including rapid prototyping as well as an ongoing dialog with customers. In order to embed this Silicon Valley mindset in GF’s innovation culture, more than 1’000 employees from research and development, product development, sales, and marketing will participate in trainings over the next two years. The first training sessions have already been held in Switzerland, China, and the USA. Further trainings, concrete projects as well as corresponding organizational measures are in the planning stage.

The new technology is deployed in a range of different segments. One example is the information and communications technology (ICT) sector, in which the structuring of camera lenses will now enable even higher levels of image sharpness. The aerospace sector will also be able to benefit from the various possibilities offered by femtosecond lasers, such as putting antifreeze surfaces on external airplane sensors. The pioneering technology offers advantages for the automotive industry, too. The beam response of headlamps can be improved by selective structuring of the glass surfaces, for example.

The acquisition of US micro-machining specialist Microlution in 2016 will support GF Machining Solutions in making the most of the numerous opportunities provided by the ICT, automotive and aerospace industries.

Smartphone cameras with incredible sharpness, improved beam lights or extremly fine engraving: state-of-the-art lasers can process surfaces in the nano range and give them completely new characteristics.

Developing the right skills for tomorrow

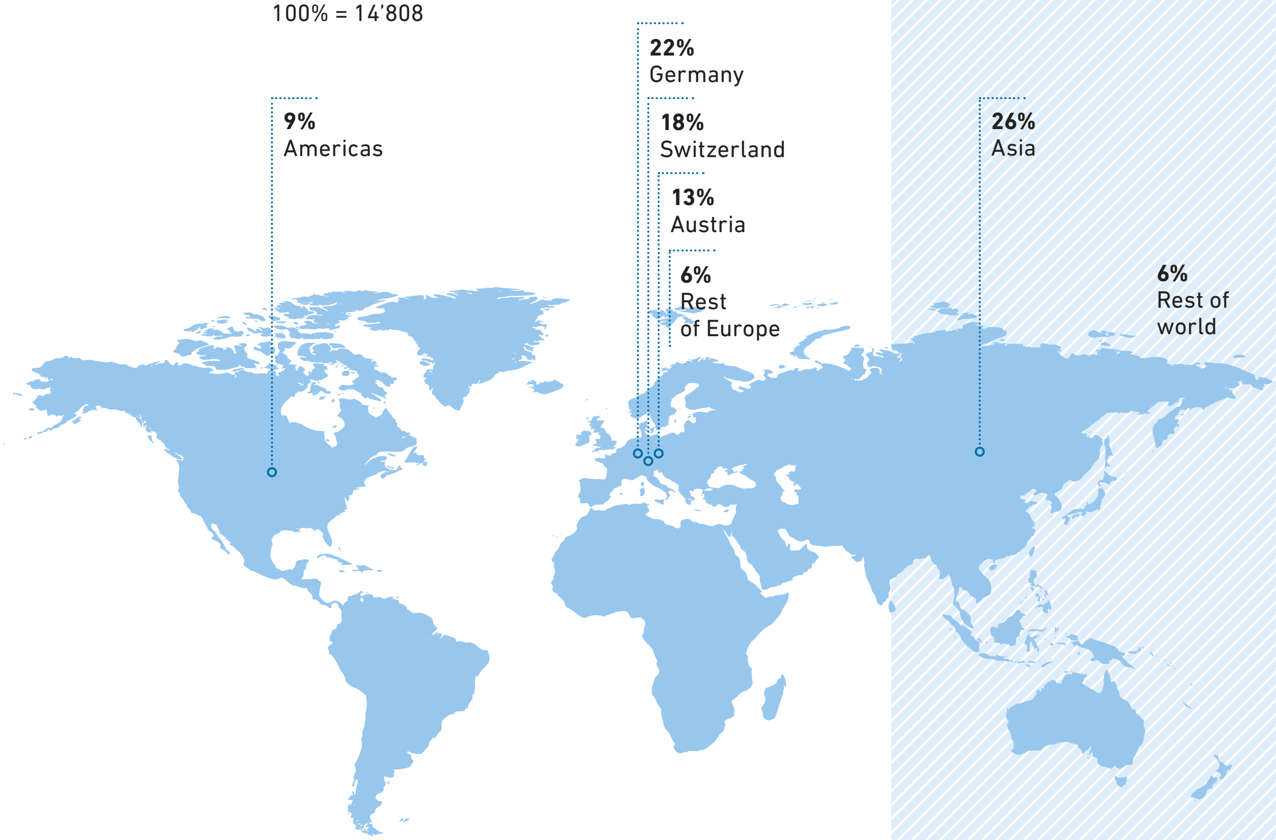
At GF a diverse and effective training and professional development program helps to ensure that employees all over the world acquire just the right skills which are needed for future success. The vast majority of the workforce benefit from a wide range of internal trainings.

80%
of all employees participate in internal trainings every year

6 million
Swiss francs has been invested in professional development activities in 2016

› 500
apprentices are trained in more than 30 professions each year

Employees 2016 by region (in %)
100% = 14'808



"The training on design thinking has changed my view of things significantly; now I pay more attention to details and reflect more deeply about the impact of my actions."

Ann Li
Building Technology Segment Manager, GF Piping Systems, Shanghai (China)

"In our business it is crucial to always keep up-to-date with the latest technologies. Each year, I participate in intensive trainings in order to provide my customers with optimum support."

Ali Janes
Field Service Engineer, GF Machining Solutions, Irvine (USA)

"I highly appreciate the regular trainings on work safety at our production site. They help us to recognize potential risks in time and to actively prevent accidents."

Shuo Chen
Foreman of molding line, GF Automotive, Kunshan (China)

"The variety of my apprenticeship has fascinated me right from the beginning."

Tara von Arx
Apprentice Plastics Technologies, GF Piping Systems, Schaffhausen (Switzerland)

System solutions for an iconic landmark

The tallest residential building in the world is currently under construction in the Indian megacity of Mumbai: the World One Tower. GF Piping Systems is responsible for the entire water supply system in this gigantic skyscraper.

Shashank Sawant,
Head of Building Technologies,
GF Piping Systems in Mumbai,
is the first point of contact for his customer Lodha Group.

World One in Mumbai is the tallest residential building in the world and the mega-city's new iconic landmark. (Image: Lodha Group)

A monumental construction is currently growing skywards in the heart of Mumbai: the World One in the luxurious district of Lower Parel, surrounded by hotels, exclusive boutiques, and sophisticated restaurants. On completion in 2018, it will rank as the tallest building in the subcontinent and the tallest residential building in the world. The 442-meter skyscraper will house 290 luxury apartments on 117 floors.

With their curved glass facades and sun terraces, the apartments offer future residents breathtaking views across the city and over the Arabian Sea. In addition to a large living room with home cinema, a kitchen, and various bedrooms, the apartment interiors also offer up to five bathrooms and an outdoor plunge pool. The water required is fed to the apartments through pipes provided by GF Piping Systems.

Solutions for an increased living comfort

"We're supplying all the World One piping systems for fresh water and waste water," says Shashank Sawant, Head of Building Technologies at the GF Piping Systems sales office in Mumbai. Polybutylene pipes of the INSTAFLEX system combined with plug-in fittings are used for the hot and cold water supply on the floors and in the apartments. "Thanks to the iFIT jointing technology our system is not only exceptionally quick to install, but also ensures a high degree of leak protection," explains Sawant.

> "We're supplying all the World One piping systems for fresh water and waste water."
>
> **Shashank Sawant**
> Head of Building Technologies, GF Piping Systems, Mumbai (India)

World One residents obviously don't wish to be disturbed by waste water noise, so the soundproofed waste water system Silenta Premium by GF Hakan made of mineral-reinforced polypropylene has been installed. As compared to PVC pipes, this material reduces the noise level from 40 db to as low as 13 db. "From the 35th floor upwards you can't hear the street noise any more. At this height, interior noise is perceived as particularly irritating," says Sawant. "Silenta Premium has the ability to dampen loud noises from the pipes on the inside, thereby providing increased living comfort."

In extremely tall buildings such as the World One, GF's plastic piping systems offer numerous other advantages. Since the pipes are very light and flexible, they help to reduce the overall weight of the building. Due to its enormous weight, the skyscraper will gradually sink into the ground over time, and this has to be incorporated in calculations at the planning stage. Furthermore, the top of World One can sway by up to 30 cm in high winds. The plastic piping can easily adapt to this movement.

World One, Mumbai

At a height of 442 meters, World One is the tallest residential building in the world and Mumbai's new iconic landmark. The style of the skyscraper is defined by curved shapes and rounded facades. The design was created by New Yorker architecture bureau Pei Cobb Freed & Partners, famous for the glass pyramid in front of the Louvre in Paris and the John Hancock Tower in Boston. The interior design of the 290 apartments is by Armani/Casa, the interiors department of the Italian fashion label of the same name. In addition, the building has a viewing lounge at a height of 300 meters, a spa and fitness club on three floors, and a sports pavilion which includes squash and tennis courts, a jogging course, and a cricket and golf simulator. The building is surrounded by an 18'000-square-meter podium park created by world-famous landscape designer Ken Smith. In addition to the 117-floor World One, the World Towers development will include two more towers, World Crest, an already completed tower of 60 floors and a third tower of 80 floors.

Highly complex mega project

But there is still a while to go before everything is finished. The building is currently growing skywards level by level. More than 38'000 meters of INSTAFLEX piping have been installed to date, along with more than 80'000 iFIT fittings and 97'000 iFIT adapters as well, as over 25'000 meters and 40'000 fittings of the Silenta Premium system. More than twice this amount of material will be required before the building is finished at the beginning of 2018.

> "Thanks to the iFIT jointing technology our system is not only exceptionally quick to install, but also ensures a high degree of leak protection."
>
> **Shashank Sawant**
> Head of Building Technologies, GF Piping Systems, Mumbai (India)

The logistics involved in this type of mega project are highly complex: the pipes for the World One are made at GF Piping Systems production facilities in Switzerland and Turkey. From there, they are transported to the subcontinent and put into interim storage at the GF Piping Systems India plant in Ratnagiri, 300 km south of Mumbai, after which they are delivered to the construction site on a just-in-time basis. An expert team ensures smooth operations and punctual delivery of the numerous components. In addition to this, GF runs on-site training sessions on the correct installation of the piping systems. And these have clearly been successful. Shashank Sawant points out that the customer is very satisfied with the products and services of GF Piping Systems: "The Lodha Group, which is responsible for development and construction of World One, has already commissioned us to realize more large-scale projects."

Worldwide presence

GF Piping Systems supports its customers in over 100 countries through its own sales companies and representative offices. 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.

Sales 2016

Total
1'494 CHF million

Utility
561 CHF million

Industry
540 CHF million

Building Technology
393 CHF million

GF Piping Systems provides solutions for hot and cold water supply as well as for the transport of used water.

In addition to the 117-floor World One, the World Towers project development include two more towers, World Crest, an already completed tower of 60 floors, and a third tower of 80 floors. (Image: Lodha Group)

The team behind the mega project (from left to right):
Susheel Pawar, Nitin Sawant,
Shashank Sawant and Deepak Rogye.

Lightweight construction for a Chinese heavyweight

SAIC Volkswagen, a joint venture between the VW Group and SAIC Motor, is the leading car manufacturer in the world's biggest automotive market China. Bionic lightweight construction components made by GF Automotive have been used for years to reduce weight in these cars, including from 2017 in the new flagship SUV for the Chinese market.

SAIC Volkswagen offers a giant model range from small and midsized cars to the seven-seater SUV, the Teramont.

As Head of Sales Iron Casting China, Maggie Jiang has provided customer support for SAIC Volkswagen ever since GF Automotive in Kunshan started serial production of lightweight parts for the company's cars.

Unparalleled success story

It all started with the VW Santana, which was the first model produced in a joint venture that Volkswagen and Shanghai Automotive Industry Corporation (SAIC) had just embarked upon in 1984. SAIC Volkswagen offers a giant product range and has now become the most important manufacturer in China, where every third new car in the world is produced. The Joint Venture sold 1.81 million vehicles in 2015, and has already hit this level again by November 2016.

GF Automotive has contributed to this success story for years, and continues to grow with its German-Chinese partner: in all its VW models produced in Shanghai, SAIC Volkswagen installs innovative lightweight components made by GF Automotive. "It's a great honor for us to enjoy the trust of China's biggest manufacturer, a company that is growing across all product categories," says Maggie Jiang, Head of Sales Iron Casting in China. She has been supporting the customer for six years, ever since serial production of the lightweight components started at the GF Automotive plant in Kunshan. "It was an important step for us," Maggie Jiang recalls, "because SAIC Volkswagen was not just keen to use our cast iron parts, but also wanted to tap into our local development expertise."

> "It's a great honor for us to enjoy the trust of China's biggest manufacturer, a company that is growing across all product categories."
>
> **Maggie Jiang**
> Head of Sales Iron Casting China, GF Automotive, Kunshan (China)

Lightweight construction based on a special material

A few figures show just how important this step was and is: the 300 employees at Kunshan produced some 2.9 million components for the German-Chinese joint venture last year – including front knuckles, wheel carriers and upper and lower control arms. Head of Sales Maggie Jiang knows why demand is so great: "Our bionic lightweight design is unique. The components save weight, yet still meet the customer's stability requirements." This is due to the fact that they are produced using SiboDur, an innovative high-strength spheroidal graphite iron made by GF Automotive, which is not only more suitable than steel but also less expensive.

Worldwide presence

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

Sales 2016

Total
1'335 CHF million

Passenger Cars
877 CHF million

Trucks
393 CHF million

Industrial Applications
65 CHF million

To make their vehicles lighter in the future, SAIC Volkswagen can rely on expertise from Kunshan, where GF Automotive experts work in close collaboration with SAIC Volkswagen to ensure all components are perfectly adapted to vehicle platforms. SAIC Volkswagen is making increasing use of the modular system known as MQB platform – to produce a wide range of model variants from a few components. Furthermore, the modules contribute significantly to targeted weight reduction, as SAIC Volkswagen has redeveloped them using lightweight materials. This brings down fuel consumption.

Order for prestige model

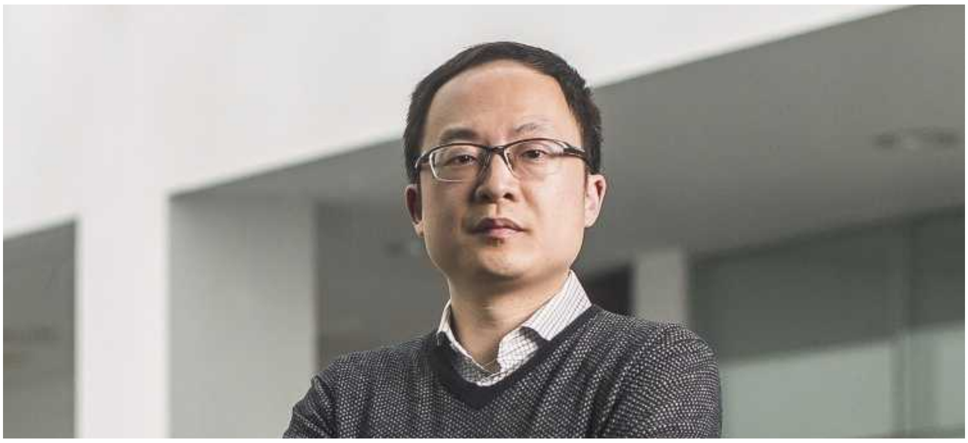
So it comes as no surprise that the partnership is set to grow further. For 2017, SAIC Volkswagen has ordered additional lightweight components from GF Automotive for its new flagship SUV: the seven-seater VW Teramont is to roll off the production line from spring 2017, showcasing the strengths of GF Automotive front knuckles and upper and lower control arms. Similar components are already installed in the smaller Tiguan SUV. As these off-road vehicles are very important to all parties, the development departments are in constant contact and engaged in ongoing dialog. “We’re experienced and well-coordinated, which is important because the demand for SUVs in China is huge,” says Maggie Jiang.

SAIC Volkswagen, a joint venture between the VW Group and SAIC Motor, is the leading car manufacturer in the world’s biggest automotive market China.

To make their vehicles lighter in the future, SAIC Volkswagen counts on lightweight components from GF Automotive, such as front knuckles.

The seven-seater VW Teramont is the new flagship SUV of SAIC Volkswagen.

Qian Peiqing,
Head of Department in the
Development Division at
SAIC Volkswagen
in Anting (China).



Safety a million times over

Qian Peiqing is a Head of Department in the Development Division of SAIC Volkswagen in Anting. He validates all suspension parts and knows what components must be capable of in order to be used by the company millions of times. This is why he appreciates working with GF Automotive.

SAIC Volkswagen and GF Automotive have worked together since 2007. Why does this partnership work so well?

It starts in the predevelopment phase: GF Automotive in Kunshan has excellent expertise in this field. In addition, the materials and production techniques are in line with our high quality standards. Another advantage of GF Automotive is its swift response time: if we come up against a problem in a test, for example, our colleagues at GF Automotive are always quick to come up with a solution.

Your company is the biggest automobile manufacturer in China. How important is quality when it comes to maintaining this status?

Quality is a key factor because of the enormous competitive pressure. This applies to the early development phase in particular: after all, this is where the quality foundation is laid down for subsequent serial production.

What are the standards you require of the components?

Every component I validate is relevant to safety, so our requirements here are particularly high. The material has to be able to stand up to all stress tests and maintain the required stability, for example. In lightweight construction in particular this is very demanding – after all, the advantages of weight saving must not be at the expense of safety.

What are the benefits offered by GF Automotive's lightweight elements, such as the front knuckles?

The specific design and the material used ensure the same stability as conventional components, but at a reduced weight. Lightweight construction is an important issue for our end customers, too. They know that lightweight construction reduces fuel consumption and increases driving dynamics. Both of these are important selling points.

SAIC Volkswagen

SAIC Volkswagen is one of the oldest and biggest joint ventures in the Chinese automotive industry, producing at three plants: more than 22'000 employees are working at Anting, Nanjing, and Yizheng. Established in 1984, the one-millionth car came off the production line thirteen years later in Anting. Meanwhile, SAIC Volkswagen has an enormous model range from the small car to the seven-seater SUV, the Teramont. In 2015, SAIC Volkswagen supplied 1.81 million vehicles, making it the number one on the Chinese automotive market. The partnership with GF Automotive started in 2007.

High-speed production for the racing business

Toyota Racing Development relies on Mikron Mill high-speed milling machines to produce race engines. (Image: photo courtesy of Toyota Sports Media)

In the American motorsports series, Monster Energy NASCAR Cup, it all comes down to speed – both on the track and in the production of the racing engines. In order to remain at the front, the manufacturer Toyota Racing Development (TRD) relies on fully automated production – which is enabled by GF Machining Solutions.

Successful partnership: Martin Gorski (left) of GF Machining Solutions and Greg Ozmai of Toyota Racing Development collaborate as closely as possible to ensure that Toyota stays right up front.

The smell of fuel is in the air. Roaring engines and fast cars chasing each other bumper to bumper at speeds of more than 340 km/h over distances of more than 500 miles: the Daytona 500 is the most prestigious race in the Monster Energy NASCAR Cup, attracting thousands of motor racing fans to Daytona Beach in Florida (USA), every year. Last season everyone was amazed by one particularly outstanding triumph: for the first time in the history of this famous motor racing event, it was won by a Toyota. And not just that: the drivers in second, third and fifth position also crossed the finishing line in their Toyota Camrys fitted with TRD engines.

"Toyota completely dominated the race," Martin Gorski, Key Account Manager at GF Machining Solutions in Irvine, California (USA) points out proudly. After all, Toyota's success is to some extent proof of the successful collaboration between TRD and GF Machining Solutions. This is because the key components of the racing engines are made using high-performance milling machines produced by GF Machining Solutions.

The 800 horsepower engines are manufactured by TRD in their Costa Mesa, California headquarters, where about 200 employees design and build race engines. For them, speed is not just crucial on the race track, it's essential in the production of the engines and spare parts, too. After all, entire engines have to be delivered with strict and challenging time requirements each racing weekend to the NASCAR speedways all over the USA. A demanding task – which is why since 2014, TRD has opted for high-performance milling machines made by GF Machining Solutions.

> "Our solution enables the customer to constantly adapt to the dynamic requirements of the racing business."
>
> **Martin Gorski**
> Key Account Manager of GF Machining Solutions, Irvine (USA)

Fully automated production

TRD runs eight GF machines in total: in a fully automated production cell, engine blocks, cylinder heads, pistons, and other engine components are milled by 5-axis machining centers of the type HPM 800 U as well as a larger HPM 1350 U. Thanks to the speed, flexibility, and precision of the production cell, TRD is able to turn out more than 400 engines per racing season.

"Our solution enables our customer to constantly adapt to the dynamic requirements of the racing business and meet the increasing demand for components at all times," explains Key Account Manager Martin Gorski. This is confirmed by Greg Ozmai, Group Vice President of Operations of TRD: "We were impressed by the power and flexibility of GF's machines." At any time, for example, a machine can be taken out of the production line, so that it can be used for individual tasks.

Worldwide presence

GF Machining Solutions is present in more than 50 countries to provide customer services locally. Production facilities as well as research and development centers are located in Switzerland, Sweden, and China.

Sales 2016

Total
916 CHF million

Milling
292 CHF million

EDM
276 CHF million

Customer Services
253 CHF million

Automation/Tooling/Laser
95 CHF million

Thanks to fully automated production, TRD is able to turn out more than 400 engines per racing season.

TRD runs eight GF machines in total: in a fully automated production cell, engine blocks, cylinder heads, pistons, and other engine components are milled by 5-axis machining centers.

A robot loads the machines from more than one hundred open pallets.

Professional Service Team

The combination of high-speed machines and automation enables TRD to ensure constant production with maximum output. In the fully automated production cell, a robot loads the machines from more than a hundred open pallets running along a 32-meter track. The result: TRD has been able to increase its productivity by 22%. "Thanks to automation, our team gains additional capacity that we are able to reinvest in further development of our engines and components," says Greg Ozmai. "And that's something that can give our teams a decisive advantage on the race track."

Not only the reliability of the machines was a key factor for TRD but also the close partnership with GF Machining Solutions. "TRD attaches great importance to a professional service team that responds immediately if required", says Martin Gorski. The division's site in Irvine is located barely more than about 20 minutes from TRD's headquarters. "This means we can respond extremely quickly to the customer's needs," explains the Key Account Manager.

The new NASCAR season is due to start again soon – naturally, TRD and GF Machining Solutions are set on finishing right up front again.

Greg Ozmai, Group Vice President of Operations of TRD: "We were impressed by the power and flexibility of the machines."

Understanding the racing business

As Group Vice President of Operations, Greg Ozmai is responsible for the internal and external supply chain at Toyota Racing Development. In this interview he explains why GF Machining Solutions is such an important partner for TRD – both today and in the future.

Mr. Ozmai, how did GF Machining Solutions contribute to the success of Toyota in the Monster Energy NASCAR Cup?

Our partnership with GF Machining Solutions, and the use of their technology, affords TRD the speed and flexibility to expedite development of our engines with greater speed and precision. Thanks to automation, we are able to reduce our component lead times and gain critical machining capacity utilizing full 24/7 manufacturing schedules.

What does GF Machining Solutions have to offer as a partner?

We attach great importance to direct and fast contact with our partners. GF Machining Solutions has shown particularly strong commitment here. We were impressed at how many of the division's employees were involved in the development of our system and remain involved in our success. As our main contact partner, Martin Gorski understood the demands we face in the racing business right from the outset.

What does the upcoming season have in store?

In addition to the existing teams, we'll be supporting a sixth Toyota Camry team in the 2017 Monster Energy NASCAR Cup. In other words, we need additional production capacity. We expect to continue to grow with the innovative technologies provided by GF Machining Solutions in the future. Additionally, we are currently considering new machines in the area of EDM technology and laser texturing.

Toyota Racing Development and NASCAR

Toyota Racing Development has been active in US motor racing for many years, and since 2007 has been one of three manufacturers in the Monster Energy NASCAR Cup series – the leading series of the American motor sports association NASCAR. In the 2016 season, TRD supplied five teams with engines and aerodynamic parts based on the Toyota Camry. It was the most successful season to date for TRD, with a total of 16 victories. TRD also won the manufacturers' championship for the first time. The team particularly caused a stir at the most important race of the Monster Energy NASCAR Cup – the Daytona 500 in Florida (USA): with four drivers among the top five, it was one of the most significant races in the history of TRD.

"Well on track towards our goals"

Yves Serra, President and CEO

Mr. Serra, in 2016, GF has started the implementation of its Strategy 2020. How satisfied are you with the progress?
It has been a promising start. All relevant financial figures have been further increased and are in line with the target ranges we announced in February 2016. Today, all three divisions of GF generate a high amount of value for our shareholders. Furthermore, visible progress has been made regarding our key strategic thrusts. We are well on track towards our goals.

Could you give us a few examples of this progress?
In Europe, for example, we further optimized the efficiency of our factories. A key factor behind this is the continuous automatization of our manufacturing processes, especially at GF Automotive, where robots have been and will be installed to handle tasks too dangerous or cumbersome for our employees, such as heavy loads or the transport of hot components. Furthermore, we are step-by-step shifting the portfolio of our three divisions towards businesses that generate more value for our customers as well as for our shareholders.

What does that mean in concrete terms? What have the divisions done in order to generate more value for customers?
At GF Piping Systems, we developed pre-insulated polyethylene based systems for the transport of cooling media for air-conditioning. Our innovation called COOL-FIT 2.0 allows our customers to reduce the installation time by half and energy use by one third whilst offering lower costs than existing metal-based transport pipes, which require a cumbersome on-site isolation, and are prone to corrosion and condensation.

At GF Machining Solutions, we extended our technology portfolio by developing and launching femtosecond laser machines able to structure surfaces in any way our customers would like, offering the possibility to replace chemical etching or manual texturing processes used for the production of camera lenses or in watch-making.

"Teamwork has become a very important part of our culture, which we will continue to nurture."

How important is the topic of innovation for GF?
For a Swiss company like GF, faced with a very strong home currency, innovation is our lifeblood. In this respect, I would like to thank our customers whose input and feedback guide our innovation efforts. In a very real sense, our customers are our best R&D engineers.

In your opinion: What is the most important ingredient for success at GF?
It is the commitment and collaborative spirit of our employees worldwide. Our strong teamwork across borders has been a key factor behind the greatest successes we have had, owing to a better understanding of our customers and a quicker response to their needs. Teamwork has become a very important part of our culture, which we will continue to nurture.

The GF Executive Committee from left to right:
Josef Edbauer (Head of GF Automotive)
Joost Geginat (Head of GF Piping Systems)
Yves Serra (President and CEO)
Andreas Müller (CFO)
Pascal Boillat (Head of GF Machining Solutions).

Organization of GF

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

Board of Directors

The nine members of the Board of Directors are elected individually by the Shareholders' Meeting. The Board of Directors has ultimate responsibility for supervising and monitoring the management of Georg Fischer Ltd. It decides on the company strategy and organizational structure, the organization of finance and accounting, the annual budget and the investment budget, and appoints the members of the Executive Committee, to which it transfers the operational management of the Corporation. All members of the Board of Directors are non-executive.

Executive Committee

The Chief Executive Officer (CEO) 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.

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 state-of-the-art 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, talent management and to putting the best possible people in management positions. Up to 70% of all senior management positions are filled with internal candidates.

Communication

The Corporation has a strong brand with GF, which has been built up and strengthened consistently over many years. The Corporation builds confidence in its products and services with an open and active communication policy to customers, employees, media, analysts, shareholders, and other stakeholders.

Corporate values

The sustainable development of the Corporation is supported by shared corporate values. They are put down in writing in the → Code of Conduct and are becoming increasingly important with the spread of globalization.

Corporate Governance

See the chapter titled Corporate Governance for detailed information about this area of GF.

GF organization structure

As of 1 January 2017

Board of Directors
Chairman: Andreas Koopmann
9 members

Executive Committee
CEO: Yves Serra
5 members

GF Piping Systems
Head: Joost Geginat

- **Finance, IT & Strategic Planning** – Mads Joergensen
- **Human Resources** – Noel Schreiber
- **Industry/Utility** – Jens Frisenborg
- **Building Technology** – Michael Huck
- **Strategic Marketing & Services** – Nick Mills
- **Europe** – Dominique Van Ackere
- **Americas** – James Jackson
- **Asia** – Bruno Meier

GF Automotive
Head: Josef Edbauer

- **Finance & Controlling/IT** – Thomas Hary
- **Human Resources** – Jörg Hannsen
- **Purchasing** – Bernhard Rau
- **Business Development & Sales** – Achim Schneider
- **Iron Casting Europe** – Dirk Lindemann
- **Lightmetal Die-Casting Europe** – Markus Rosenthal
- **Asia** – Mujia Zhang

GF Machining Solutions
Head: Pascal Boillat

- **Finance, IT & Strategy Planning** – Aitor Bustinduy
- **Human Resources** – Jean-Marc Hug
- **Operations** – Ivan Filisetti
- **Marketing, Business Development & Segmentation** – Armando Pereira
- **Europe** – Antonio Faccio
- **Americas** – Scott Fosdick
- **Asia** – Laurent Castella
- **Services/Academy** – Marcel Vorburger

Finance & Controlling
Head: Andreas Müller

- **Corporate Controlling & Investor Relations** – Daniel Bösiger
- **Corporate Treasury** – Holger Henss
- **Internal Audit** – Thorsten Schittges
- **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

Sustainable success

Sustainability is a core element of the GF business model. Sustainable management and responsible action contribute directly to achieving the company's business and financial goals. GF offers its customers solutions that support them in producing more efficiently while – at the same time – conserving resources and improving their sustainability footprint.

In order to live up to this role, GF, a global company with operations in markets such as China and India, will focus even stronger on the needs of its customers. This includes a continuous adjustment of the sustainability strategy to changing market conditions. Global compliance with standards and codes is as much a part of the company as the establishing of cross-divisional management systems. All production facilities are certified in accordance with ISO 9001 (Quality Management), ISO 14001 (Environmental Management), and OHSAS 18001 (Occupational Health and Safety Assessment Series). New locations must become certified within three years. This applies in particular to all newly acquired companies that are to be integrated into the three divisions. Energy-intensive production sites additionally must be certified in accordance with ISO 50001 (Energy Management).

Sustainability objectives

As an international corporation with operations in more than 30 countries, GF strives to embed the issue of sustainability in all its companies. The Executive Committee sets objectives every five years, and these are the central guidelines for implementing the economic, ecological, and social targets in the divisions.

Results 2011–2015

In the strategy cycle 2011–2015, GF not only achieved its financial targets, but also made clear progress in the → area of sustainability. For example, the company has halved the number of work-related accidents since 2011, not least as a result of a major safety campaign at GF Automotive. In addition, the proportion of climate-damaging air freight in the supply chain declined significantly during the period. Despite its successes, however, GF has not been able to achieve all of its ambitious self-imposed goals: although both waste and CO_2 emissions have been significantly reduced, for instance, the targets were not yet fully achieved. GF is therefore working intensively to further improve in these areas. More detailed information and key figures on 2016 will be published in the summer of 2017.

The topic work safety has the highest priority at GF and is a main topic in the sustainability targets 2020.

Focus 2016

In order to benefit from the extensive knowledge and experience of our employees in the area of sustainability, GF boosted its sustainability network in 2016 in line with the Strategy 2020. The sustainability conferences for the DACH region in Schaffhausen and the Asia conference in Shanghai marked a successful start. In addition, most GF companies have drafted action plans that will be put into practice in the coming years.

Procurement and Logistics

For a globally active company, ethical conduct and sustainability must include long-term, trusting supply-chain partnerships, the legally compliant conduct of suppliers as well as environmentally friendly transport solutions.

With regard to procurement, the GF Supplier Code defines and monitors adherence to environmental, social, and compliance standards. In 2016, the majority of suppliers had already signed the Supplier Code. Going forward, supplier audits with a focus on sustainability issues will be conducted.

In the area of logistics, environmentally friendly transport is at the top of the agenda. The systematic reduction of air-freight is an integral part of GF's sustainability goals. GF Piping Systems, for example, implemented a project to transfer the transport of goods to GF sales companies and customers overseas from air transport to sea transport. As a result of these efforts, the division was able to increase the proportion of sea transport from 56% to more than 70%.

Environment and Energy

Reducing emissions

The biggest environmental challenges of the future include climate change, the finite nature of fossil fuels, and a steep increase in the demand for energy.

GF is making an important contribution in these areas through its efficient production sites worldwide. For example, GF has been able to continually lower its production-related greenhouse gas emissions. In 2013, GF generated about 713'000 tons of CO_2 emissions, while in 2015 this number could be reduced to only 592'000 tons. Emissions in 2016 were at a similar level. The detailed key figures for 2016 will be published in mid-2017. This reduction was achieved in part through the use of new, environmentally friendly technologies, as well as by promoting sustainable energy projects and the use of CO_2-neutral hydropower.

Energy efficiency

Energy consumption is a major sustainability challenge for a manufacturing company such as GF. All three divisions have already implemented numerous initiatives and projects in this area, such as the use of more energy-efficient production facilities. In 2016, GF was able to maintain a relatively stable level of energy consumption compared to the previous year. By 2020, the company aims to increase energy efficiency at all production sites worldwide by 10%. Specifically, all divisions are called upon to make a contribution to systematically lowering energy consumption through their products, processes, and solutions. The GF Piping Systems location in Little Rock, Arkansas, USA, is a best-practice example: through numerous measures, the use of state-of-the-art machines, and more efficient technology, the facility of Georg Fischer Harvel was able to boost its energy efficiency by 22%.

Resource efficiency

In addition to energy, other important resources are also becoming scarcer. Responding to this challenge, GF places a high priority on developing processes for resource-efficient innovation (bionic design, eco-design, life cycle assessment, etc.). Sustainability and resource efficiency issues are taken into account as early as the developmental stage of new products. Even more than before, the divisions take the product's entire life cycle into consideration, from the selection of raw materials and suppliers to the production and customer's use of the products to their reuse once their life cycle has expired.

In addition, GF is also emphasizing the reduction of waste in production in order to cut back on the use of resources. The wise consumption of resources plays as important a role as the recycling of industrial waste. GF Automotive, for example, uses around 500'000 tons of recycled material in its foundries annually.

People and Safety

Health and safety in the workplace

In addition to the requirement of OHSAS certification, the “Zero Risk” work safety initiative has given new momentum to job safety at regular intervals. A multi-faceted action plan encourages employees to be more aware of potential risks at the workplace and the importance of safety regulations and measures. With success: in the last few years the accident rate at GF Automotive has dropped. This successful campaign will be continued in 2017. In the other two divisions, occupational health and safety is equally of the highest priority.

Training and development of young talents

Apprenticeships have a long-standing tradition at GF. The broad range of training opportunities includes more than 30 technical and commercial professions. In 2016, GF offered a total of more than 500 training positions worldwide. GF also offers proven career entry routes through thesis projects and internships. In addition, GF collaborates on joint research and development projects with the key universities located in the main markets. The successful Swiss apprenticeship model has now also been expanded to GF locations in the US and China.

Management development and further education

Whether in the Americas, Europe, or Asia – GF attaches great importance to inhouse training and professional development. The range of training opportunities is diverse and tailored to the varying needs of employees. More than 80% of the workforce benefit from internal training every year. On the one hand, there are training activities offered by the Corporation under the umbrella of the GF Academy. These include Corporate trainings on business, finance, and leadership topics as well as strategic initiatives such as training on design thinking – in order to implement a shared innovation culture – and the Value Selling Initiative to strengthen sales skills.

But the activities initiated by the Corporation represent only one part of the GF training portfolio. Most in-house employee trainings take place within the divisions, locally in the various countries. Training programs on topics such as occupational health and safety are just as common as specialist and technical training. The divisions are also responsible for implementing the 7 Habits program to enhance collaborative work and 4DX training to strengthen execution skills. In 2016 GF Piping Systems initiated a global 7 Habits day to foster teamwork with exceptional success.

Pay and social benefits

In 2016, GF generated a net added value of CHF 1.29 billion. More than three quarters of this amount were paid out in the form of salaries to employees. GF operates a modern and transparent remuneration system for employees, which is fair and non-discriminatory. Where appropriate, GF offers a performance-related variable component and allows employees to share in the success of the Corporation. Excellence on the part of individual employees and teams is recognized and additionally rewarded, for example, through the company’s annual Gold Awards.

Anchored in the social environment

True to its fundamental values, GF supports and promotes cultural and social programs at its various locations, as well as activities that contribute to the common good. In 2016, around CHF 2 million were spent at the Corporation level on social involvement activities. In addition to this, some 30 GF corporate subsidiaries support local activities, by making substantial contributions. The biggest contributions in 2016 went to the Corporation-owned Klostergut Paradies Foundation, the Iron Library, and Clean Water.

The Klostergut Paradies Foundation, that includes the cultural heritage site of a former Clarissan convent, houses not only important collections, but also serves as a training and meeting center for the Company. The Iron Library Foundation has the largest private collection of books on the subject of iron. Together with the Group archive, it is the center of competence for maintaining the Group’s historical and cultural heritage.

Through its Clean Water Foundation, GF has been supporting a total of 135 drinking water projects worldwide since 2002. To date, the Corporation has invested nearly CHF 9 million and has improved the lives of almost 300’000 people with a sustainably improved access to clean drinking water.

At the end of 2015, GF renewed its existing partnership with Caritas Switzerland, which has been in place since 2012, for another four years, and donated again CHF 1 million to Caritas to help implement the aid organization's clean water projects. Within the scope of the partnership, GF also provides know-how and technical expertise. In 2016, six new projects were started in cooperation with Caritas Switzerland, including in Bangladesh and Ecuador.

Awards

GF's good position in the annual climate protection ranking of the Carbon Disclosure Project (CDP) is another indication that the Corporation's sustainability efforts are going into the right direction. In 2016, GF once again received an award as sector leader in the area of "industry", placing it as one of the 20 best industrial companies in Germany, Austria, and Switzerland.

In addition, GF is again represented in the Ethibel Sustainability Index (ESI) Excellence Europe, which the independent Belgian agency Ethibel publishes every year.

A two-way dialogue is a successful component of communication for GF. This is confirmed by the high quality of the internal magazine "Globe", which was named the best employee magazine in Switzerland in 2016 for the third year in a row.

In addition, several high rankings reflect the fact that GF is an attractive place to work for talents. Not only is GF leading the category "industry" in the Best Recruiter study, the company was also able to move up from tenth to seventh place in the overall ranking of 506 Swiss companies. In the survey conducted by the consulting firm Universum, GF was once again among the 100 most popular employers in Switzerland.

Products and Innovation

GF attaches high importance to collaborating closely with its customers. The focus areas are product development and innovation as well as the achievement of sustainability benefits. In this sense, along with quality, GF has strategically anchored energy efficiency as well as climate and environmental protection as main elements of product development across all divisions. This was recognized in 2016 with the awarding of the innovation prize of the German foundry industry, which, among other factors, praised the production of GF Automotive as particularly innovative.

The goal of transforming GF from a pure product and system provider to an integrated solution provider is firmly anchored in the 2020 strategy. The idea is to support customers in the most meaningful way over the entire life cycle of a product.

The awards that GF received in 2016 are a confirmation of the success of this strategy. GF Automotive, for example, was recognized at the EUROGUSS trade fair for the outstanding design and resource efficiency of its battery housing for electric cars, while GF Machining Solutions was awarded the innovation prize of the Canton of Geneva for its future-oriented laser technology.

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.

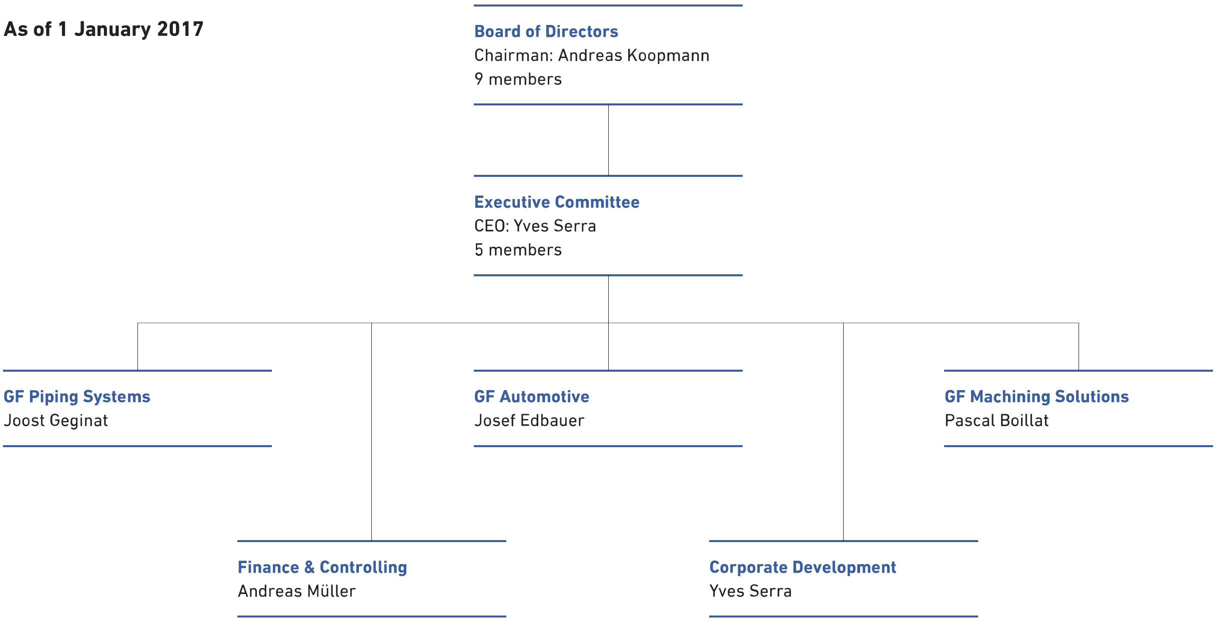
Contents

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. All data and information apply to the cutoff date of 31 December 2016, unless otherwise noted. Any changes occurring before the editorial deadline on 17 February 2017 are listed at the end of this chapter. Any changes occurring after the editorial deadline can be found on our website. GF also publishes the Articles of Association of Georg Fischer Ltd, the internal Organization and Business Rules, and more information online at
→ www.georgfischer.com/content/gf/com/en/investoren/annual-report.html

Corporate structure and shareholders

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.

As of 1 January 2017



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 175230). Its share capital is CHF 4'100'898, and its market capitalization was CHF 3'420 million as of 31 December 2016 (previous year: CHF 2'785 million).

Affiliated Companies

An overview of all Affiliated Companies in the scope of consolidation can be found in note 32. The list contains the company name, domicile, share capital, and percentage held by GF.

Significant shareholders and shareholder groups

As of 31 December 2016, no shareholder or shareholder group had voting rights in excess of 5%. The BlackRock Group, held directly or indirectly by BlackRock, Inc., New York (USA), Norges Bank (the Central Bank of Norway), Oslo (Norway), and the UBS Fund Management (Switzerland) AG, Basel (Switzerland), had voting rights between 3% and 5%.

56 disclosure notifications were filed in the year under review: 52 in relation to the BlackRock Group, held directly or indirectly by BlackRock, Inc., New York (USA), three in relation to Norges Bank (the Central Bank of Norway), Oslo (Norway), and one in relation to LSV Asset Management, Chicago (USA).

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 and can be accessed via the following link:
→ www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Shareholdings of members of the Board of Directors, the Executive Committee, and the Senior Management

A total of 45’115 Georg Fischer shares were held by members of the Board of Directors, the Executive Committee, and the Senior Management as of 31 December 2016 (previous year: 43’284 Georg Fischer shares):

	Number of Georg Fischer registered shares as of 31 Dec. 2016	Number of Georg Fischer registered shares as of 31 Dec. 2015
Members of the Board of Directors	12'862	13'162
Members of the Executive Committee	10'879	11'963
Members of the Senior Management	21'374	18'159
Total	**45'115**	43'284
In % of issued shares	**1.10%**	1.06%

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

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 600'000 shares in total. The maximum authorized or conditional capital is reduced by the amount that authorized or conditional capital is created by the issue of bonds or similar debt instruments or new shares.

By no later than 22 March 2018, 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 2016, no such bonds or similar 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/content/gf/com/en/investoren/annual-report.html

The subscription to and acquisition of the new shares, and any subsequent transfer of the shares, are subject to the statutory restrictions on transferability.

Further details on the share capital in the last five years are presented in the Share information and in the information on Share price. 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/content/gf/com/en/investoren/annual-report.html

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.

2016

At the 120th Annual Shareholders' Meeting on 23 March 2016, Riet Cadonau was elected as new member of the Board of Directors. Ulrich Graf did not stand for re-election.

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 Bührer was elected by the Board of Directors as its Vice Chairman on the day of the Annual Shareholders' Meeting on 23 March 2016.

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 in the separate chapter Members of the Board of Directors. 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 items 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: one meeting lasted less than two hours, four meetings lasted less than a day, and the strategy meeting lasted two days, including the visit of a major GF plant. 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 100%. 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

In 2016 the Board of Directors conducted a self-assessment. The results were discussed and measures agreed to further optimize the work done by the Board of Directors.

Audit Committee

The Audit Committee consists of three Board members. It supports the Board of Directors in monitoring accounting and financial reporting, supervises the internal and external audit function, assesses the efficiency of the internal control system including risk management and compliance with legal and 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 Corporate Controlling and Investor Relations, the Head of Internal Audit, and representatives of the external auditor also take part in the meetings. At the request of the Audit Committee the external auditor also provides information on current questions related to the financial reporting requirements and financial issues.

During the business year just ended, the Audit Committee held five regular and one extraordinary meeting, four of which lasted half a day, and the other two lasted about one hour.

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, adaptations decided in 2015 regarding the short-term incentive plan (STI) of the Corporation as well as the long-term incentive plan (LTI) were implemented. 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 four meetings during the past fiscal year, each of which lasted about one to 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 Senior Management levels, about the talent pipeline at the Senior Management and the diversity situation. In the year under review, the Nomination Committee held three meetings, which lasted an hour on average.

Information and control instruments

The Board of Directors is informed in depth about business performance every month. The members of the Board 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 regularly the forecast containing the expected figures at year-end. Once a year, the Board of Directors receives and approves the budget of the Corporation and the divisions for the following year. 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 strategy. In 2016, he visited Corporate Companies in Europe and in Asia.

Internal Audit

Internal Audit reports to the Chairman of the Audit Committee operationally and to the CFO administratively. Based on the audit plan approved by the Audit Committee, Corporate Companies are audited either annually or every two to three years, depending on the risk assessment and based on a comprehensive audit program. In the year under review, 37 internal audits were conducted. The audit reports are reconciled with the management of the audited Corporate Companies and distributed to the line managers, the external auditor, the Executive Committee, 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 Audit ensures that all discrepancies arising in internal and external audits are addressed and submits a report to the Executive Committee and the Audit Committee. The Head of Internal Audit 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; he informs to the CEO directly, if necessary. Especially through preventive measures and training in the divisions along with information and advice to the Corporate Companies, the CCO contributes 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 2016:

- further implementation of the "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
- internal e-learning programs were conducted on anticorruption, competition, and cartel law as well as for export controls and economic sanctions for totally about 1'350 employees
- training courses on antitrust law, anticorruption, export controls, and/or other compliance topics at various Corporate Companies
- ongoing advice and support for general compliance topics, labor law, and for internal revisions
- continuation 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)
- further implementation of a web-based system for the prevention of business with sanctioned persons and organizations
- further implementation of the function "Compliance Agents" (carried out by the Business Unit Controllers) for risk assessment and internal control

Code of Conduct of GF:
→ www.georgfischer.com/content/gf/com/en/UeberGeorgFischer/code-of-conduct.html

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 reviewed and approved by the Board of Directors in September.

The handling of financial and operational risks is explained in the Financial Report in the separate chapter Risk management.

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 other public functions.

Members of the Board of Directors

As of 1 January 2017

Committees

Audit Committee
Hubert Achermann, Chairman
Gerold Bührer
Roger Michaelis

Compensation Committee
Eveline Saupper, Chairwoman
Roman Boutellier
Jasmin Staiblin

Nomination Committee
Andreas Koopmann, Chairman
Roman Boutellier
Zhiqiang Zhang

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 positions 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
Vice Chairman of the Board of Directors of Nestlé AG; Member of the Board of Directors of Credit Suisse Group AG (both Switzerland)

Further professional activities and functions
Vice Chairman of the Board of Directors of CSD Holding AG; Member of the Board of Directors of Sonceboz SA; Member of the Board of Economiesuisse (all Switzerland)

Gerold Bührer

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
Chairman of the Board of Directors of Fehr Advice & Partners AG and of Meier + Cie AG; Board Member of Cellere AG (all 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
Chairman of the Audit Committee

Corporate Governance
Independent member

Professional background, career
Legal advisor at FIDES Treuhandgesellschaft in Zurich (1982–1987); Heading the company's Lucerne office (1987–1994); Partner and Vice Chairman of the Board of Directors of the newly created KPMG Schweiz (1992–1994); joined the four-person Executive Board, where he was responsible for tax and law (1994–2004); CEO of KPMG Schweiz and performed several key roles for KPMG International (2004–2012); first Lead Director of KPMG International and Member of the KPMG Global Board (2009–2012)

Other activities of governing bodies in listed corporations
Member of the Board and Head Audit Committee of UBS Switzerland AG (Switzerland)

Further professional activities and functions
Chairman of the Foundation Board of Lucerne Festival, of Friends of Lucerne Festival, and of Stiftung Salle Modulable; Member of the Foundation Board of Ernst von Siemens Musikstiftung (all Switzerland)

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 and of the Compensation 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 (2008–2015)

Other activities of governing bodies in listed corporations
–

Further professional activities and functions
Chairman of Appenzell Cantonal Bank; Board Member of Ammann Group Holding AG and of Rychiger AG Steffisburg; Member of the Board of Trustees of Vontobel Foundation; Member of the Board of Center for Industrial Marketing, CIM (all Switzerland)

Riet Cadonau

Member of the Board of Directors
1961 (Switzerland)

BA of Arts in Business and Economics, University of Basel (1985); MA of Arts in Economics and Business Administration, University of Zurich (1988) (both Switzerland); INSEAD Advanced Management Program AMP (2007) (France)

Board Member since 2016

Committees
–

Corporate Governance
Independent member

Professional background, career
Swiss Bank Corporation (now UBS) (1988–1989); various positions at IBM Switzerland (1990–2001), ultimately as Director of Global Services and Member of the Executive Committee; various positions as Member of the Executive Board at Ascom Group (2001–2005 and 2007–2011), since 2007 as CEO; 2005–2007 Managing Director and Senior Vice President at ACS Inc. (now Xerox); since 2011 CEO at Kaba Group (now dormakaba) (all Switzerland)

Other activities of governing bodies in listed corporations
Member of the Board of Directors at Zehnder Group (Switzerland)

Further professional activities and functions
–

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
Member of the Audit Committee

Corporate Governance
Independent member

Professional background, career
Various positions at Osram Group (1988–2012), ultimately as CEO at Osram Brazil and Head of Human Resources in Latin America (2004–2012); before CFO at Osram subsidiaries in India and Brazil; Partner and Director of Verocap Consulting, São Paulo, Brazil (since 2012)

Other activities of governing bodies in listed corporations
–

Further professional activities and functions
Managing Director and owner of Verocap; Chairman of the Board of Directors of Paulista Business Imp. Exp. Materials Elétricos S/A São Paulo; Chairman of the Advisory Board of Bentonit União Ltd. São Paulo; CEO and Member of the Board of Directors of Celena Participações e Marketing S/A (all Brazil)

Eveline Saupper

Member of the Board of Directors
1958 (Switzerland)

Dr. iur, attorney and certified tax expert, graduated in law at the University of St. Gallen (Switzerland)

Board Member since 2015

Committees
Chairwoman of the Compensation Committee

Corporate Governance
Independent member

Professional background, career
Legal and tax Advisor at Peat Marwick Mitchell (now KPMG Fides) (1983–1985); Attorney at Baker & McKenzie (1985–1992); Employee (1992–1994), Partner (1994–2014) and of counsel at Homburger AG (since 2014)

Other activities of governing bodies in listed corporations
Member of the Board of Directors of Syngenta International AG; Flughafen Zurich AG and Clariant AG (all Switzerland)

Further professional activities and functions
Chairwoman of Mentex Holding AG, Member of the Board of Directors of hkp group AG (until June 2017); Stäubli Holding AG (all Switzerland) and of the Hoval Group (Principality of Liechtenstein)

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 Compensation 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)

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 Nomination 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); Senior VP of Sandvik Group, Head of APAC and President of Greater China Region (since 2012)

Other activities of governing bodies in listed corporations
Member of the Board of Directors of Dätwyler Holding AG (Switzerland)

Further professional activities and functions
–

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 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 of 1 August 2016, Joost Geginat took over the position as Head of GF Piping Systems from Pietro Lori and, as of 31 December 2016, Andreas Müller was appointed as CFO and successor of Roland Abt. As of 1 January 2017, the Executive Committee is composed by the following members: Yves Serra, CEO and at the same time Head of Corporate Development; Joost Geginat, Head of GF Piping Systems; Josef Edbauer, Head of GF Automotive; Pascal Boillat, Head of GF Machining Solutions; Andreas Müller, CFO and Head of Corporate Finance & Controlling.

Members of the Executive Committee

Yves Serra

Chief Executive Officer of Georg Fischer Ltd
1953 (France/Switzerland)

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 (Switzerland)

Andreas Müller

CFO
1970 (Germany)

Graduate in Business Administration (Dipl.-Betriebswirt FH), University of Applied Sciences (HTWG), Konstanz (Germany)

Member of the Executive Committee since 2017

Professional background, career
Various positions for GF (since 1995), including Head of Controlling of GF Piping Systems Schaffhausen (1998–2000), Head of Operations GF Piping System companies in Australia (2000–2002), Head of Controlling Business Unit Industry & Utility GF Piping Systems Schaffhausen (2002–2008) and CFO of GF Automotive (2008–2016); CFO of Georg Fischer Ltd (since 2017)

Other activities of governing bodies in listed corporations
–

Further professional activities and functions
–

Joost Geginat

Head of GF Piping Systems
1966 (Germany)

Studies of Business Management at the University of Cologne (Germany) and at Hautes Etudes Commerciales (HEC) in Paris (France); Degree Dipl. Kaufmann and CEMS Master

Member of the Executive Committee since 2016

Professional background, career
Various managing functions at Roland Berger Strategy Consultants in Germany, Switzerland and Asia (1995–2014); Senior Managing Director and Partner at AlixPartners in Switzerland (2014–2016); Head of GF Piping Systems (since 2016)

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
Member of the Board of Trustees of the HTWG Konstanz (Germany)

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 Wahli Frères in Bévilard (1977–1984); various positions at General Electric Switzerland and GE Fanuc Switzerland (1984–2000), ultimately as Country Manager Switzerland; Vice President (2000–2002), President & CEO of GE Fanuc Europe (Luxembourg) (2002–2010); at GF Agie Charmilles as Head of Operations (2010–2012); 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 (Switzerland)

Shareholders’ rights

As of 31 December 2016, Georg Fischer Ltd had 12’596 shareholders with voting rights (previous year: 13’949), 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

For specific legal and statutory reasons (§ 12.2 of the Articles of Association), the following resolutions of the Annual Shareholders’ Meeting require a majority greater than the simple majority as laid down by law for votes. 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:

– the cases listed in Art. 704 para. 1 CO
– the alleviation or withdrawal of limitations upon the transfer of registered shares
– the creation, extension, alleviation, or withdrawal of the voting restrictions
– the conversion of registered shares into bearer shares
– the amendments to § 16.1 of the Articles of Association
– 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 Annual Shareholders’ 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

In 2012, PricewaterhouseCoopers, Zurich (Switzerland), was elected as external auditor. Since the Annual Shareholders' Meeting 2012, Stefan Räbsamen is the 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 2016, the Corporation spent about CHF 2.55 million (previous year: CHF 2.48 million) worldwide in connection with the annual audits conducted by PricewaterhouseCoopers at Georg Fischer Ltd, the Corporation, and the Corporate Companies. For additional services, PricewaterhouseCoopers received in 2016 fees of approximately CHF 0.28 million (previous year: CHF 0.42 million), thereof CHF 0.15 million (previous year: CHF 0.17 million) for services related to tax advice and CHF 0.13 million (previous year: CHF 0.25 million) for other consulting mandates in connection with accounting.

Supervisory and control instruments

The Audit Committee reviews and evaluates the effectiveness and independence of the external auditors annually. For this purpose, Internal Audit reviews all auditing services rendered by external auditors for the Corporation and their costs. 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

In cooperation with internal and external audit, the Audit Committee evaluates the potential for improvements regarding the collaboration, the processing of the assignments and the interfaces or overlapping of internal and external audit work. The auditor in charge of the external auditor attended the five ordinary meetings of the Audit Committee.

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 Audit also issues an annual list of all services rendered by external auditors for the Corporation and their costs. The costs for the annual audits of Georg Fischer Ltd, the Corporation, and of all Corporate Companies were approved by the Audit Committee. Further services from PricewaterhouseCoopers are examined by the Head of Internal Audit and, depending on the amount, approved either by the CFO or by the Managing Directors of the respective Corporate Companies.

Communication policy

Corporate Communications and Investor Relations are the two Service Centers 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.

For the third time in a row, the worldwide employee magazine "Globe" was awarded as Switzerland's best employee magazine by the Swiss Association for Internal Communication (Schweizerischer Verband für interne Kommunikation, SVIK). With the proceeding digitalization in mind, a modern mobile solution was developed on the basis of the printed magazine, so that the employees can get access on the go to the latest information about GF via smartphone or tablet. The positive development of GF's social media channels is a further record that the extension respectively an adaption of the digital communication for the employees (intranet) as well as external stakeholders (website) is a central future task of Corporate Communications.

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

Subscription to the e-mail service is free of charge. All media releases, Annual Reports, and Mid-Year Reports go online at the website → 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
→ www.georgfischer.com/subscriptionservice

Investor Relations
Daniel Bösiger
→ daniel.boesiger@georgfischer.com

Corporate Communications
Beat Römer
→ beat.roemer@georgfischer.com

Changes after the balance sheet date

No disclosure notification was made between 1 January and the editorial deadline on 17 February 2017. 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 and can be accessed via the following link:
→ www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Compensation Report

Introduction by the Chairwoman of the Compensation Committee

Dear shareholders

On behalf of the Board of Directors of GF and of the Compensation Committee, I am pleased to present the 2016 compensation report.

In 2015, the Compensation Committee approved a new long-term share-based incentive plan as detailed in chapter Architecture of Compensation. The plan became effective as per 1 January 2016. One of the proxy advisors recommended to vote against the approval of the compensation report 2015. The target for the newly introduced key performance indicator Earnings per Share (EPS) for the performance shares was deemed not challenging enough, and executives still receive a large portion of non-performance based share awards. In addition, said proxy adviser would prefer as performance indicator Total Shareholder Return (TSR).

Despite this recommendation, the Board unanimously and strongly believes that the performance share scheme of GF aligns pay-for-performance with shareholder interests in a way which is best adapted to the company situation. The details regarding this topic can be found in chapter Architecture of Compensation, under "Note: Performance Shares".

However, the Compensation Committee and the Board of Directors are commited to continue to review the compensation programs in line with best market practices, taking into account the input received from our shareholders and the various proxy advisors.

At the upcoming Annual Shareholders' Meeting, we will ask you to approve, as last year, prospectively in a binding vote the maximum amounts of compensation for the Board of Directors until the next Annual Shareholders' Meeting, and for the next business year, the maximum amount of compensation for the Executive Committee.

We always welcome comments on our compensation systems, and we trust that you will find this report interesting and informative.

Sincerely

Eveline Saupper

Chairwoman 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 2016. This report is written in accordance to the Swiss 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 2016

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 and strategy implementation
- Long-term orientation and alignment to shareholders' interests
- Market competitiveness

Compensation principles 2016

Fairness and transparency	Pay for performance and strategy implementation	Long-term orientation and alignment with shareholders' interests	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 equality).	A portion of compensation is directly linked to the company and individual performance (performance orientation).	Portions of compensation are delivered in form of restricted and performance restricted shares, ensuring participation in 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 equality).

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 2016 Annual Shareholders' Meeting, Roman Boutellier, Eveline Saupper and Jasmin Staiblin have been elected 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 Chief Executive Officer 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 twice per year. In 2016, the Committee held three meetings and one conference call 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 preset 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 2016 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 a conference call in March, the Committee reviewed the compensation report 2015.
– In the September meeting, the Compensation Committee reviewed the benchmarking analysis of the compensation of the Board of Directors, the Chief Executive Officer and the members of the Executive Committee; in the same meeting institutional advisors requirements and their impact on the compensation report were analyzed.
– In the December meeting, the Compensation 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 Chief Executive Officer. The Committee determined the target compensation of the Chief Executive Officer 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.

Overview of meetings' schedule

	February	March	September	December
CEO and EC Compensation	– Business performance previous year – Short-term incentive CEO and EC previous year – Business objectives current year	– Review compensation report 2015 – Review of proxy advisors recommendations	– Benchmarking analysis BOD, CEO and EC compensation	– Target compensation CEO and EC following business years

In 2016, 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
Individual compensation of Executive Committee members	Compensation Committee based on proposals by the CEO	Board of Directors

On behalf of the Board of Directors, Internal Audit 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, no external compensation specialists have been mandated.

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.

For compensation benchmarking purposes, a group of companies, all Swiss multinational companies of the industry sector listed on the Swiss stock exchange (SIX), has been selected. The group consists of Autoneum, Bucher Industries, Dätwyler, Geberit, dormakaba, Oerlikon, Rieter, SGS, Sika, Sonova and Sulzer.

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 the Executive Committee are conducted by the Chief Executive Officer and are approved by the Chairman of the Board. The Chairman of the Board determines the objectives and evaluates the performance of the Chief Executive Officer.

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 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
Basis fee		
Board Membership	CHF 70'000	150 shares
Additional fees		
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	

Members of the Board receive a fixed fee and additional fees for special tasks such as committee chairmanship, vice-chairmanship or committee membership. The fees are paid in cash in January for the previous calendar year. Actual expenditures will be reimbursed.

In addition, each member of the Board receives a fixed number of GF 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 at the end of December and are restricted for a period of five years.

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

Compensation of the Executive Committee

The principles of compensation of the 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 2015.

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
Annual base salary	Monthly cash payments	Pay for the function	Scope and responsibilities Profile of the individual
Short-term incentive	Annual cash payment	Pay for performance	Business and individual performance over a one-year period
Long-term incentive (share-based remuneration)	Restricted shares Performance restricted shares	Participate in long-term success Align to shareholders' interests	Level of the function in the organization and overall company performance
Benefits	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. The business objectives are: organic sales growth (excluding acquisitions and divestures), EBIT margin (EBIT in relation to sales) and Return on Invested Capital (ROIC). The following rules apply:

- The short-term incentives are expressed as a target in % of annual fixed base salary;
- The maximum short-term incentive amounts to 150% of the target short-term incentive;
- The achievement for each objective is capped at 150%;
- The highest weighting is on the organization, the executive is responsible for;
- The hurdles and targets are defined on a divisional level to reflect the difference in businesses.

For each objective, the Board of Directors sets a target level and a threshold level (hurdle) of achievement under which there is no payout. The payout factor for achievement levels between the hurdle and the target is calculated by linear interpolation. While the hurdles and the targets 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 hurdle 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 short-term incentive plan regulation includes the provision of forfeiture in case of dismissal based on fraud.

Short-term incentive in % of annual fixed base salary

The target short-term incentive amounts to 100% of the annual fixed base salary for the Chief Executive Officer and to 60% of the annual fixed base salary for the other members of the Executive Committee. Short-term incentive pay-outs are capped at 150% of target level.

	Target	Minimum	Maximum
CEO	100%	0%	150%
Executive Committee	60%	0%	90%

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

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

	CEO	Head Division	Staff Functions
Business objectives			
Corporation level			
Organic sales growth (20%)	15%	5%	15%
EBIT margin (40%)	30%	10%	30%
ROIC (40%)	30%	10%	30%
Division level			
Organic sales growth (20%)		10%	
EBIT margin (40%)		20%	
ROIC (40%)		20%	
Individual objectives			
MBO	25%	25%	25%
Total	**100%**	**100%**	**100%**

Thresholds and targets for the corporate business objectives

Business objectives	Hurdle [1]	Strategy targets 2016–2020
Organic sales growth (at constant currencies)	1,00%	3–5%
EBIT margin	4,00%	8–9%
ROIC	10,00%	18–22%

1 Achievements below the hurdle result in zero payout for the respective business objective.

Long-term incentive (share-based remuneration)

The metrics of the long-term incentive plan have been designed to fit with GF's Strategy 2020, focusing on long-term sustainable value creation for employees, customers, and shareholders. The incentive is based on one Key Performance Indicator, Earnings per Share (EPS), measured over a prospective three years performance period, in order to:

- Align the interests with those of GF's shareholders;
- Allow to participate in the long-term success of GF;
- Foster and support a high performance culture.

The Key Performance Indicator, EPS, is measured over a prospective three years performance period in relation to the last 10 years average value; this ensures that full business cycles are taken into account when measuring the achievement levels. Share buybacks or capital increases would be neutralized and would have no impact on the EPS value.

The initial Grant is expressed as a number of shares, based on the length of employment in the year x-1 (pro-rated based on twelve months). The number of granted shares will be divided into a number of restricted shares (RS) and a number of performance restricted shares (PS), as follows:

Restricted and Performance restricted shares

	RS Restricted shares	PS Performance restricted shares	Total number of shares
CEO	425	0 - 850	425 - 1'275
EC	150	0 - 300	150 - 450

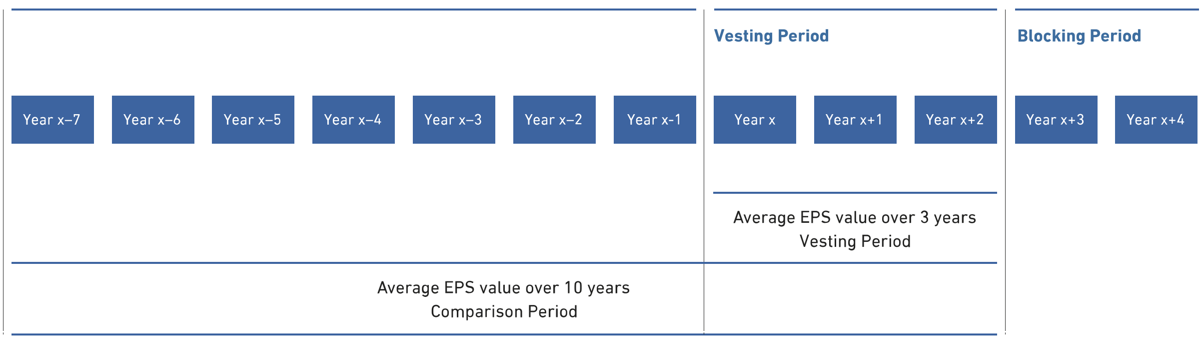
CEO = Chief Executive Officer
EC = Executive Committee

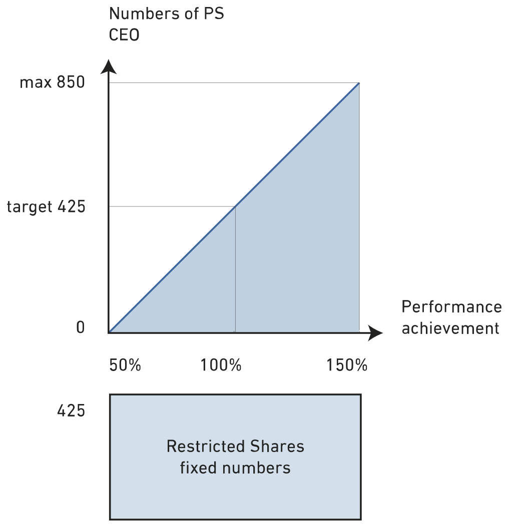
RS will be blocked for 5 years, PS for 2 years after the vesting period of 3 years.

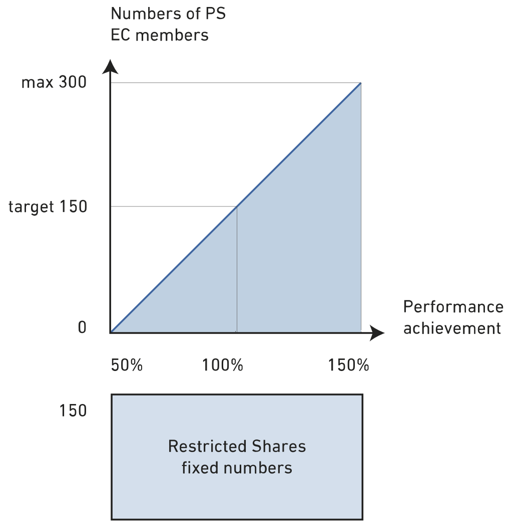
For the Plan year x-1, the RS and PS are granted at 1 January, year x (Grant Date). The RS vest immediately; the vesting of the PS is subject to meeting the following performance criteria:

- Should the average EPS value over the 3 years vesting period (year x+3) be equal to the average EPS value of the previous 10 years, 100% of the granted PS will vest at the Vesting Date.
- Should the average EPS value over the 3 years vesting period (year x+3) be above 150% of the average EPS value of the previous 10 years, 200% of the granted PS will vest at the Vesting Date (cap).
- Should the average EPS value over the 3 years vesting period (year x+3) be below 50% of the average EPS value of the previous 10 years, all granted PS will forfeit (hurdle).
- For achievements in between 50% and 150% the calculation is linear.

Whereas the Vesting Date of the granted PS is defined as the day 3 years after the Grant Date and five working days after the official disclosure of the EPS value of the relevant business year.







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

The long-term incentive plan regulation includes the provision of forfeiture in case of dismissal based on fraud.

Note: Performance Shares

A simulation with possible scenarios quickly shows that, even if the economy continues doing well and EPS increases over the vesting period, the number of shares granted would only increase moderately compared to the previously existing scheme with a fixed number of shares. Conversely, if the economic situation would deteriorate and EPS go down significantly, the amount of granted performance shares would slide below or well below the amount of fixed shares granted under the previous scheme. The Board of Directors therefore firmly believes this scheme to be appropriate and fair for all parties.

There is no obvious peer group for GF given its diversified portfolio. In addition, division peers are mostly private companies (GF Automotive, GF Piping Systems) or Japanese conglomerates (GF Machining Solutions). Therefore, the Board of Directors decided to compare the average EPS during the vesting period to the average of the previous ten years.

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 only the fixed base salary is insured. The pension fund exceeds the minimum 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 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 Chief Executive Officer and the Executive Committee members foresee a notice period of maximum 12 months. There are no entitlements to severance payments.

Remuneration for the 2016 business year

Audited
by PwC
Switzerland

Board of Directors

The members of the Board of Directors received cash compensation of CHF 1.159 million in the year under review. In addition, a total of 1’501 GF registered shares with a total market value of CHF 1.251 million were allocated as share-related compensation. In the previous year, the allocation had been 1’534 GF registered shares, equivalent to a total market value of CHF 1.042 million. Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 2.523 million (previous year: CHF 2.331 million).

At the General Assembly of 23 March 2016 a maximum sum of CHF 2.774 million for remuneration of the members of the Board was approved for the period from the 2016 Annual Shareholders’ Meeting to the 2017 Annual Shareholders’ Meeting.

The detailed disclosure of compensation to the Board of Directors is as follows:

Audited by PwC Switzerland

Compensation paid to the members of the Board of Directors 2016

	Compensation					
	Cash compensation 1	Number of shares	Share-based compensation 2	Social insurance funds 3	**Total compensation 2016 4**	Total compensation 2015 4
Andreas Koopmann	270	300	250	23	**543**	499
Chairman Board of Directors Chairman Nomination Committee						
Hubert Achermann	150	150	125	12	**287**	254
Chairman Audit Committee						
Gerold Bührer	123	150	125	10	**258**	235
Vice Chairman Board of Directors Member Audit Committee						
Roman Boutellier 5	105	150	125	9	**239**	201
Member Nomination Committee Member Compensation Committee						
Riet Cadonau 6	54	116	97	8	**159**	
Member Board of Directors						
Ulrich Graf 7	25	35	29	2	**56**	222
Chairman Compensation Committee						
Roger Michaelis	123	150	125	13	**261**	230
Member Audit Committee						
Eveline Saupper 8	106	150	125	12	**243**	159
Chairwoman Compensation Committee						
Jasmin Staiblin	90	150	125	11	**226**	202
Member Compensation Committee						
Zhiqiang Zhang	113	150	125	13	**251**	227
Member Nomination Committee						
Total	**1'159**	**1'501**	**1'251**	**113**	**2'523**	2'229 *

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

* The total compensation in 2015 amounted to CHF 2.331 million, including a compensation for Rudolf Huber (Chairman Audit Committee until 18 March 2015) of CHF 58'000 and compensation for Isabelle Welton (Member Compensation Committee until 18 March 2015) of CHF 44'000.

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 834 on 31 December 2016.

3 Social insurance funds represent employer contributions to social insurance funds.

4 The total compensation encompasses the cash compensation, the share-based compensation and the contribution to social insurance funds.

5 Member of the Compensation Committee since 23 March 2016.

6 Member of the Board of Directors since 23 March 2016.

7 Chairman Compensation Committee until 23 March 2016.

8 Chairwoman of the Compensation Committee since 23 March 2016.

The compensation paid to the Board of Directors for the year 2016 was above that of the previous year. The increase is explained by the increased value of the shares from CHF 679 in 2015 to CHF 834 in 2016.

In the year under review, Mr. Ulrich Graf, Chairman of the Compensation Committee, was remunerated until the General Assembly of 23 March 2016. 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 the Board of Directors.

Audited
by PwC
Switzerland

Executive Committee

The members of the Executive Committee received cash, share-related compensation, social security and pension contributions amounting to CHF 8.320 million for the year under review (previous year: CHF 7.736 million). Under the new long-term incentive plan, 2’126 GF registered shares (1’063 restricted shares and 1’063 performance shares) with a total value of CHF 1.773 million, based on a share price of CHF 834 at year end 2016, were granted to members of the Executive Committee for the year under review (previous year: 2’050 GF registered restricted shares with a total value CHF 1.392 million).

At the General Assembly of 18 March 2015 a maximum sum of CHF 9.412 million for remuneration of the members of the Executive Committee for the business year 2016 was approved.

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:

Audited
by PwC
Switzerland

Compensation paid to the members of the Executive Committee 2016

	Fixed salary in cash	Short-term incentive in cash 1	Restricted shares	Performance shares	Share-based remuneration 2	Social insurance funds 3	Pension funds 4	Jubilee premium 5	**Total compensation 2016 6**	Total compensation 2015
Executive Committee *	2'993	2'247	1'063	1'063	1'773	398	838	71	**8'320**	7'736
Of whom Yves Serra, CEO (highest individual compensation)	873	933	425	425	709	134	256	71	**2'976**	2'781

(all in CHF 1'000, except rows "Restricted shares" and "Performance shares")

* The Executive Committee compensation includes the compensation for Pietro Lori (Executive Committee member until 31 July 2016) and includes the compensation for Joost Geginat (Executive Committee member since 1 May 2016).

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 2016 financial year was approved by the Board of Directors on 17 February 2017. Payment will be made in 2017.

2 The share-based remuneration is based on the long-term incentive plan: Each year, numbers of restricted (RS) and performance shares (PS) are allocated. RS are blocked for five years. The amount of the RS-based compensation is calculated on the basis of the full value of the shares at the year-end price of CHF 834 on 31 December 2016. RS are transferred in 2017. The amount of the PS-based compensation is calculated on the basis of the grant value of the PS at the year-end price of CHF 834 on 31 December 2016. The number of PS vesting after the vesting period of 3 years depends on meeting the respective performance criteria.

3 The social insurance fund expenses represent employer contributions to social security.

4 The pension fund expenses represent employer contributions to pension funds.

5 Based on the Company's regulation for all employees, the CEO received a jubilee premium of one monthly salary for 25 years employment with GF.

6 The total compensation is comprised of the fixed salary, the short-term incentive, the share-based remuneration and the social and pension contributions.

Total compensation for the Chief Executive Officer and the other members of the Executive Committee in 2016 was higher than in 2015. The increase is explained by the following factors:

- The Executive Committee compensation includes the compensation for Pietro Lori (Executive Committee member until 31 July 2016) and includes the compensation for Joost Geginat (Executive Committee member since 1 May 2016).
- The value of the shares increased from CHF 679 in 2015 to CHF 834 in 2016.
- The short-term incentive related to the financial results of the Corporation and the divisions and

to the individual performance was comparable to 2015. Consequently, the overall short-term incentive percentage ranges from 56.9% to 71.8% of the base salary for the Executive Committee members and amounts to 106.9% of the base salary for the Chief Executive Officer.
- The fixed salary was slightly adjusted in order to keep competitive levels in line with the market practice of GF's 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.

Starting 1 August 2016 until 31 December 2016, Pietro Lori continued his employment with GF as non-Executive Committee member and the compensation package for this period amounted to CHF 528'384. In the year under review, no further 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 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 in the → Notes to the Financial Statements of GF Ltd.

Audited
by PwC
Switzerland

Loans to members of governing bodies

Neither GF 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 2016, no loans were outstanding.

Report of the statutory auditor to the General Meeting of Georg Fischer Ltd, Schaffhausen

Report on the audit of the Compensation Report 2016

We have audited the content marked as "audited by PwC Switzerland" of the compensation report of Georg Fischer Ltd for the year ended 31 December 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Georg Fischer Ltd for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers Ltd

Stefan Räbsamen
Audit expert

Auditor in charge

Roman Uehli
Audit expert

Zürich, 17 February 2017


+GF+

Financial Report 2016

Consolidated financial statements

Financial statements Georg Fischer Ltd

Investor information

Balance sheet as of 31 December 2016

CHF million	Notes	**2016**	**%**	2015	%
Cash and cash equivalents		571		549	
Marketable securities		8		10	
Trade accounts receivable	(3)	666		640	
Inventories	(4)	673		640	
Income taxes receivable	(5)	14		13	
Other accounts receivable	(6)	52		49	
Prepayments to creditors		19		14	
Accrued income		21		19	
Current assets		**2'024**	**63**	1'934	63
Property, plant, and equipment for own use	(7)	1'026		988	
Investment properties	(7)	37		39	
Intangible assets	(8)	25		26	
Deferred tax assets	(11)	80		83	
Other financial assets	(10)	10		13	
Non-current assets		**1'178**	**37**	1'149	37
Assets		**3'202**	**100**	3'083	100
Trade accounts payable		470		420	
Bonds	(13)			200	
Other financial liabilities	(13)	145		158	
Loans from pension fund institutions	(13, 14)	29		27	
Other liabilities	(15)	53		80	
Prepayments from customers		50		55	
Current tax liabilities		59		45	
Provisions	(12)	43		38	
Accrued liabilities and deferred income	(16)	218		198	
Current liabilities		**1'067**	**34**	1'221	39
Bonds	(13)	523		299	
Other financial liabilities	(13)	96		113	
Pension benefit obligations	(14)	119		120	
Other liabilities	(15)	47		46	
Provisions	(12)	105		109	
Deferred tax liabilities	(11)	45		45	
Non-current liabilities		**935**	**29**	732	24
Liabilities		**2'002**	**63**	1'953	63
Share capital	(17)	4		4	
Capital reserves		24		24	
Treasury shares	(19)	–10		–6	
Retained earnings		1'138		1'059	
Equity attributable to shareholders of Georg Fischer Ltd		**1'156**	**36**	1'081	35
Non-controlling interests		44	1	49	2
Equity	**(17)**	**1'200**	**37**	1'130	37
Liabilities and equity		**3'202**	**100**	3'083	100

Income statement for the year ended 31 December 2016

CHF million	Notes	**2016**	**%**	2015	%
Sales		**3'744**	**100**	3'640	100
Other operating income	(23)	45		50	
Income		**3'789**	**101**	3'690	101
Cost of materials and products		–1'751		–1'740	
Changes in inventory of unfinished and finished goods		57		25	
Operating expenses	(24)	–674		–628	
Gross value added		**1'421**	**38**	1'347	37
Personnel expenses	(25)	–978		–925	
Depreciation on tangible fixed assets	(7)	–126		–122	
Amortization on intangible assets	(8)	–6		–4	
Operating result (EBIT)		**311**	**8**	296	8
Interest income	(26)	2		2	
Interest expense	(26)	–30		–34	
Other financial result	(26)	–3		–16	
Ordinary result		**280**	**7**	248	7
Non-operating result	(27)	1		3	
Extraordinary result					
Profit before taxes		**281**	**8**	251	7
Income taxes	(28)	–56		–53	
Net profit		**225**	**6**	198	5
– Thereof attributable to shareholders of Georg Fischer Ltd		216		188	
– Thereof attributable to non-controlling interests		9		10	
Basic earnings per share in CHF	(18)	53		46	
Diluted earnings per share in CHF	(18)	53		46	

Statement of changes in equity for the year ended 31 December 2016

CHF million	Notes	**Share capital**	**Capital reserves**	**Treasury shares**	Goodwill offset	Cumulative translation adjustments	Cash flow hedging	Other retained earnings	**Retained earnings**	**Equity attributable to shareholders of Georg Fischer Ltd**	Non-controlling interests	**Equity**
Balance as of 31 December 2014		**4**	**33**	**–9**	**–319**	**11**	**–29**	**1'366**	**1'029**	**1'057**	**47**	**1'104**
Net profit								**188**	**188**	**188**	**10**	**198**
Translation adjustments recognized in the reporting period						–71			–71	–71	–1	–72
Changes of cash flow hedges	(9, 15)						1		1	1		1
Goodwill offset via equity	(2, 8)				–29				–29	–29		–29
Purchase of treasury shares	(19)			–13						–13		–13
Disposal of treasury shares	(19)		1	11						12		12
Share-based compensation												
– Transfers	(19, 29)			5				–5	–5			
– Granted	(19, 29)							6	6	6		6
Dividends	(17)		–10					–60	–60	–70	–7	–77
Balance as of 31 December 2015		**4**	**24**	**–6**	**–348**	**–60**	**–28**	**1'495**	**1'059**	**1'081**	**49**	**1'130**
Net profit								**216**	**216**	**216**	**9**	**225**
Translation adjustments recognized in the reporting period						–24			–24	–24	–1	–25
Changes of cash flow hedges	(9, 15)						13		13	13		13
Goodwill offset via equity	(2, 8)				–53				–53	–53		–53
Capital increase/acquisition of non-controlling interests											2	2
Purchase of treasury shares	(19)			–17						–17		–17
Disposal of treasury shares	(19)			6						6		6
Share-based compensation												
– Transfers	(19, 29)			7				–7	–7			
– Granted	(19, 29)							8	8	8		8
Dividends	(17)							–74	–74	–74	–15	–89
Balance as of 31 December 2016		**4**	**24**	**–10**	**–401**	**–84**	**–15**	**1'638**	**1'138**	**1'156**	**44**	**1'200**

Cash flow statement for the year ended 31 December 2016

CHF million	Notes	2016	2015
Net profit		225	198
Income taxes	(28)	56	53
Financial result	(26)	31	48
Depreciation and amortization	(7, 8)	132	126
Other non-cash income and expenses		17	3
Increase in provisions, net	(12)	32	30
Use of provisions	(12)	–31	–34
Loss/profit from disposal of tangible fixed assets		1	–22
Changes in			
– Inventories		–44	–2
– Trade accounts receivable		–33	–45
– Other receivables and accrued income		–3	3
– Trade accounts payable		53	26
– Other liabilities and accrued liabilities and deferred income		36	21
Interest paid		–31	–32
Income taxes paid		–41	–45
Cash flow from operating activities		**400**	328
Additions to			
– Property, plant, and equipment	(7)	–174	–167
– Intangible assets	(8)	–5	–4
Disposals of			
– Property, plant, and equipment	(7)	4	30
– Intangible assets	(8)	1	
– Other financial assets		3	2
Purchase/disposal of marketable securities			–1
Cash flow from acquisitions	(2)	–96	–1
Cash flow from divestitures	(2)		–1
Interest received		2	2
Cash flow from investing activities		**–265**	–140
Free cash flow		**135**	188
Purchase of treasury shares		–17	–13
Disposal of treasury shares		6	12
Dividend payments to shareholders of Georg Fischer Ltd		–74	–70
Dividend payments to non-controlling interests		–15	–7
Inflows from or outflows for shares from non-controlling interests		1	
Issuance of bonds	(13)	224	
Repayment of bonds	(13)	–200	
Issuance of long-term financial liabilities	(13)		68
Repayment of long-term financial liabilities	(13)	–17	–4
Changes in short-term financial liabilities		–15	14
Cash flow from financing activities		**–107**	0
Translation adjustment on cash and cash equivalents		–6	–13
Net cash flow		**22**	175
Cash and cash equivalents at beginning of year		549	374
Cash and cash equivalents at year-end [1]		**571**	549

1 Cash, postal and bank accounts: CHF 511 million (previous year: CHF 507 million), fixed-term deposits: CHF 60 million (previous year: CHF 42 million).

Notes to the consolidated financial statements

Segment information

CHF million	GF Piping Systems 2016	GF Piping Systems 2015	GF Automotive 2016	GF Automotive 2015	GF Machining Solutions 2016	GF Machining Solutions 2015	Total segments 2016	Total segments 2015
Order intake [1]	**1'488**	1'429	**1'346**	1'331	**917**	902	**3'751**	3'662
Orders on hand at year-end [1]	**73**	81	**353**	346	**189**	185	**615**	612
Sales [2]	**1'494**	1'417	**1'335**	1'321	**916**	902	**3'745**	3'640
Sales by region								
Europe	546	538	1'120	1'126	419	420	2'085	2'084
– Thereof Germany	139	134	724	755	134	133	997	1'022
– Thereof Switzerland	107	105	3	3	51	53	161	161
– Thereof Austria	22	22	51	53	17	17	90	92
– Thereof Rest of Europe	278	277	342	315	217	217	837	809
Americas	315	297	38	37	189	180	542	514
Asia	448	404	169	154	271	261	888	819
– Thereof China	326	298	168	153	180	179	674	630
Rest of world	185	178	8	4	37	41	230	223
Sales	**1'494**	1'417	**1'335**	1'321	**916**	902	**3'745**	3'640
EBITDA	**214**	193	**161**	148	**77**	92	**452**	433
Depreciation on tangible fixed assets	–49	–48	–61	–59	–12	–12	–122	–119
Amortization on intangible assets	–3	–2			–3	–2	–6	–4
Operating result (EBIT)	**162**	143	**100**	89	**62**	78	**324**	310
Assets [3]	**1'254**	1'159	**1'094**	1'070	**674**	671	**3'022**	2'900
– Thereof current assets	759	684	394	393	498	506	1'651	1'583
– Thereof non-current assets	495	475	700	677	176	165	1'371	1'317
Investments by region								
Europe	28	22	65	66	11	8	104	96
– Thereof Germany	1	1	26	17	1		28	18
– Thereof Switzerland	18	14			8	5	26	19
– Thereof Austria	5	4	39	49			44	53
– Thereof Rest of Europe	4	3			2	3	6	6
Americas	10	8	13		1		24	8
Asia	7	7	11	14	3	2	21	23
– Thereof China	7	7	11	14	1	1	19	22
Rest of world	6	11					6	11
Investments	**51**	48	**89**	80	**15**	10	**155**	138
– Thereof capital expenditures	49	46	88	80	13	9	150	135
– Thereof investments in intangible assets	2	2	1		2	1	5	3
Liabilities	**712**	744	**766**	750	**435**	415	**1'913**	1'909
– Thereof current liabilities	378	395	380	338	258	249	1'016	982
– Thereof non-current liabilities	334	349	386	412	177	166	897	927
Research and development	**38**	37	**18**	18	**48**	47	**104**	102

1 Order intake and orders on hand at year-end were not in scope of the audit by the statutory auditor.

2 Sales between other divisions are not material.

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

Reconciliation to the segment information

CHF million	2016	2015
Sales		
Sales of reportable segments	3'745	3'640
Elimination of intercompany sales	–1	
Consolidated sales	**3'744**	3'640
Operating result (EBIT)		
Total EBIT for reportable segments	324	310
Total EBIT Corporate Center and Corporate Services	–13	–14
Other unallocated amounts		
Consolidated operating result (EBIT)	**311**	296
Interest income	2	2
Interest expense	–30	–34
Other financial result	–3	–16
Ordinary result	**280**	248
Non-operating result	1	3
Extraordinary result		
Profit before taxes	**281**	251
Income taxes	–56	–53
Net profit	**225**	198
Assets		
Assets of reportable segments	3'022	2'900
Elimination of intercompany positions	–359	–313
Other assets		
– Current assets (mainly cash and cash equivalents)	394	369
– Non-current assets	145	123
Other unallocated amounts		4
Consolidated assets	**3'202**	3'083
Investments		
Investments of reportable segments	155	138
Other investments		
– Germany	26	33
– Switzerland	3	
Investments of Corporation	**184**	171
Liabilities		
Liabilities of reportable segments	1'913	1'909
Elimination of intercompany positions	–637	–639
Other liabilities		
– Current liabilities	57	239
– Non-current liabilities	638	405
Other unallocated amounts	31	39
Consolidated liabilities	**2'002**	1'953

Geographical information

CHF million	Non-current assets 2016	Non-current assets 2015	Sales 2016	Sales 2015
Total	**1'178**	1'149	**3'744**	3'640
Europe	831	811	2'084	2'084
– Thereof Germany	340	327	997	1'022
– Thereof Switzerland	244	251	161	161
– Thereof Austria	207	194	90	92
– Thereof Rest of Europe	40	39	836	809
Americas	91	77	542	514
Asia	212	210	888	819
– Thereof China	202	198	674	630
Rest of world	44	51	230	223

Products, services and most important revenue sources

CHF million	Sales 2016	Sales 2015
GF Piping Systems	**1'494**	1'417
Industry [1]	540	490
Utility [2]	561	548
Building technology [3]	393	379
GF Automotive	**1'335**	1'321
Passenger cars	877	868
Trucks	393	382
Industrial applications	65	71
GF Machining Solutions	**916**	902
EDM (Electric Discharge Machining)	276	299
Milling	292	276
Automation/Tooling/Laser	95	78
Customer service	253	249

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 und floor-heating systems 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

Changes in accounting principles

As of 1 January 2016, GF adopted the new recommendations of the Swiss GAAP FER Framework concerning revenue recognition as well as those in Swiss GAAP FER 3 and 6.

The revised principles concerning revenue recognition had no impact on the disclosures in the consolidated balance sheet and income statement, as the corporate accounting principles which have been applied by GF for a long time comply with the new recommendations of revenue recognition in Swiss GAAP FER.

The most important revenue sources and their corresponding recognition are disclosed in the segment information.

Accounting policies

General

The consolidated financial statements of Georg Fischer Ltd have been prepared in accordance with all of the current guidelines of Swiss GAAP FER (Swiss Generally Accepted Accounting Principles Accounting and Reporting Recommendations) and, furthermore, with the provisions of the Listing Rules of 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, liabilities, and contingent liabilities at the balance sheet date. If in the future such estimates and assumptions, which are based on management's best judgment at the balance sheet 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 an important key figure for GF, it is reported separately in the income statement.

The EBITDA corresponds to the operating result (EBIT) before depreciation on tangible fixed assets and amortization on intangible assets. For GF, the EBITDA is an important operational key figure, which, on the one hand, displays a harmonization to the cash flow from operating activities, and, on the other hand, is used as a reference for multiples.

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

"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. These entities are fully consolidated; 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 are presented separately in the equity and in the net income of consolidated companies, 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 acquisition 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 relinquished, 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 conferring less than 20% of the voting rights 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 principal risks and benefits incidental to ownership are transferred. Individual and separate definable performance obligations are recognized as separate sales as soon as the risks and opportunities were transferred to the customer.

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 makes a claim against insufficient quality of the delivered item that exceeds a normal warranty claim
- the receipt of the proceeds depends on the resale of the goods by the buyer
- the installation of the goods at the recipient is an essential part of the contract
- the buyer has the right to return the item for a contractually 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 the 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. Any ineffective portion is recognized immediately 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 to the income statement along with the valuation effect from the hedged underlying transaction.

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 the balance sheets and income statements or from the translation of corporate loans with equity character denominated in foreign currencies are recognized in equity, by taking the deferred tax effect into consideration. Upon the divestment of a foreign subsidiary, the related 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 to the Executive Committee and the Board of Directors, the reportable segments are the three operating divisions of 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) as 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 to the segments are reported in the corresponding divisions. No distinction is made between the accounting policies of the 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, with unrealized gains and losses being recognized in the income statement and disclosed in the financial result.

Derivative financial instruments
Derivative financial instruments are reported under marketable securities or other current liabilities. 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, using cash flow hedges in particular.

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 known risks, other value adjustments are recognized based on statistical surveys of default risk.

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 the related overhead costs. Cash discount deductions are treated as reductions in the purchase cost. If the net realizable value is lower than the above, a corresponding valuation adjustment is made. Inventories with an insufficient turnover rate are partly or fully value-adjusted.

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 the present value of the 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 the terms of a 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. For this item, useful lives can be 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 business combination, 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 business combination, 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 against retained earnings at the date of acquisition. Upon the disposal of a portion of the company, the goodwill previously offset in equity is transferred to the income statement. If parts of the purchase price are dependent on future results, they are estimated as accurately as possible at the acquisition date 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 the theoretical capitalization and amortization of goodwill are explained in note 8.

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

The employee benefit plans of the Corporation comply with the legislation in force in each country. Employee benefit plans are mostly institutions and foundations that are financially independent of the Corporation. They are usually financed by both employee and employer contributions.

The economic impact of the employee benefit plans is assessed each year. Surpluses or deficits are determined by means of the annual statements of each specific benefit plan, which are based either on Swiss GAAP FER 26 (Swiss benefit plans) or on the accepted methods in each foreign country (foreign plans). An economic benefit is capitalized if it is permitted and intended to use the surplus to reduce the employee contributions. 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. The 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 for 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 when most of the contractual risks and rewards have been transferred to the consolidated entity. Lease installments are divided into an interest and a repayment component based on the annuity method. Assets held under such finance leases are depreciated over the shorter of their estimated useful life and lease term. Operating lease installments are reported in the income statement under operating expenses.

Financial liabilities

Financial liabilities comprise bank loans, mortgages, and bonds. They are recognized at their amortized cost. Borrowing costs are recognized in the income statement using the effective interest method. Borrowing costs that can be allocated directly to the construction, build-up, or purchase of a qualifying asset are capitalized as part of the acquisition or manufacturing costs of the asset.

Research and development

All research costs are recognized in the income statement in the period in which they were incurred. Development costs are recognized as an asset only to the extent that the following specific recognition criteria are all met accumulative:

- costs are clearly defined, clearly attributable to the product or process, and can be separately identified and measured reliably
- the technical feasibility can be demonstrated
- the company intends to produce and market the product or to use the process
- a market exists
- the required internal resources are available
- the amount recognized is covered by 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 8) 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 potential future liabilities and are disclosed in the notes.

Treasury shares, share-based compensation, and earnings per share
Treasury shares are stated at cost as a separate negative position in equity. Gains or losses arising from the disposal of treasury shares are respectively credited to or deducted from the corresponding capital reserves.

Share-based compensation to members of the Executive Committee and senior management is stated at fair value at the grant date and recognized in 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 additional shares that may result, for instance, from exercised options or conversion rights.

Management assumptions and estimates

Significant accounting policies
The 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, if the actual results differ from management's estimates and assumptions.

Impairment of non-current assets
The values of non-current assets and intangible assets are reviewed whenever there are indications that their carrying amount may no longer be recoverable, due to changed circumstances or events. If such a situation arises, the recoverable amount is determined on the basis of expected future inflows. It corresponds to the higher of the discounted value of expected future net cash flows and the expected net selling price. If the recoverable amount is lower than 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.

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 or cannot be met in full through provisions or insurance cover. If there are any contractual obligations for which the unavoidable costs of meeting the obligations exceed the expected economic benefits (e.g. onerous delivery contracts), provisions are made for the agreed amounts over the entire period or over a prudently estimated period. These provisions are based on management assumptions. The carrying amounts of these provisions derive from the explanations given in note 12.

Income taxes
Current tax liabilities are calculated based on an interpretation of the tax regulations in place in the relevant countries. The adequacy of such an 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 capitalized, it is first necessary to assess critically the probability that there will be future taxable profits 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 2016 at all levels of the Corporation. The three divisions, the Corporate Staff and all significant Corporate Companies prepared a risk map in May and November of the key risks with regard to strategy, markets, operations, management and resources, financials as well as sustainability. The likelihood of the risk occurring was classified into four categories. Where possible and appropriate, the identified risks were subject to a quantifiable assessment, taking into consideration any measures that had already been implemented. Alternatively, a qualitative assessment 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, held two meetings. The topics of these meetings were the optimization of the risk reporting of sustainability, compliance and Strategy 2020 risks as well as the analysis of the 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 at the appropriate level the key risks of the Corporation, the divisions and the Corporate Companies, and determined adequate measures to mitigate those risks. The Board of Directors tabled the topic of enterprise risk management in September 2016 to analyze the corporate and divisional risk maps as well as define the key risks and the risk mitigation measures.

The multi-stage procedure, including workshops at division management, Executive Committee and Board of Directors level, has proven to be very effective, as has having Internal Audit assess the risk maps prepared by the Corporate Companies.

The key risks were identified as political and economic risks in China, the overcapacity of certain business units in Europe, and the lack of speed with regard to developing customer-friendly products. Measures to reduce these and other risks were defined and are being implemented in line with the strategic targets of the Corporation and the three divisions.

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 this matter.

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 risk, interest rate risk, and price risk), and liquidity risk. The following sections provide an overview of the extent of the individual risks as well as 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. Generally, the investments have a maturity of less than three months. In addition, Corporate Companies have 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 counterparties 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 a customer's creditworthiness based on its 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 the balance sheet date was as follows:

CHF million	**2016**	2015
Cash and cash equivalents	571	549
Other accounts receivable [1]	23	24
Accrued income	21	19
Trade accounts receivable	666	640
Derivative financial instruments	4	5
Other financial assets [2]	8	11
Total	**1'293**	1'248

1 Without tax credits.

2 Relates to loans to third parties, security deposit 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 euros and US dollars. Currency risks can be reduced by purchasing and producing goods in the functional currency ("congruency" rule). In some cases, the remaining currency risks are hedged, generally for a maximum of twelve months, by means of forward exchange contracts.

The fair value hedges include foreign exchange contracts that serve to hedge loans to Corporate Companies in foreign currencies. Unrealized gains and losses from changes to the fair value are reported for these contracts in the financial result. The fair value hedges also include foreign exchange contracts that 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 a maximum 75% of the expected sales. This results in a fully effective hedge. In individual cases, the cash flows from orders are fully hedged. Unrealized gains and losses from changes to the 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. To a lesser extent, currency risks with respect to future inventory purchases were also hedged during the reporting period.

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

Foreign exchange contracts, net

CHF million	Fair value hedges	Cash flow hedges	2016	2015
Contract value	270	97	367	340
Replacement value [1]	5	–1	4	–1
Market value	275	96	**371**	339

1 Corresponds to the carrying amount recognized as marketable securities or 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 16 months of the balance sheet date. Assuming unchanged exchange rates, a cash outflow of CHF 371 million (gross) would be offset by a cash inflow of CHF 367 million (gross), giving a negative replacement value of CHF 4 million. Cash flow hedges account for cash outflows of CHF 96 million and cash inflows of CHF 97 million.

Contract values, net by currencies

CHF million	2016	2015
USD/CHF	299	287
SGD/CHF	12	7
TRY/USD	11	10
CNY/CHF	9	
USD/SEK	8	4
JPY/CHF	7	4
SEK/CHF	7	5
EUR/CHF	2	19
Other	12	4
Total	**367**	340

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 4.4 million (previous year: CHF 4.0 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 securities held are mainly shares 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 2016 was CHF 560 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
2016						
Trade accounts payable	470	470	470			
Other liabilities current/non-current [1]	100	100	50	3	40	7
Accrued liabilities and deferred income	218	218	218			
Bonds	523	572	2	6	175	389
Other financial liabilities	241	266	135	19	89	23
Total	**1'552**	**1'626**	**875**	**28**	**304**	**419**

CHF million	Carrying amount	Contractual cash flows	Up to 6 months	6 to 12 months	1 to 5 years	More than 5 years
2015						
Trade accounts payable	420	420	420			
Other liabilities current/non-current [1]	126	126	76	4	46	
Accrued liabilities and deferred income	198	198	198			
Bonds	499	541	207	6	170	158
Other financial liabilities	271	304	147	25	95	37
Total	1'514	1'589	1'048	35	311	195

1 For more details, see note 15.

Notes

1 Changes in scope of consolidation

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

Additions (foundations) 2016

- As of 26 January 2016, GF Linamar LLC, Mills River, USA
  Division: GF Automotive
- As of 1 April 2016, Chinaust Automotive LLC, Troy, USA
  Division: GF Piping Systems
- As of 1 September 2016, Chinaust Automotive GmbH, Düsseldorf, Germany
  Division: GF Piping Systems
- As of 14 October 2016, Georg Fischer Bearbeitung Singen GmbH, Singen, Germany
  Division: GF Automotive
- As of 28 October 2016, Chinaust Plastics Ltd, Xian, China
  Division: GF Piping Systems

Additions (acquisitions) 2016

- As of 7 March 2016, Georg Fischer Hakan Plastik AS, Cerkezköy, Turkey
  Remaining 10% of the capital
  Division: GF Piping Systems
- As of 4 May 2016, Eurapipe Holdings Pte Ltd, Singapore, Singapore
  Division: Corporate Management
- As of 4 May 2016, PT Eurapipe Solutions Indonesia, Karawang, Indonesia
  Pro rata sales 2016: CHF 12.4 million
  Division: GF Piping Systems
- As of 11 May 2016, Microlution Inc, Chicago, USA
  Pro rata sales 2016: CHF 9.5 million
  Division: GF Machining Solutions
- As of 30 September 2016, Lingyun Jingran Gas Valve Co. Ltd, Langfang, China
  Pro rata sales 2016: CHF 0.6 million
  Division: GF Piping Systems
- As of 30 September 2016, Shuchang Auto Part Co. Ltd, Langfang, China
  Pro rata sales 2016: CHF 2.4 million
  Division: GF Piping Systems

Disposals (liquidations) 2016

- As of 1 July 2016, System 3R Shanghai Co. Ltd., Shanghai, China
  Pro rata sales 2016: CHF 0 million
  Division: GF Machining Solutions

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

Additions (foundations) 2015

- As of 25 February 2015, GF Export Inc., El Monte, USA
  Division: Corporate Management
- As of 27 April 2015, GF Machining Solutions Co Ltd, Hanoi, Vietnam
  Division: GF Machining Solutions

2 Acquisitions and divestitures of Affiliated Companies

Additions (acquisitions) 2016

Total cash-out for the acquisitions inclusive earn-out payments amounted to CHF 96 million in the year under review.

Acquisition of Georg Fischer Hakan Plastik AS

On 7 March 2016, Georg Fischer Ltd, Schaffhausen (Switzerland), acquired the remaining 10% of the capital of Georg Fischer Hakan Plastik AS, Cerkezköy (Turkey). Georg Fischer Ltd owns now 100% of the capital of Georg Fischer Hakan Plastik AS.

Acquisition of PT Eurapipe Solutions Indonesia

Georg Fischer Ltd, Schaffhausen (Switzerland), acquired 100% of the capital of Eurapipe Holdings Pte Ltd, Singapore (Singapore). With the acquisition of the Eurapipe Holdings 100% of the capital of PT Eurapipe Solutions Indonesia, Karawang (Indonesia), was acquired. The closing date was 4 May 2016.

PT Eurapipe Solutions Indonesia, founded in 1992, generated sales of about CHF 19 million with a workforce of approximately 100 people, in 2015. PT Eurapipe Solutions Indonesia produces and distributes pipes and fittings made from polyethylene for the industry sector. The company holds a leading position in the mining business and other water related market segments.

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 US dollar values into Swiss francs was calculated using the exchange rates of the respective transaction date:

CHF million	**Acquired assets and liabilities**
Cash and cash equivalents	6
Trade accounts receivable	4
Inventories	2
Other accounts receivable	1
Property, plant, and equipment	4
Deferred tax assets	1
Total assets	**18**
Non-interest bearing liabilities	3
Net assets	**15**

Acquisition of Microlution Inc

Georg Fischer Corporation, El Monte (USA), acquired 100% of the capital of Microlution Inc, Chicago (USA). The closing date was 11 May 2016.

Microlution Inc is a producer of micro-milling machines and laser hole-drilling and laser cutting machines. Microlution Inc, founded in 2005, generated sales of about CHF 9.6 million with a workforce of approximately 30 people, in 2015.

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 US dollar values into Swiss francs was calculated using the exchange rates of the respective transaction date:

CHF million	**Acquired assets and liabilities**
Trade accounts receivable	2
Inventories	1
Total assets	**3**
Non-interest bearing liabilities	3
Interest-bearing liabilities	1
Net assets	**–1**

Acquisition of Lingyun Jingran Gas Valve Co. Ltd and Shuchang Auto Part Co. Ltd

Georg Fischer Ltd, Schaffhausen (Switzerland), acquired 40% of the capital of Lingyun Jingran Gas Valve Co. Ltd, Langfang (China) and 40% of the capital of Shuchang Auto Part Co. Ltd, Langfang (China). The transaction includes the acquisition of the remaining 10% outstanding shares of the two companies in two years. The closing date was 30 September 2016.

Both companies, Lingyun Jingran Gas Valve Co. Ltd and Shuchang Auto Part Co. Ltd are companies of the Chinaust group, a 50/50 joint venture of GF Piping Systems in China.

Lingyun Jingran Gas Valve Co. Ltd specializes on polyethylene ball valves for gas distribution networks. Shuchang Auto Part Co. manufactures quick connectors for automotive fuel lines. Together, they generated sales of approximately CHF 20 million with a total workforce of approximately 200 employees in 2015. Both have been trusted suppliers of the Chinaust group for years.

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 Chinese renminbi yuan values into Swiss francs was calculated using the exchange rates of the respective transaction date:

CHF million	**Acquired assets and liabilities (40%)**
Trade accounts receivable	5
Inventories	3
Other accounts receivable	3
Prepayments to creditors	1
Property, plant, and equipment	4
Intangible assets	1
Total assets	**17**
Non-interest bearing liabilities	5
Interest-bearing liabilities	1
Net assets	**11**

Disposals (divestitures) 2016

During the year under review, there were no disposals of Affiliated Companies by divestitures.

Additions (acquisitions) and disposals (divestitures) 2015

In the previous year, there were neither additions of Affiliated Companies by acquisitions nor disposals by divestitures.

3 Trade accounts receivable

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

CHF million	**2016**	2015
Gross values	**696**	664
Individual value adjustments	–8	–6
Overall value adjustments	–22	–18
Net values	**666**	640
Europe	293	307
– Thereof Germany	88	98
– Thereof Switzerland	25	22
– Thereof Austria	13	15
– Thereof Rest of Europe	167	172
Americas	90	88
Asia	243	206
– Thereof China	180	141
Rest of world	40	39
Total	**666**	640

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:

	2016		2015	
CHF million	Receivable after individual value adjustments	Overall value adjustment	Receivable after individual value adjustments	Overall value adjustment
Not yet due	551		531	
1 to 30 days overdue	66		64	
31 to 90 days overdue	36		32	
91 to 180 days overdue	20	9	15	5
More than 180 days overdue	15	13	16	13
Total	**688**	**22**	658	18

Value adjustments on trade accounts receivable have changed as follows:

CHF million	2016	2015
Individual value adjustments		
As of 1 January	6	8
Increase/decrease	2	–2
As of 31 December	**8**	6
Overall value adjustments		
As of 1 January	18	18
Increase/decrease	4	
As of 31 December	**22**	18

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. Receivables not due are mainly receivables arising from long-standing customer relationships. Based on experience, GF does not anticipate any significant defaults. For further information on credit management and trade accounts receivable, see the chapter Risk management.

4 Inventories

CHF million	2016	2015
Raw materials and components	230	241
Work in progress	149	127
Finished goods	450	420
Gross value of inventories on hand	**829**	788
Valuation adjustments	–156	–148
Inventories	**673**	640

5 Income taxes receivable

Of the total income taxes receivable of CHF 14 million, CHF 6 million relate to Switzerland, CHF 2 million each to Sweden and Germany, and CHF 1 million each to the USA, China, Turkey, and other countries.

6 Other accounts receivable

CHF million	**2016**	2015
Tax credits from indirect taxes	29	25
Other current accounts receivable	23	24
Total	**52**	49

7 Movements in 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**
Cost										
As of 31 December 2014	**81**	3	41	623	132	1'707	315	104	16	**2'941**
Additions				10	4	55	6	92		167
Disposals	–4		–2	–18	–2	–22	–5			–49
Changes in scope of consolidation	–2									
Other changes, reclassifications	1			16	5	182	–100	–90		13
Translation adjustment	–5		–3	–34	–8	–132	–11	–7	–2	–197
As of 31 December 2015	**71**	3	36	597	131	1'790	205	99	14	**2'875**
Additions			4	7	5	67	8	83	5	179
Disposals				–1	–2	–42	–7		–1	–53
Changes in scope of consolidation				2		5	1			8
Other changes, reclassifications	–2		1	18	3	68	7	–98		–1
Translation adjustment			–1	–9	–1	–21	–2		–1	–35
As of 31 December 2016	**69**	3	40	614	136	1'867	212	84	17	**2'973**
Accumulated depreciation										
As of 31 December 2014	**–37**			–360	–84	–1'233	–249		–6	**–1'932**
Additions	–1			–16	–5	–87	–12		–2	–122
Disposals	3			16	1	21	5			43
Other changes, reclassifications					–1	–92	88			–5
Translation adjustment	2			18	4	97	9		1	129
As of 31 December 2015	**–32**			–342	–85	–1'294	–159		–7	**–1'887**
Additions	–1			–16	–5	–91	–12		–2	–126
Disposals				1	1	37	6		1	46
Changes in scope of consolidation										
Other changes, reclassifications	1			–1		3				2
Translation adjustment				4	1	12	1			18
As of 31 December 2016	**–32**			–354	–88	–1'333	–164		–8	**–1'947**
Carrying amount										
As of 31 December 2014	**44**	3	41	263	48	474	66	104	10	**1'009**
As of 31 December 2015	**39**	3	36	255	46	496	46	99	7	**988**
As of 31 December 2016	**37**	3	40	260	48	534	48	84	9	**1'026**

The insurance value of property, plant, and equipment amounted to CHF 4’250 million (previous year: CHF 4’001 million).

The lines “Changes in scope of consolidation” show exclusively the acquisitions at GF Piping Systems.

Investments in property, plant, and equipment in 2016 came to CHF 179 million (previous year: CHF 167 million). They were made primarily by the GF Automotive division with CHF 88 million (previous year: CHF 80 million) and the GF Piping Systems division with CHF 49 million (previous year: CHF 46 million). Investments in property, plant, and equipment with an effect on liquidity in the 2017–2020 period amount to CHF 98 million. This amount mainly relates to investments for the GF Piping Systems division in the amount of CHF 12 million and the GF Automotive division in the amount of CHF 82 million.

The values in the row “Other changes, reclassifications” are largely due to two movements. First, an investment property of GF Automotive was reclassified as “Property, plant, and equipment for own use”. Second, some of GF Machining Solutions demo machines earmarked for sale were reclassified from “Non-current assets” to “Inventories” (CHF 2 million net).

The fair value of investment properties, as determined by internal experts on the basis of capitalized and current market values, is CHF 61 million (previous year: CHF 62 million).

In the period under review, CHF 1 million of interest on assets under construction was capitalized.

8 Movements in the intangible assets

CHF million	Land use rights	Software	Royalties, patents, others	**Total**
Cost				
As of 31 December 2014	15	39	14	**68**
Additions		3	1	4
Disposals		–1	–1	–2
Translation adjustment	–1	–1	–1	–3
As of 31 December 2015	14	40	13	**67**
Additions	1	3	1	5
Disposals	–1			–1
Changes in scope of consolidation			1	1
Translation adjustment	1			1
As of 31 December 2016	15	43	15	**73**
Accumulated amortization				
As of 31 December 2014	–3	–26	–12	**–41**
Additions		–3	–1	–4
Disposals		1	1	2
Translation adjustment		1	1	2
As of 31 December 2015	–3	–27	–11	**–41**
Additions	–1	–3	–1	–5
Impairment			–1	–1
Translation adjustment		–1		–1
As of 31 December 2016	–4	–31	–13	**–48**
Carrying amount				
As of 31 December 2014	12	13	2	**27**
As of 31 December 2015	11	13	2	**26**
As of 31 December 2016	11	12	2	**25**

The intangible assets are subdivided into “Land use rights”, “Software”, and “Royalties, patents, others”. These are the major categories of the intangible assets.

Land use rights, in the amount of CHF 11 million, and the "Royalties, patents, others" category in the amount of CHF 2 million were completely unchanged from the previous year. "Software", in the amount of CHF 12 million, remained almost unchanged compared with the previous year (previous year: CHF 13 million).

Impairment charges in the amount of CHF 1 million in the "Royalties, patents, others" category relate to an exclusive supplier agreement with the GF Piping Systems division, which had to be written down due to non-performance of a contract, and a sole agency agreement in Korea with the GF Machining Solutions division, which was written off due to the termination of the contract.

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 life of five years. The adjustment in the year under review in the amount of CHF –1 million (previous year: CHF 29 million) is due to a belated adjustment of the conditional purchase price of Sterisol from the year 2013. The adjustment will be amortized together with the goodwill over the remaining period of amortization.

The theoretical capitalization of the goodwill would affect the result of the consolidated financial statements as follows:

Theoretical movements in goodwill

CHF million	2016	2015
Cost		
As of 1 January	**500**	501
Additions from acquisitions	54	
Adjustments	–1	29
Translation adjustment	–8	–30
As of 31 December	**545**	500
Accumulated amortization		
As of 1 January	**–441**	–437
Additions regular	–38	–26
Translation adjustment	4	22
As of 31 December	**–475**	–441
Theoretical book values, net		
As of 1 January	**59**	64
As of 31 December	**70**	59

Effect on income statement

CHF million	2016	2015
Operating result (EBIT)	311	296
Return on sales (EBIT margin) %	8.3	8.1
Amortization goodwill	–38	–26
Theoretical operating result (EBIT) incl. amortization of goodwill	273	270
Theoretical return on sales (EBIT margin) %	7.3	7.4
Net profit	225	198
Amortization goodwill	–38	–26
Theoretical net profit incl. amortization of goodwill	187	172

Effect on balance sheet

CHF million	2016	2015
Equity according to balance sheet	1'200	1'130
Theoretical capitalization of net book value of goodwill	70	59
Theoretical equity incl. net book value of goodwill	1'270	1'189
Equity as % of balance sheet total	37.5	36.7
Theoretical equity incl. net book value of goodwill as % of balance sheet total (incl. goodwill)	38.8	37.8

For goodwill positions, that are listed in the theoretical movements, an impairment test is performed, if there is any indication that these goodwill positions could be affected from such an impairment. If such indications exist, an impairment test is performed for the goodwill positions offset against equity to determine the recoverable amount.

On the basis of the impairment test made on the balance sheet date, no indications of impairment were found, therefore all goodwill positions have retained their recoverable value. The goodwill of Georg Fischer Hakan Plastik AS was tested for impairment in addition. 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 as well as 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 calculated at 16.0%.

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

9 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 13.

CHF million	2016	2015
Financial instruments (assets)		
Cash and cash equivalents (excluding fixed-term deposits)	**511**	507
Fixed-term deposits	60	42
Other financial assets [1]	8	11
Trade accounts receivable	666	640
Other accounts receivable [2]	23	24
Accrued income	21	19
Loans and receivables stated at amortized cost	**778**	736
Marketable securities	3	4
Funds	1	1
Financial assets recognized in income statement at market value	**4**	5
Derivative financial instruments for hedging purposes	**4**	5
Financial instruments (liabilities)		
Other financial liabilities	241	271
Trade accounts payable	470	420
Bonds	523	499
Other current/non-current liabilities [3]	77	90
Accrued liabilities and deferred income [4]	218	198
Liabilities stated at amortized cost	**1'529**	1'478
Derivative financial instruments	**23**	36

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 10.

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

3 The balance sheet item "Other current/non-current liabilities" includes derivative financial instruments. For more details, see note 15.

4 For more details, see note 16.

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.

10 Other financial assets

Other financial assets amounted to CHF 10 million and included investments in associates with a carrying value of CHF 1 million as well as long-term loans and receivables of CHF 5 million (previous year: CHF 7 million).

Investments in associates

The investments in detail are as follows:

- Chinaust Automotive GmbH, Düsseldorf (Germany)
- 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)
- Chinaust Automotive LLC, Troy, MI (USA)
- Liechti (Shanghai) Engineering Co Ltd, Shanghai (China)
- GF Machining Solutions Co Ltd, Hanoi (Vietnam)

Long-term loans and receivables

CHF 3 million of the long-term loans and receivables fall due in the next three years and CHF 2 million at a later date. Using translated values, CHF 4 million were lent in euros and CHF 1 million in UAE dirhams. The interest rates for the loans granted were around 6%.

Other financial assets also include long-term-invested securities for the settlement of pension liabilities in the amount of CHF 3 million (previous year: CHF 4 million).

11 Deferred tax assets and liabilities

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

CHF million	Tax assets	Tax liabilities	**2016 net**	Tax assets	Tax liabilities	2015 net
Investment properties		7	–7		8	–8
Property, plant, and equipment for own use	11	37	–26	13	41	–28
Intangible assets	3	1	2	3	1	2
Tax loss carryforwards	5		5	7		7
Inventories	26	15	11	26	14	12
Provisions	16	4	12	16	3	13
Other interest-bearing liabilities	4	2	2	2		2
Other non-interest-bearing liabilities	33	8	25	38	7	31
Other balance sheet items	14	3	11	10	3	7
Total	112	77	**35**	115	77	38
Offsetting	–32	–32		–32	–32	
Deferred tax assets/liabilities	80	45	**35**	83	45	38

Deferred tax assets and liabilities are offset within Corporate Companies when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same fiscal authority. The effect of offsetting at the Corporate Company level amounted to CHF 32 million (previous year: CHF 32 million). Deferred tax assets and liabilities are calculated based on the actually expected income tax rates for each Corporate Company. For further information on the recognition of tax loss carryforwards, see note 28.

Temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities have been recognized, amounted to CHF 378 million as of 31 December 2016 (previous year: CHF 355 million).

12 Movements in 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**
As of 31 December 2014	30	11	12	1	37	69	**160**	46	**206**
Reclassifications									
Increase	18	3	6		6	10	43	5	48
Interest expense arising from discounting					1		1		1
Use	–11	–3	–3	–1	–11	–5	–34		–34
Release	–5	–2	–2		–3	–1	–13	–6	–19
Translation adjustment	–2	–1			–2	–5	–10		–10
As of 31 December 2015	30	8	13		28	68	**147**	45	**192**
– Thereof current	17	6	1		10	4	38		38
– Thereof non-current	13	2	12		18	64	109	45	154
As of 31 December 2015	30	8	13		28	68	**147**	45	**192**
Reclassifications						1	1		1
Increase	19	6	9		4	9	47	5	52
Interest expense arising from discounting									
Use	–14	–3	–3		–4	–7	–31		–31
Release	–4	–1	–2		–5	–3	–15	–5	–20
Translation adjustment						–1	–1		–1
As of 31 December 2016	31	10	17		23	67	**148**	45	**193**
– Thereof current	21	10	1		6	5	43		43
– Thereof non-current	10		16		17	62	105	45	150

Provisions are classified as follows: “Warranties on series products” (machines, or similar), “Onerous contracts” (when the costs of meeting the contractual obligations exceed the expected economic benefits), “Legal cases”, “Restructuring provisions” (legal and constructive obligations with third parties, that have been communicated beforehand), “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 the experience of 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 31 million are nearly unchanged compared with the previous year. Due to the favorable claims outcome, it was possible to release CHF 4 million. At the same time, new warranty provisions of CHF 19 million had to be set aside, and CHF 14 million were utilized.

37% of the warranty provisions are for GF Machining Solutions and 28% for GF Automotive. They derive from complaints and claims for damages made to the various locations.

The non-current provisions in the “Personnel and social security” category in the amount of CHF 62 million (previous year: CHF 64 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 in the “Legal cases” category relate to a number of individual cases involving the various divisions with an estimated cash outflow of less than CHF 6 million per case.

The “Other provisions” category contains provisions for pension plans in the amount of CHF 14 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 are recognized in the “Personnel and social security” category and amounted to CHF 67 million in 2016 (previous year: CHF 68 million).

13 Interest-bearing financial liabilities

Net debt, which is calculated as the difference between interest-bearing liabilities and the cash, and cash equivalents, and marketable securities, decreased by CHF 24 million to CHF 214 million in the year under review (previous year: CHF 238 million). The reason for this decrease is primarily the high free cash flow, in the amount of CHF 135 million. This was offset by the dividend payment to GF shareholders and minority shareholders amounting to CHF 89 million (previous year: CHF 77 million).

Interest-bearing financial liabilities consist of the following items:

CHF million	Within 1 year	Up to 5 years	Maturity over 5 years	**2016**	Within 1 year	Up to 5 years	Maturity over 5 years	2015
Other financial liabilities (at fixed interest rates) [1]	16	72	19	107	17	73	33	123
Other financial liabilities (at variable interest rates)	129	5		134	141	6	1	148
Bonds (at fixed interest rates)		150	373	523	200	150	149	499
Loans from pension fund institutions	29			29	27			27
Total	174	227	392	**793**	385	229	183	797

1 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 16 million (previous year: CHF 16 million) were pledged or assigned as collateral. These assets consisted of property, valued at CHF 2 million (previous year: CHF 2 million) and buildings valued at CHF 14 million (previous year: CHF 14 million).

Further information on pledged assets can be found in note 22, “Pledged or assigned 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 %	2016	Issuing currency	Range interest rate %	2015
Other financial liabilities (at fixed interest rates) [1]			**107**			123
	CHF	1.1–3.5	22	CHF	1.1–3.5	22
	EUR	2.5–5.0	64	EUR	4.7–5.1	73
	CNY	6.1–7.6	13	CNY	6.1–7.6	14
	Other	4.3–13.3	8	Other	4.3–13.3	14
Other financial liabilities (at variable interest rates)			**134**			148
	CNY	3.9–5.3	74	CNY	5.0–6.0	54
	TRY	12.6–14.5	23	TRY	9.2–14.7	63
	EUR	1.0–2.0	32	EUR	1.1–2.0	25
	Other	0.0–9.3	5	Other	0.0–17.3	6
Bonds (at fixed interest rates)			**523**			499
Bond (Georg Fischer Ltd) 3 3/8% 2010-2016 (12 May) Nominal value: CHF 200 million				CHF	3.7	200
Bond (Georg Fischer Finanz AG) 1 1/2% 2013-2018 (12 September) Nominal value: CHF 150 million	CHF	1.6	150	CHF	1.6	150
Bond (Georg Fischer Finanz AG) 2 1/2% 2013-2022 (12 September) Nominal value: CHF 150 million	CHF	2.6	149	CHF	2.6	149
Bond (Georg Fischer Finanz AG) 7/8% 2016-2026 (12 May) Nominal value: CHF 225 million	CHF	0.9	224			
Loans from pension fund institutions			**29**			27
	EUR	6.0	25	EUR	6.0	26
	CHF	2.0	4	CHF	2.0	1
Total			**793**			797

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

In the year under review, the issue of a ten-year bond of over CHF 225 million allowed GF to improve the balance of the maturity structure. In addition, GF was able to benefit from significantly better conditions for this transaction.

GF has the following syndicated loan:

Debtors	Term	Credit	Thereof utilized
Georg Fischer Ltd/Georg Fischer Finanz AG	2015–2020	CHF 250 million	CHF 0 million

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 is subject to covenants with respect to the net debt ratio (ratio of net debt to EBITDA), the interest-coverage ratio (ratio of EBITDA to net interest expense), and the equity ratio (ratio of equity to total assets). The loan has additional terms such as are usual for a syndicated loan. Due to the improvement in EBITDA compared with the previous year and the low level of net debt, the expense relating to this loan could be further reduced.

The bonds placed on the market as well as the syndicated loan are subject to the usual cross-default clauses, whereby the outstanding amounts may all become due if early repayment of another loan is demanded of the company or one of its main Corporate Companies owing to a 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 loans payable to employee benefit plans in the amount of CHF 29 million (previous year: CHF 27 million).

14 Employee benefit liabilities

The overall employee benefits situation at the Corporation is as follows:

Employer contribution reserves

The employer contribution reserves in the amount of CHF 1 million from the previous year were used entirely in the year under review for the transfer of the employees of Liechti Engineering AG, Langnau (Switzerland), to the Pension Fund GF Machining Solutions. In the previous year, the employer contribution reserves were recorded as non-current assets under "Other financial assets".

Economic benefit/economic obligation and pension benefit expenses

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

		2016	2015				**2016**	2015
CHF million	Surplus/ deficit according to FER 26	**Economic part of the Corporation**	Economic part of the Corporation	Translation differences	Change to prior-year period or recognised in the current result of the period, respectively	Contri-butions concerning the business period	**Pension benefit expenses within personnel expenses**	Pension benefit expenses within personnel expenses
Patronage funds	11					1	1	1
Employee benefit plans w/o surplus/deficit						12	12	19
Employee benefit plans with surplus	5					9	9	
Employee benefit plans with deficit	–25	–20	–19	–2	3	1	4	1
Employee benefit plans without own assets		–99	–101	–1	–1	2	1	3
Loans from pension fund institutions		–29	–27					
Total	**–9**	**–148**	–147	**–3**	**2**	**25**	**27**	24

The employee benefit plans with a deficit in the amount of CHF 25 million (previous year: CHF 18 million) relate to the defined benefit plans in the UK and the USA. The amount of the deficit depends largely on the value of the securities and on the discount rate applied to determine the pension obligations. The entire economic obligation covering the outflow of funds anticipated in the medium term corresponds to the reported deficit and amounts to CHF 20 million (previous year: CHF 19 million). The economic obligation for employee benefit plans without own assets, i.e. unfunded plans, as recognized in the balance sheet, amounts to CHF 99 million (previous year: CHF 101 million) and relates mainly to employee benefit plans in Germany. The loans from pension fund institutions in the amount of CHF 29 million (previous year: CHF 27 million) are from pension fund institutions in Germany that have invested their funds in Corporate Companies.

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

CHF million	2016	2015
Contributions to employee benefit plans from Corporate Companies	24	23
Contributions to employee benefit plans from employer contribution reserves	1	
Total contributions	25	23
+/- Change in ECR from asset developments, value adjustments, etc.		
Contributions and change in employer contribution reserves	**25**	23
Decrease/increase in economic benefit of the Corporation from surplus		
Increase/decrease in economic obligation of the Corporation from deficit		
Increase/decrease in economic obligation of the Corporation (employee benefit plans without own assets)	2	1
Total change in economic effect of surplus/deficit	2	1
Pension benefit expenses within personnel expenses in the period under review	**27**	24

The change in the economic obligation from employee benefit plans and the employer contributions paid for the year under review, as recognized in the balance sheet, amount to CHF 27 million (previous year: CHF 24 million) and are included in the "Personnel expenses".

15 Other liabilities

CHF million	2016	2015
Social security	14	13
Other non-interest-bearing liabilities	36	55
Derivative financial instruments	23	36
Other tax liabilities (e.g. withholding tax)	27	22
Total	**100**	126
- Thereof short term	53	80
- Thereof long term	47	46

Derivative financial instruments

GF uses financial instruments as part of its Corporation-wide risk management approach. 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 relating to the purchase of raw materials and energy.

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

The following table shows the (gross) market value of the derivative financial instruments as of 31 December 2016 and 2015, broken down by investment category:

			2016			2015
CHF million	Contract- or nominal value	Positive market value	Negative market value	Contract- or nominal value	Positive market value	Negative market value
Derivative financial instruments						
Foreign exchange (e.g. forward exchange contracts)	367	2	–6	340	3	–2
Other underlyings	67	2	–17	104	2	–34
Total	**434**	**4**	**–23**	444	5	–36

16 Accrued liabilities and deferred income

CHF million	2016	2015
Overtime, holiday, bonuses, and sales-related premiums	89	79
Accrued expenses/deferred income for commissions and discounts	27	24
Accrued expenses/deferred income for annual audit fees	4	4
Other accrued expenses and deferred income	98	91
Total	**218**	198

17 Share capital/capital management

Share capital

As of 31 December 2016, the share capital 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:

- maintain a healthy and sound balance sheet structure based on going concern values
- ensure the necessary financial scope in order to make investments and acquisitions in the future
- realize a return for investors commensurate with the risk

The Corporation uses two ratios to monitor equity: the equity ratio and the return on equity. The equity ratio represents equity as a percentage of total assets. Return on equity is net profit expressed as a percentage of average equity. These ratios are reported to the Executive Committee and the Board of Directors at regular intervals through the internal financial reporting. Both, total equity and the balance sheet total, increased slightly, resulting in an unchanged equity ratio of 37% as of 31 December 2016.

As an industrial group, GF strives to maintain a strong balance sheet with a high portion of equity. In the medium term, the Corporation aims to achieve 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	2016	2015
Equity attributable to shareholders of Georg Fischer Ltd	1'156	1'081
Non-controlling interests	44	49
Equity	1'200	1'130
Total assets	3'202	3'083
Equity ratio as %	37.5	36.7
Theoretical equity incl. net value of goodwill	1'270	1'189
Theoretical equity ratio incl. net value of goodwill as %, total assets incl. goodwill	38.8	37.8
Average reported equity	1'165	1'117
Net profit	225	198
Return on average reported equity as %	19.3	17.7

The Corporation does not have any financial covenants with minimal capital requirements. There is one financial covenant concerning the equity ratio.

The Board of Directors presents a proposal for the appropriation of retained earnings to the Annual Shareholders' Meeting. GF pursues a results-oriented dividend policy and usually distributes 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 retained earnings of CHF 20 in total per registered share for the fiscal year 2016 (previous year: CHF 18 in total per registered share). As of 31 December 2016, the par value of the Georg Fischer registered share amounts to CHF 1.

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

By no later than 22 March 2018, 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 85 million as of 31 December 2016 (previous year: CHF 122 million). The decrease is caused by offsetting agio reserves with losses carry forward in Corporate Companies.

18 Earnings per share

The earnings per share in the amount of CHF 53 (previous year: CHF 46) 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 own shares). The weighted average number of shares amounted to 4’090’412 in 2016 (previous year: to 4’089’244).

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

19 Treasury shares

			2016			2015
	Quantity	Transaction price (Ø) in CHF	Purchase cost (Ø) in CHF million	Quantity	Transaction price (Ø) in CHF	Purchase cost (Ø) in CHF million
As of 1 January	**8'635**	**652.63**	**6**	14'673	622.33	9
Purchases	20'467	820.60	17	20'104	663.58	13
Disposals	–6'785	811.92	–6	–17'715	663.63	–12
Transfers (share-based compensation)	–9'979	705.24	–7	–8'427	629.09	–5
Changes in share price						1
As of 31 December	**12'338**	**834.00**	**10**	8'635	652.63	6

As of year-end 2016, GF held 12’338 treasury shares with a par value of CHF 1 (previous year: 8’635 registered shares). In the year under review, 20’467 treasury shares were purchased on the stock market at an average transaction price of CHF 820.60, and 6’785 treasury shares were sold on the stock market at an average transaction price of CHF 811.92.

According the compensation model for the Board of Directors, members receive a fixed number of Georg Fischer registered shares. In accordance with the long-term incentive plan, members of the Executive Committee are entitled to a fixed number of restricted Georg Fischer registered shares (RS) and a number of performance restricted Georg Fischer registered shares (PS). The vesting of the performance restricted shares (PS) is based on an assumption of Earnings per Share (EPS) – values over prospective three years. Based on a plan defined by the Board of Directors, a fixed number of Georg Fischer registered shares are granted to members of senior management as long-term financial incentive.

Of the 12’388 treasury shares (registered shares) held by GF as of year-end 2016, 7’704 registered shares are foreseen for share based compensation of Executive Committee and members of senior mamangement.

The allocation for the share-based compensation is based on the relevant plan regulations. The share-based compensation for members of the Board of Directors, for the Executive Committee as well as the registered shares for the members of the senior management are stated at fair value and recognized as an expense at the allocation date. Such compensation is recorded under “Operating expenses” (see note 24) for the Board of Directors and under “Personnel expenses” (see note 25) for the Executive Committee and senior management. The total expense for the share-based compensation plans is CHF 8 million (previous year: CHF 6 million).

20 Contingent liabilities

Contingent liabilities amount to CHF 7 million (previous year: CHF 4 million) and include take-back obligations from leasing transactions with third parties in the amount of CHF 5 million (previous year: CHF 2 million), as well as guarantees and securities granted to third parties of CHF 2 million (previous year: CHF 2 million). This contrasts with the contingent assets amounting to CHF 5 million (previous year: CHF 1 million) arising from litigation.

21 Leases

CHF million	**2016**	2015
Leasing obligations up to 1 year	16	17
Leasing obligations 1 to 5 years	37	41
Leasing obligations over 5 years	11	12
Operating leases (nominal values)	**64**	70

Liabilities relating to financial lease contracts in the amount of CHF 9 million (previous year: CHF 7 million) are mainly due to the leasing of the machines by GF Piping Systems and GF Automotive. The leasing obligations are included in “Other financial liabilities at fixed interest rates” and are disclosed in note 13.

22 Pledged or assigned assets

Assets pledged or restricted on title in part or whole amount to CHF 20 million (previous year: CHF 21 million). In the year under review, CHF 16 million (previous year: CHF 15 million) relate to land and buildings and CHF 4 million (previous year: CHF 5 million) to accounts receivable. There are no pledged or assigned inventories (previous year: CHF 1 million).

The assets are pledged or restricted on title as collateral for bank loans.

23 Other operating income

CHF million	**2016**	2015
Sales of material, waste, and scrap	7	8
Income from insurance contracts	14	6
Income from services	9	11
Gains on disposals of property, plant, and equipment	1	23
Foreign exchange gains/losses	–2	–10
Other operating income	16	12
Total	**45**	50

24 Operating expenses

CHF million	2016	2015
External services [1]	162	145
Rent, leases	46	43
External energy supply	93	97
Selling costs, commissions	125	120
Advertisements, communication	93	84
Repair, maintenance	101	91
Other expenses [2]	54	48
Total	**674**	628

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

2 Other expenses include compensation to the members of the Board of Directors of CHF 2.5 million.

25 Personnel expenses

CHF million	2016	2015
Salaries and wages	793	749
Employee benefits	27	24
Social security	158	152
Total	**978**	925

In accordance with a plan defined by the Board of Directors, Georg Fischer registered shares are granted to members of the Executive Committee and members of senior management as a long-term financial incentive. Taking into account the registered shares granted to members who left the firm during the year under review, a total of 7,890 shares (previous year: 6,790) were recognized as personnel expenses at their market value of CHF 6.6 million.

26 Financial result

CHF million	2016	2015
Interest income	2	2
Financial income	**2**	2
Interest expenses	30	34
Net losses on financial instruments at market value recognized in income statement	1	7
Other financial expenses	2	9
Financial expenses	**33**	50

The accrued interest on bonds is recognized in the amount of CHF 1 million (previous year: CHF 1 million) under interest expenses.

Net losses on financial instruments at market value recognized in the income statement mainly relate to foreign exchange losses.

Financial expenses decreased by CHF 17 million to CHF 33 million in the year under review. This decrease was largely due to the lower interest rate on the refinanced bond, reduced foreign currency losses compared with the previous year and the elimination of the discount component for the earn-out paid in relation to the acquisition of Georg Fischer Hakan Plastik AS.

27 Non-operating result

The non-operating result amounted to CHF 1 million (previous year: CHF 3 million). The income mainly results from the sale and the lease of various investment properties.

28 Income taxes

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

CHF million	**Total 2016**	Thereof current taxes 2016	Thereof deferred taxes 2016	Total 2015	Thereof current taxes 2015	Thereof deferred taxes 2015
Tax rate reconciliation						
Profit before taxes	281			251		
Expected income tax rate in % (rounded)	22			21		
Expected income tax expense	**61**	**65**	**–4**	52	48	4
Non-tax deductible expenses/ tax exempted income				2	1	1
Use of unrecognized tax loss carryforwards	–9	–12	3	–7	–9	2
Effect of non-recognition of tax losses in current year	1	1		5	5	
Recognition of previously unrecognized tax loss carryforwards	–1		–1	–1		–1
Depreciation of recognized tax loss carryforwards						
Tax charges and credits related to prior periods, net	3	3		2	2	
Effect of change in tax rates	–1	–1		–2	–2	
Other effects	2	3	–1	2	3	–1
Effective income tax expense	**56**	**59**	**–3**	53	48	5
Effective income tax rate in %	20			21		

The expected income tax rate of the Corporation amounts to 22% (previous year: 21%) and 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 expected income tax rate based on the ordinary result also amounts to 22% (previous year: 21%).

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

CHF million	**2016**	2015
Expiry unlimited	146	161
After 2019	23	26
2019	6	6
2018	7	12
2017	3	3
2016		
Total unrecognized tax loss carryforwards	**185**	208
Potential tax relief effect	49	54

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 49 million.

As of 31 December 2016, based on the above mentioned estimates, tax loss carryforwards of CHF 20 million (previous year: CHF 29 million) were activated resulting in a deferred tax asset of CHF 5 million (previous year: CHF 7 million). In doing so, the country-specific tax related regulations and opportunities were respected.

29 Related parties

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

The members of the Board of Directors are compensated by a fixed number of Georg Fischer registered shares, and a fixed fee paid in cash, which varies according to their function (chairman, member of standing committees, etc.).

The members of the Board of Directors received cash compensation of CHF 1.2 million in the year under review (previous year: CHF 1.2 million). In addition, a total of 1'501 Georg Fischer registered shares (par value of CHF 1) with a market value of CHF 1.3 million were allocated as share-based compensation (previous year: 1'534 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 2.5 million (previous year: CHF 2.3 million). The total compensation of the Board of Directors is recognized in the operating expenses (see note 24).

In the year under review 2'126 Georg Fischer registered shares (1'063 restricted shares and 1'063 performance shares) with a total value of CHF 1.8 million, based on a share price of CHF 834 at year end 2016, were granted to members of the Executive Committee and thereof 1'063 Georg Fischer registered shares were transferred (previous year: 2'050 Georg Fischer registered shares with a total value of CHF 1.4 million). In addition, the members of the Executive Committee received cash compensation plus social security and pension contributions of CHF 6.5 million for the year under review (previous year: CHF 6.3 million). The total compensation of the Executive Committee is included in the personnel expenses (see note 25).

Apart from the regular compensation paid to the Board of Directors and the Executive Committee, and the regular contributions to the various employee benefit institutions, no transactions were conducted with related persons or companies.

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

CHF 1'000	**2016**	2015
Compensation	6'470	6'309
Employee benefit payments	838	817
Social security	511	507
Share-based compensation	3'024	2'434
Total compensation	**10'843**	10'067

Additional fees and remuneration

No member of the Executive Committee or the Board of Directors or any persons related to them received any fees or other compensation for additional services to Georg Fischer Ltd or its Corporate Companies in the 2016 financial year.

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 persons related to them.

The detailed disclosure of the compensation and shareholdings of the members 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 in note 6 Compensation and shareholdings.

30 Foreign exchange rates

		Average rates		Spot rates	
	CHF	**2016**	2015	**2016**	2015
1	AED	0.268	0.262	0.277	0.270
1	ARS	0.067	0.105	0.064	0.076
1	AUD	0.733	0.725	0.736	0.722
1	BRL	0.284	0.294	0.313	0.254
1	CAD	0.743	0.754	0.757	0.715
1	CNY	0.148	0.153	0.147	0.153
1	EUR	1.090	1.068	1.074	1.083
1	GBP	1.335	1.472	1.254	1.469
1	HKD	0.127	0.124	0.131	0.128
1	INR	0.015	0.015	0.015	0.015
1	MXN	0.053	0.061	0.049	0.057
1	MYR	0.238	0.248	0.227	0.230
1	NZD	0.687	0.674	0.708	0.679
1	SGD	0.713	0.700	0.705	0.701
1	TRY	0.327	0.356	0.290	0.340
1	USD	0.985	0.963	1.019	0.991
100	CZK	4.032	3.915	3.974	4.004
100	DKK	14.639	14.324	14.445	14.505
100	JPY	0.907	0.796	0.870	0.822
100	KRW	0.085	0.085	0.085	0.084
100	NOK	11.724	11.944	11.819	11.315
100	PLN	24.975	25.550	24.350	25.506
100	SEK	11.518	11.416	11.242	11.803
100	THB	2.791	2.816	2.847	2.744
100	TWD	3.056	3.033	3.143	3.009

31 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 17 February 2017. They must also be approved at the Annual Shareholders' Meeting.

There were no events between 31 December 2016 and 17 February 2017 that would require an adjustment to the carrying amounts of assets and liabilities and equity or would need to be disclosed under this heading.

32 Affiliated Companies

Country	Division	Company	Functional currency	Share capital million	Participation %	Consolidation	Function
Europe							
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 [1]	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
	AU	Georg Fischer GmbH, Altenmarkt	EUR	0,1	100	C	M
Belgium	PS	Georg Fischer NV-SA, Bruxelles [1]	EUR	0,5	100	C	S
Czech	MS	GF Machining Solutions sro, Brno [1]	CZK	12,3	100	C	S
Denmark	PS	Georg Fischer A/S, Taastrup [1]	DKK	0,5	100	C	S
France	CM	Georg Fischer Holding SAS, Palaiseau [1]	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 [1]	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, Biedenkop-Wallau	EUR	0,1	51	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
	PS	Chinaust Automotive GmbH, Düsseldorf	EUR	0,1	50	F	S
	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	51	C	P
	AU	Eckel & Co GmbH, Biedenkopf-Wallau	EUR	0,1	51	C	M
	AU	Georg Fischer Bearbeitung Singen GmbH, Singen	EUR	0,1	100	C	M
	MS	GF Machining Solutions GmbH, Schorndorf	EUR	2,6	100	C	S
Great Britain	PS	George Fischer Sales Ltd, Coventry [1]	GBP	4,0	100	C	S
	MS	GF Machining Solutions Ltd, Coventry [1]	GBP	2,0	100	C	S
Italy	CM	Georg Fischer Holding Srl, Caselle di Selvazzano [1]	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 Pfci 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 [1]	EUR	0,9	100	C	H
	CM	Georg Fischer Management BV, Epe [1]	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 [1]	NOK	1,0	100	C	S
Poland	PS	Georg Fischer Sp.z.o.o., Warszawa [1]	PLN	18,5	100	C	S
	MS	GF Machining Solutions Sp.z.o.o., Warszawa [1]	PLN	1,3	100	C	S
Spain	PS	Georg Fischer SA, Madrid [1]	EUR	1,5	100	C	S
	MS	GF Machining Solutions SAU, Barcelona [1]	EUR	2,7	100	C	S
Sweden	PS	Georg Fischer AB, Stockholm [1]	SEK	1,6	100	C	S
	MS	System 3R International AB, Vällingby [1]	SEK	17,1	100	C	P
Switzerland	CM	WIBILEA AG, Neuhausen [1]	CHF	1,0	43	E	M
	CM	Eisenbergwerk Gonzen AG, Sargans [1]	CHF	0,5	49	F	M
	CM	Georg Fischer AG, Schaffhausen	CHF	4,1		C	H
	CM	Georg Fischer Liegenschaften AG, Schaffhausen [1]	CHF	4,0	100	C	M
	CM	Georg Fischer Finanz AG, Schaffhausen [1]	CHF	10,0	100	C	M

	PS	Georg Fischer Rohrleitungssysteme AG, Schaffhausen [1]	CHF	20,0	100	C	P
	PS	Georg Fischer Rohrleitungssysteme (Schweiz) AG, Schaffhausen [1]	CHF	0,5	100	C	S
	PS	Georg Fischer Wavin AG, Schaffhausen [1]	CHF	17,8	60	C	P
	PS	Georg Fischer JRG AG, Sissach [1]	CHF	1,8	100	C	P
	AU	Georg Fischer Automotive AG, Schaffhausen [1]	CHF	1,0	100	C	M
	MS	Agie Charmilles SA, Losone [1]	CHF	10,0	100	C	P
	MS	Agie Charmilles Services SA, Meyrin [1]	CHF	3,6	100	C	S
	MS	GF Machining Solutions Management SA, Meyrin [1]	CHF	0,5	100	C	M
	MS	GF Machining Solutions International SA, Losone [1]	CHF	2,6	100	C	S
	MS	Agie Charmilles New Technologies SA, Meyrin [1]	CHF	10,0	100	C	P
	MS	Mecartex SA, Losone	CHF	0,4	30	E	P
	MS	Mikron Agie Charmilles AG, Nidau [1]	CHF	3,5	100	C	P
	MS	Step-Tec AG, Luterbach [1]	CHF	1,3	98	C	P
	MS	Liechti Engineering AG, Langnau [1]	CHF	0,1	100	C	P
Near East							
UAE	PS	Georg Fischer Corys LLC, Dubai [1]	AED	0,3	49	E	P
Turkey	PS	Georg Fischer Hakan Plastik AS, Cerkezköy [1]	TRY	170	100	C	P
	MS	GF Imalat Cözümleri Ticaret Ltd Sti, Istanbul [1]	TRY	0,1	100	E	S
Americas							
Argentina	PS	Georg Fischer Central Plastics Sudamerica SRL, Buenos Aires [1]	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 [1]	EUR	0,1	100	C	M
Brazil	PS	Georg Fischer Sistemas de Tubulacoes Ltda, São Paulo [1]	BRL	7,7	100	C	S
	MS	GF Machining Solutions Máquinas Ltda, São Paulo [1]	BRL	60,9	100	C	S
Canada	PS	Georg Fischer Piping Systems Ltd, Mississauga [1]	CAD	0,1	100	C	S
Mexico	PS	Georg Fischer SA de CV Mexico, Monterrey [1]	MXN	0,1	100	C	S
USA	CM	George Fischer Corporation, El Monte, CA [1]	USD	0,1	100	C	H
	CM	Georg Fischer Export Inc, El Monte, CA [1]	USD	0,1	100	C	M
	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
	PS	Chinaust Automotive LLC, Troy, MI	USD	0,1	50	F	S
	AU	GF Linamar LLC, Mills River, NC	USD	1,3	50	C	P
	MS	GF Machining Solutions LLC, Lincolnshire, IL	USD	0,1	100	C	S
	MS	Microlution Inc, Chicago, IL	USD	2,6	100	C	P
Asia/Australia							
Australia	CM	George Fischer IPS Pty Ltd, Riverwood [1]	AUD	7,1	100	C	H
	PS	George Fischer Pty Ltd, Riverwood	AUD	3,8	100	C	S
China	CM	Georg Fischer Business Services (Shanghai) Co Ltd, Shanghai [1]	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	100,0	50	P	P
	PS	Chinaust Plastics (Shenzhen) Co Ltd, Shenzhen [1]	CNY	80,0	50	P	P
	PS	Chinaust Plastics (Sichuan) Corp Ltd, Dujiangyan [1]	CNY	80,0	50	P	P
	PS	Hebei Chinaust Automotive Plastics Corp Ltd, Zhuozhou [1]	CNY	58,2	50	P	P
	PS	Shanghai Chinaust Automotive Plastics Corp Ltd, Shanghai [1]	CNY	40,3	50	P	P
	PS	Shanghai Chinaust Plastics Corp Ltd, Shanghai	CNY	100,0	50	P	P
	PS	Shanghai Georg Fischer Chinaust Plastics Fittings Corp Ltd, Shanghai [1]	CNY	52,0	51	C	P
	PS	Georg Fischer Piping Systems Ltd, Shanghai [1]	CNY	41,4	100	C	P
	PS	Georg Fischer Piping Systems (Trading) Ltd, Shanghai [1]	CNY	1,7	100	C	S

	PS	Georg Fischer Piping Systems Ltd, Beijing [1]	CNY	36,7	100	C	P
	PS	Beijing Jingran Lingyun Gas Equipment Co Ltd, Langfang [1]	CNY	6,0	40	Q	P
	PS	Langfang Shuchang Auto Parts Co Ltd, Langfang [1]	CNY	10,0	40	Q	P
	PS	Chinaust Plastics Ltd, Xian [1]	CNY	36,5	50	Q	P
	AU	Georg Fischer Automotive (Suzhou) Co Ltd, Suzhou [1]	CNY	209,5	100	C	P
	AU	Georg Fischer Automotive (Kunshan) Co Ltd, Kunshan [1]	CNY	149,5	100	C	P
	MS	GF Machining Solutions Ltd, Hongkong [1]	HKD	3,0	100	C	S
	MS	ACM North China (HK) Ltd, Hongkong [1]	HKD	0,1	100	C	S
	MS	Agie Charmilles China (HK) Ltd, Hongkong [1]	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 [1]	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 [1]	CNY	55,4	100	C	P
	MS	Liechti (Shanghai) Engineering Co Ltd, Shanghai [1]	CNY	0,1	100	F	M
India	PS	Georg Fischer Piping Systems PVT Ltd, Mumbai [1]	INR	215,4	100	C	P
Indonesia	PS	PT GF Piping Systems Indonesia, Karawang	USD	14,5	100	C	P
Japan	PS	Georg Fischer Ltd, Osaka [1]	JPY	480,0	81	C	S
	MS	GF Machining Solutions Ltd, Yokohama [1]	JPY	50,0	100	C	S
Korea	PS	Georg Fischer Korea Co. Ltd., Yongin-si [1]	KRW	600,0	100	C	S
	MS	GF Machining Solutions Co Ltd, Seoul [1]	KRW	975,0	100	C	S
Malaysia	PS	George Fischer (M) SDN BHD, Shah alam [1]	MYR	10,0	100	C	P
New Zealand	PS	Georg Fischer Ltd, Wellington [1]	NZD	0,1	100	C	S
Singapore	CM	Eurapipe Holdings Pte Ltd, Singapore [1]	SGD	0,1	100	C	H
	PS	George Fischer Pte Ltd, Singapore	SGD	3,0	100	C	S
	MS	GF Machining Solutions Pte Ltd, Singapore	SGD	2,1	100	C	S
Taiwan	PS	Georg Fischer Co Ltd, New Taipei City [1]	TWD	1,0	100	C	S
	MS	GF Machining Solutions Ltd, San Chung, Taipei Hsien [1]	TWD	10,0	100	C	S
Vietnam	MS	GF Machining Solutions Co Ltd, Hanoi [1]	VND	5000,0	100	F	S

1 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 2016

Report of the statutory auditor to the Annual Shareholders' Meeting of Georg Fischer Ltd, Schaffhausen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Georg Fischer Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

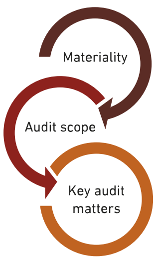
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 14 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:
– Revenue recognition in the GF Machining Solutions division

Audit scope

The Group is structured along three divisional lines, GF Piping Systems, GF Automotive and GF Machining Solutions, operating across three key geographical locations – Europe, North & South America and Asia. The Group's financial statements are a consolidation of 131 reporting units, each of which, including both the Group's operating businesses and the central service functions, is considered a component.

In six countries, we identified 46 reporting units that, in our view, required a full scope audit and three reporting units that required specific procedures due to their size or risk characteristics. These full scope audits addressed over 70% of the Group's revenue and 72% of the Group's total assets, while the specific procedures addressed 7% of the Group's revenue and 3% of the Group's total assets.

The remaining 23% of the Group’s revenue and 25% of the Group’s total assets was represented by a large number of smaller reporting units. None of these reporting units individually contributed more than 2% to consolidated revenue or total assets.

Where the work was performed by component auditors, we determined the necessary level of our involvement in the audit work, which consisted of either visiting component audit teams, inspecting the work performed by them, conducting planning and closing calls, or reviewing their final reporting.

Where component audits were conducted by an auditor outside of PwC, the work performed was discussed and reviewed by PwC on a sample basis.

Further specific audit procedures on central service functions, the Group consolidation and areas of significant judgement (including M&A transactions, taxation, treasury and litigation) were led by the Group audit team.

Not considered in the above coverage is our audit evidence from performing audit work at Group level, including testing of monitoring controls and disaggregated analytical review procedures, which covers a significant portion of the Group’s smaller and lower-risk components that were not included directly in our Group audit scope.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall materiality	CHF 14 million
How we determined it	5% of profit before taxes
Rationale for the materialitybenchmark applied	We chose profit before taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF one million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in the GF Machining Solutions division

Key audit matter	How our audit addressed the key audit matter
As set out in the segment information, the GF Machining Solutions division recorded revenues of CHF 916 million. The Group's accounting principles for sales and revenue recognition are described in the corporate accounting principles. We focused on revenue recognition in the GF Machining Solutions division because of the use of multiple element contracts. Multiple element contracts require a thorough assessment of revenue recognition in the income statement as they have a higher inherent risk due to their complexity. This concerns in particular the accounting for transactions where different elements – machines, maintenance and support, as well as financing – are sold together. The complexity of multiple element contracts relates to the allocation of revenues to the individual elements and the timing of their recognition.	We focussed on whether the revenues allocated to the machines, maintenance, support and financing elements were recorded based on the corresponding contractual agreements and in accordance with the Group's accounting principles. In this context, it should be noted that Georg Fischer has updated the relevant sections of the Group's accounting principles. We confirmed that this complies with the latest revisions to Swiss GAAP FER. We re-performed the calculations to allocate the revenues to the various elements of such transactions. Where discounts had been agreed with customers, we tested whether they had been allocated based on the corresponding fair values. We also tested transactions to ensure that the amount of revenue deferred was accurately calculated and appropriately recognised. This involved reconciling the revenue from maintenance and support services and from financing elements with the figures derived from calculations based on the contractual terms and conditions. In addition, we tested whether each single element of the multiple element contract was recorded in the appropriate period. Further, where revenue was recorded through manual journal entries, we performed tests to establish whether the sale had occurred or the service had been provided in the financial year in order to support the revenue recognition. We obtained sufficient audit evidence to address the risk of revenue recognition in the GF Machining Solutions division.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: → http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

PricewaterhouseCoopers Ltd

Stefan Räbsamen
Audit expert

Auditor in charge

Roman Uehli
Audit expert

Zurich, 17 February 2017

Balance sheet as of 31 December 2016

CHF 1'000	Notes	**2016**	2015
Cash and cash equivalents and short-term investments with a quoted market price	2.1	252'694	198'571
Other current receivables due from third parties		4'987	6'354
Other current receivables due from Corporate Companies	2.2	25'292	29'070
Accrued income and prepaid expenses		3'930	2'712
Current assets		**286'903**	236'707
Loans to Corporate Companies	2.3	146'690	341'083
Other financial assets		1'743	1'757
Investments	2.4	1'025'639	913'789
Non-current assets		**1'174'072**	1'256'629
Assets		**1'460'975**	1'493'336
Current liabilities with third parties		10'210	3'082
Short-term interest-bearing liabilities due to third parties			200'000
Short-term interest-bearing liabilities due to Corporate Companies	2.5	200'362	72'625
Accrued expenses and deferred income	2.6	11'106	15'261
Current liabilities		**221'678**	290'968
Long-term interest-bearing liabilities		5'586	3'029
Long-term provisions	2.7	22'098	21'217
Non-current liabilities		**27'684**	24'246
Liabilities		**249'362**	315'214
Share capital	2.8	4'101	4'101
Legal capital reserves			
– Other capital reserves		89'506	89'506
Legal reserves			
– Other legal reserves		59'234	59'234
– Reserves for treasury shares	2.9	10'355	5'634
Statutory retained earnings			
– Available earnings carried forward		941'110	938'223
– Net profit for the year		107'307	81'424
Equity		**1'211'613**	1'178'122
Liabilities and equity		**1'460'975**	1'493'336

Income statement for the year ended 31 December 2016

CHF 1'000	Notes	2016	2015
Dividend income	3.1	138'729	131'647
Other income from investments		2'490	19
Income from services provided to Corporate Companies	3.2	58'072	53'497
Financial income	3.3	9'119	8'473
Commission income from Corporate Companies	3.4	11'454	11'986
Other income		2'305	5'194
Income		**222'169**	210'816
Value adjustment on investments	3.5	59'095	49'107
Other expenses for investments		4'563	2'791
Financial expenses	3.6	6'137	43'539
Cost of services provided by Corporate Companies		2'269	1'731
Personnel expenses		18'367	17'740
Other operating expenses	3.7	15'401	13'765
Direct taxes	3.8	9'030	719
Expenses		**114'862**	129'392
Net profit for the year		**107'307**	81'424

Statement of changes in equity for the year ended 31 December 2016

CHF 1'000	Share capital	General reserves [1]	Reserves from capital contributions [1]	Reserves for treasury shares [1]	Retained earnings	Equity
Balance as of 31 December 2014	**4'101**	**148'740**	**9'983**	**9'131**	**994'459**	**1'166'414**
Net profit for the year					81'424	81'424
Dividend payment					–59'750	–59'750
Dividend from reserves from capital contributions			–9'965			–9'965
Reclassification			–18	–3'496	3'514	
Rounding difference				–1		–1
Balance as of 31 December 2015	**4'101**	**148'740**		**5'634**	**1'019'647**	**1'178'122**
Net profit for the year					107'307	107'307
Dividend payment					–73'816	–73'816
Reclassification				4'721	–4'721	
Balance as of 31 December 2016	**4'101**	**148'740**		**10'355**	**1'048'417**	**1'211'613**

1 Legal reserves.

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 (imparity 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 in note 6 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 3.3 million (previous year: CHF 3.5 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 in note 32 of the Annual Report.

2.5 Short-term interest-bearing liabilities due to 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 to Corporate Companies”.

2.6 Accrued expenses and deferred income
Accrued expenses and deferred income largely comprises variable compensation for employees and fees for the Board of Directors.

2.7 Long-term provisions
This provision mainly concerns currency risks.

2.8 Share capital
As of 31 December 2016, the share capital amounted to 4’100’898 registered shares at a par value of CHF 1.

Conditional capital: As of 31 December 2016, the conditional capital 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 23 March 2016, the Board of Directors is authorized to increase the share capital, until no later than 22 March 2018, 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.

The maximum amount of the authorized or conditional capital is reduced by the amount that authorized or conditional capital is created through the issue of bonds or similar debt instruments or new shares.

2.9 Reserves for treasury shares
Georg Fischer Finanz Ltd, a Corporate Company held by Georg Fischer Ltd, owned 12’338 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 139 million (previous year: CHF 132 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 Commission income from Corporate Companies
This position contains commission income from Corporate Companies for issued guarantees. In the previous year, this position was shown as part of the “Financial expenses”.

3.5 Value adjustment 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.

3.6 Financial expenses
This income statement item includes mainly the interest expense for the debenture loan 3 3/8% with a nominal value of CHF 200 million which was repaid on 12 May 2016 as well as currency gains.

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

3.8 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. Increased taxable income in Germany but mainly in Switzerland resulted in rising direct taxes.

4 Additional information

4.1 Full-time equivalents

As of 31 December 2016, Georg Fischer Ltd employed 60 people.

4.2 Contingent liabilities

CHF 1'000	**2016**	2015
Guarantees and pledges in favor of third parties:		
Guaranteed maximum amount	**1'787'263**	1'572'503
Thereof utilized	940'168	733'118

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 2016, pension fund obligations amounted to CHF 4 million (previous year: CHF 1.5 million).

4.4 Significant shareholders

An overview can be found in the chapter Share price 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 in note 29 of the Annual Report.

5 Events after the balance sheet date

There were no events between 31 December 2016 and 17 February 2017 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 1.159 million in the year under review. In addition, a total of 1’501 GF registered shares with a total market value of CHF 1.251 million were allocated as share-related compensation. In the previous year, the allocation had been 1’534 GF registered shares, equivalent to a total market value of CHF 1.042 million. Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 2.523 million (previous year: CHF 2.331 million).

At the General Assembly of 23 March 2016, a maximum sum of CHF 2.774 million for remuneration of the members of the Board was approved for the period from the 2016 Annual Shareholders’ Meeting to the 2017 Annual Shareholders’ Meeting.

The detailed disclosure of compensation to the Board of Directors is as follows:

Compensation paid to the members of the Board of Directors 2016

	Compensation				Total compen-sation 2016 [4]	Total compen-sation 2015 [4]
	Cash compensation [1]	Number of shares	Share-based compensation [2]	Social insurance funds [3]		
Andreas Koopmann	270	300	250	23	**543**	499
Chairman Board of Directors Chairman Nomination Committee						
Hubert Achermann	150	150	125	12	**287**	254
Chairman Audit Committee						
Gerold Bührer	123	150	125	10	**258**	235
Vice Chairman Board of Directors Member Audit Committee						
Roman Boutellier [5]	105	150	125	9	**239**	201
Member Nomination Committee Member Compensation Committee						
Riet Cadonau [6]	54	116	97	8	**159**	
Member Board of Directors						
Ulrich Graf [7]	25	35	29	2	**56**	222
Chairman Compensation Committee						
Roger Michaelis	123	150	125	13	**261**	230
Member Audit Committee						
Eveline Saupper [8]	106	150	125	12	**243**	159
Chairwoman Compensation Committee						
Jasmin Staiblin	90	150	125	11	**226**	202
Member Compensation Committee						
Zhiqiang Zhang	113	150	125	13	**251**	227
Member Nomination Committee						
Total	**1'159**	**1'501**	**1'251**	**113**	**2'523**	2'229 *

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

* The total compensation in 2015 amounted to CHF 2.331 million, including a compensation for Rudolf Huber (Chairman Audit Committee until 18 March 2015) of CHF 58'000 and compensation for Isabelle Welton (Member Compensation Committee until 18 March 2015) of CHF 44'000.

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 834 on 31 December 2016.

3 Social insurance funds represent employer contributions to social insurance funds.

4 The total compensation encompasses the cash compensation, the share-based compensation and the contribution to social insurance funds.

5 Member of the Compensation Committee since 23 March 2016.

6 Member of the Board of Directors since 23 March 2016.

7 Chairman Compensation Committee until 23 March 2016.

8 Chairwoman of the Compensation Committee since 23 March 2016.

The compensation paid to the Board of Directors for the year 2016 was above that of the previous year. The increase is explained by the increased value of the shares from CHF 679 in 2015 to CHF 834 in 2016.

In the year under review, Mr. Ulrich Graf, Chairman of the Compensation Committee, was remunerated until the General Assembly of 23 March 2016. 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 the Board of Directors.

Executive Committee

The members of the Executive Committee received cash, share-related compensation, social security and pension contributions amounting to CHF 8.320 million for the year under review (previous year: CHF 7.736 million). Under the new long-term incentive plan, 2’126 GF registered shares (1’063 restricted shares and 1’063 performance shares) with a total value of CHF 1.773 million, based on a share price of CHF 834 at year end 2016, were granted to members of the Executive Committee for the year under review and thereof 1’063 GF registered shares were transferred. (previous year: 2’050 GF registered restricted shares with a total value CHF 1.392 million).

At the General Assembly of 18 March 2015, a maximum sum of CHF 9.412 million for remuneration of the members of the Executive Committee for the business year 2016 was approved.

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 2016

	Fixed salary in cash	Short-term incentive in cash [1]	Restricted shares	Perfor-mance shares	Share-based remune-ration [2]	Social insu-rance funds [3]	Pension funds [4]	Jubilee premium [5]	**Total com-pen-sation 2016 [6]**	Total compen-sation 2015
Executive Committee *	2'993	2'247	1'063	1'063	1'773	398	838	71	**8'320**	7'736
Of whom Yves Serra, CEO (highest individual compensation)	873	933	425	425	709	134	256	71	**2'976**	2'781

(all in CHF 1'000, except rows "Restricted shares" and "Performance shares")

* The Executive Committee compensation includes the compensation for Pietro Lori (Executive Committee member until 31 July 2016) and includes the compensation for Joost Geginat (Executive Committee member since 1 May 2016).

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 2016 financial year was approved by the Board of Directors on 17 February 2017. Payment will be made in 2017.

2 The share-based remuneration is based on the long-term incentive plan: Each year, numbers of restricted (RS) and performance shares (PS) are allocated. RS are blocked for five years. The amount of the RS-based compensation is calculated on the basis of the full value of the shares at the year-end price of CHF 834 on 31 December 2016. RS are transferred in 2017. The amount of the PS-based compensation is calculated on the basis of the grant value of the PS at the year-end price of CHF 834 on 31 December 2016. The number of PS vesting after the vesting period of 3 years depends on meeting the respective performance criteria.

3 The social insurance fund expenses represent employer contributions to social security.

4 The pension fund expenses represent employer contributions to pension funds.

5 Based on the Company's regulation for all employees, the CEO received a jubilee premium of one monthly salary for 25 years employment with GF.

6 The total compensation is comprised of the fixed salary, the short-term incentive, the share-based remuneration and the social and pension contributions.

Total compensation for the Chief Executive Officer and the other members of the Executive Committee in 2016 was higher than in 2015. The increase is explained by the following factors:

- The Executive Committee compensation includes the compensation for Pietro Lori (Executive Committee member until 31 July 2016) and includes the compensation for Joost Geginat (Executive Committee member since 1 May 2016).
- The value of the shares increased from CHF 679 in 2015 to CHF 834 in 2016.
- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was comparable to 2015. Consequently, the overall short-term incentive percentage ranges from 56.9% to 71.8% of the base salary for the Executive Committee members and amounts to 106.9% of the base salary for the Chief Executive Officer.
- The fixed salary was slightly adjusted in order to keep competitive levels in line with the market practice of GF's 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.

Starting 1 August 2016 until 31 December 2016, Pietro Lori continued his employment with GF as non-Executive Committee member and the compensation package for this period amounted to CHF 528'384.

In the year under review, no further 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. 2016	Number of Georg Fischer registered shares as of 31 Dec. 2015
Andreas Koopmann	Chairman Board of Directors Chairman Nomination Committee	2'181	1'881
Hubert Achermann	Chairman Audit Committee	417	267
Gerold Bührer	Vice Chairman Board of Directors Member Audit Committee	2'872	2'722
Roman Boutellier 1	Member Nomination Committee Member Compensation Committee	2'949	2'799
Riet Cadonau 2	Member Board of Directors	116	
Ulrich Graf 3	Chairman Compensation Committee		1'166
Roger Michaelis	Member Audit Committee	717	567
Eveline Saupper 4	Chairwoman Compensation Committee	778	628
Jasmin Staiblin	Member Compensation Committee	895	745
Zhiqiang Zhang	Member Nomination Committee	1'937	2'387
Total Directors		**12'862**	13'162

1 Member Compensation Committee since the Annual Shareholders' Meeting 2016 (23 March 2016).

2 Member of the Board of Directors since the Annual Shareholders' Meeting 2016 (23 March 2016).

3 Chairman Compensation Committee until the Annual Shareholders' Meeting 2016 (23 March 2016).

4 Chairwoman Compensation Committee since the Annual Shareholders' Meeting 2016 (23 March 2016).

Shareholdings Executive Committee

		Number of Georg Fischer registered shares as of 31 Dec. 2016	Number of Georg Fischer registered shares as of 31 Dec. 2015*
Yves Serra	President and CEO	5'478	5'528
Roland Abt	CFO, Head of Corporate Finance & Controlling	2'364	2'064
Joost Geginat 1	Head of GF Piping Systems		
Josef Edbauer	Head of GF Automotive	2'032	1'732
Pascal Boillat	Head of GF Machining Solutions	1'005	705
Total Executive Committee		**10'879**	10'029

* The number of Georg Fischer registered shares amounted to 11'963 in 2015 and included the number of registered shares of Pietro Lori (Member Executive Committee until 31 July 2016) of 1'934.

1 Member Executive Committee since 1 May 2016.

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 2016, members of the senior management registered a total of 21’374 shares of Georg Fischer Ltd (inclusive Pietro Lori). A total of 45’115 Georg Fischer shares were held by the Board of Directors, the Executive Committee, and the senior management as of 31 December 2016, corresponding to 1.10% 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 2016, the members of the Executive Committee held no option rights for Georg Fischer registered shares.

In 2016, 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.

Proposal by the Board of Directors for the appropriation of retained earnings 2016

Proposal by the Board of Directors for the appropriation of the retained earnings 2016

CHF 1'000	**2016**	2015
Net profit for the year	107'307	81'424
Earnings carried forward	945'831	934'709
Reclassification of reserves from capital contribution to retained earnings		18
Allocation to/reduction in reserves for treasury shares	–4'721	3'496
Retained earnings	**1'048'417**	1'019'647
Dividend payment CHF 20 per registered share [1]	–82'018	–73'816
To be carried forward	**966'399**	945'831

1 The dividend payment is based on the issued share capital as of 31 December 2016. 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 19 April 2017 to pay out a dividend of CHF 20 per registered share out of retained earnings.

In the previous year, a dividend of CHF 18 per registered share out of retained earnings was paid out according to the decision of the Annual Shareholders' Meeting of 23 March 2016.

Schaffhausen, 17 February 2017

For the Board of Directors
The Chairman

Andreas Koopmann

Report of the statutory auditor to the Annual Shareholders' Meeting of Georg Fischer Ltd, Schaffhausen

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Georg Fischer Ltd, which comprise the balance sheet as at 31 December 2016, income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the articles of incorporation.

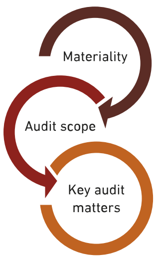
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 2'900'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:
– Valuation of investments in subsidiaries

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 2'900'000
How we determined it	0.2% of total assets
Rationale for the materialitybenchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant benchmarkagainst which a holding company can be as-sessed, and it is a generally accepted benchmark for materiality considerations.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2016, the Company had investments in subsidiaries in the amount of CHF 1'026 million (prior year: CHF 914 million). Of the 130 subsidiaries in 33 different countries, 75 were held directly and 55 indirectly by the Company. These investments are stated at acquisition cost in accordance with the commercial accounting and financial reporting provisions of the Swiss Code of Obligations. The investments are valued on an individual basis. Where necessary, impairment charges are recognised for a loss in value. Moreover, general impairment allowances may be created in addition (see principles, in the notes to the financial statements). We consider the impairment testing of investments in subsidiaries as a key audit matter due to their significance on the balance sheet.	Management calculates the valuation of each subsidiary on the basis of the value of the underlying net assets at book value (for one third of the valuation) and the value of capitalised earnings (for the remaining two thirds). We compared the book value of the investments in subsidiaries as at year-end 2016 to the companies' valuations as calculated by Management. We compared the underlying value of the net as-sets with the value of the shareholders' equity of the company concerned. We compared the earnings used for the capitalised earnings estimate with the prior year's figures and with the actual figures. The capitalisation rate used was checked against country-specific long-term interest rate forecasts and a company-specific risk premium. Based on our results-oriented audit procedures, we obtained adequate assurance with regard to the impairment testing of the investments in subsidiaries.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: → http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Stefan Räbsamen
Audit expert

Auditor in charge

Roman Uehli
Audit expert

Zurich, 17 February 2017

Share information

	2016	2015	2014	2013	2012
Share capital					
Number of shares as of 31 December					
Registered shares	4'100'898	4'100'898	4'100'898	4'100'898	4'100'898
Thereof entitled to dividend	4'100'898	4'100'898	4'100'898	4'100'898	4'100'898
Number of registered shareholders	**12'651**	14'005	13'446	12'269	14'212
Share prices in CHF					
Registered share					
Highest (intraday)	901	739	738	648	451
Lowest (intraday)	601	524	494.75	363	302
Closing as of 31 December	834	679	629	628	368
Earnings in CHF					
Per registered share	53	46	45	34	32
Price-earnings ratio	**16**	15	14	18	11
Market capitalization as of 31 December					
CHF million	3'420	2'785	2'579	2'573	1'509
As % of sales	91	76	68	68	41
As % of equity attributable to shareholders of Georg Fischer Ltd	296	258	244	275	161
Cash flow from operating activities in CHF					
Per registered share	98	80	61	76	56
Equity attributable to shareholders of Georg Fischer Ltd in CHF					
Per registered share	283	264	259	229	229
Dividend paid (proposed) in CHF million [1]	**82**	74	70	66	62
Dividend paid (proposed) in CHF					
Per registered share [1]	20	18	17	16	15
Pay-out ratio in %	**38**	39	38	47	47

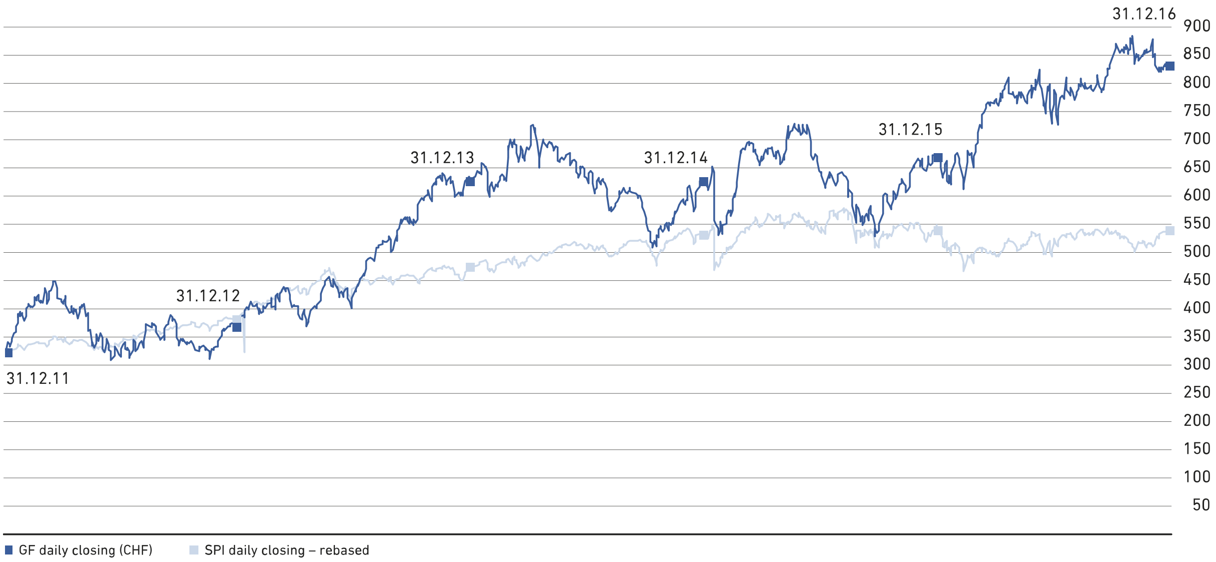
1 In 2016, as a dividend of CHF 20 out of retained earnings. In 2015, as a dividend out of retained earnings. In 2014, as a dividend out of retained earnings and reserves from capital contributions. In 2013, as a par value reduction and as a dividend out of reserves from capital contributions. In 2012, as a dividend out of reserves from capital contributions.

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: 175230
ISIN: CH0001752309
Cedel/Euroclear Common Code: XS008592691

Share price 2012–2016



Market capitalization, earnings per share

The market capitalization stood at CHF 3'420 million on 31 December 2016. Earnings per share is CHF 53 (previous year: CHF 46).

Proposed dividend payment

At the Annual Shareholders' Meeting, the Board of Directors will propose the payment out of retained earnings of a dividend in the amount of CHF 20 per registered share.

Significant shareholders

As of 31 December 2016, no shareholder or shareholder group had voting rights in excess of 5%. The BlackRock Group, held directly or indirectly by BlackRock, Inc., New York (USA), Norges Bank (the Central Bank of Norway), Oslo (Norway), and the UBS Fund Management (Switzerland) AG, Basel (Switzerland), had voting rights between 3% and 5%.

56 disclosure notifications were filed in the year under review: 52 in relation to the BlackRock Group, held directly or indirectly by BlackRock, Inc., New York (USA), three in relation to Norges Bank (the Central Bank of Norway), Oslo (Norway), and one in relation to LSV Asset Management, Chicago (USA).

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 and can be accessed via the following link:
→ www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Structure of shareholders as of 31 December 2016

Number of shares	Number of shareholders	Number of shares %
1–100	10'681	8.4%
101–1'000	1'748	11.4%
1'001–10'000	201	11.1%
10'001–100'000	17	11.1%
> 100'000	4	17.9%
Shares not registered in share register	-	40.1%
Total	**12'651**	**100.0%**

Five-year overview of the Corporation

CHF million	**2016**	2015	2014	2013	2012
Order intake	3'749	3'662	3'836	3'795	3'691
Orders on hand at year-end [1]	614	612	634	577	565
Income statement					
Sales	3'744	3'640	3'795	3'766	3'720
EBITDA	443	422	399	380	351
Operating result (EBIT)	311	296	274	251	222
Net profit/loss	225	198	195	145	138
Cash flow					
Cash flow from operating activities	400	328	248	309	230
Depreciation on tangible fixed assets	126	122	122	126	125
Amortization on intangible assets	6	4	3	3	4
Additions to property, plant, and equipment	–174	–167	–152	–130	–132
Cash flow from acquisitions and divestitures	–96	–2	–20	–66	–80
Free cash flow before acquisitions/divestitures	231	190	110	174	99
Free cash flow	135	188	90	108	19
Balance sheet					
Current assets	2'024	1'934	1'801	1'989	1'584
Non-current assets	1'178	1'149	1'188	1'137	1'080
Assets	3'202	3'083	2'989	3'126	2'664
Current liabilities	1'067	1'221	981	1'282	839
Non-current liabilities	935	732	904	866	846
Equity	1'200	1'130	1'104	978	979
Invested capital (IC)	1'333	1'279	1'354	1'224	1'217
Net debt	214	238	354	352	334
Asset structure					
– Current assets %	63	63	60	64	59
– Non-current assets %	37	37	40	36	41
Capital structure					
– Current liabilities %	34	39	33	41	31
– Non-current liabilities %	29	24	30	28	32
– Equity %	37	37	37	31	37
Key figures					
Return on equity (ROE) %	19.3	17.7	18.7	14.8	14.2
Return on invested capital (ROIC) %	19.3	18.9	17.9	16.7	15.7
Return on sales (EBIT margin) % [2]	8.3	8.1	7.2	6.7	6.0
Asset turnover	2.9	2.8	2.9	3.0	3.2
Cash flow from operating activities in % of sales	10.7	9.0	6.5	8.2	6.2
Employees					
Employees at year-end	14'808	14'424	14'140	14'066	13'412
Europe	8'845	8'783	8'676	8'548	8'871
– Thereof Germany	3'312	3'382	3'383	3'220	3'351
– Thereof Switzerland	2'700	2'642	2'686	2'539	2'577
– Thereof Austria	1'885	1'830	1'719	1'926	2'059
– Thereof Rest of Europe	948	929	888	863	884
Asia	3'713	3'502	3'455	3'468	3'226
– Thereof China	3'216	3'131	3'085	3'073	2'839
Americas	1'348	1'262	1'259	1'290	1'259
Rest of world	902	877	750	760	56

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.

Important dates

2017
19 April
Shareholders' Meeting for fiscal year 2016

2017
19 July
Publication of Mid-Year Report 2017

annualreport.georgfischer.com/2016/en

Scan the QR Code to read the GF Annual Report 2016 online.

Contacts
Investor Relations
Daniel Bösiger
Phone: +41 (0) 52 631 21 12
daniel.boesiger@georgfischer.com

Corporate Communications
Beat Römer
Phone: +41 (0) 52 631 26 77
beat.roemer@georgfischer.com

Imprint
Published by: Georg Fischer Ltd
Edited by: Georg Fischer Ltd, Corporate Development
Editorial assistance: Signum communication GmbH
Designed by: Markenfels AG, Neidhart + Schön AG
Photos by: Nik Hunger, Patrick Wack
All other photos: Georg Fischer Ltd
Printed by: Neidhart + Schön AG

Cover and Content Financial Report:
GF employees

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

The Financial Report 2016 of GF is also available in German. In the event of any discrepancy, the German version shall prevail.

We thank our customers for giving their consent to the reports on the use of our products in their company.

ClimatePartner
climate neutral
Print | ID 53232-1702-1013

MIX
Paper from responsible sources
FSC® C016003

Georg Fischer Ltd
Amsler-Laffon-Strasse 9
8201 Schaffhausen
Switzerland

Phone: +41 (0) 52 631 11 11
www.georgfischer.com