Annual Report 2017

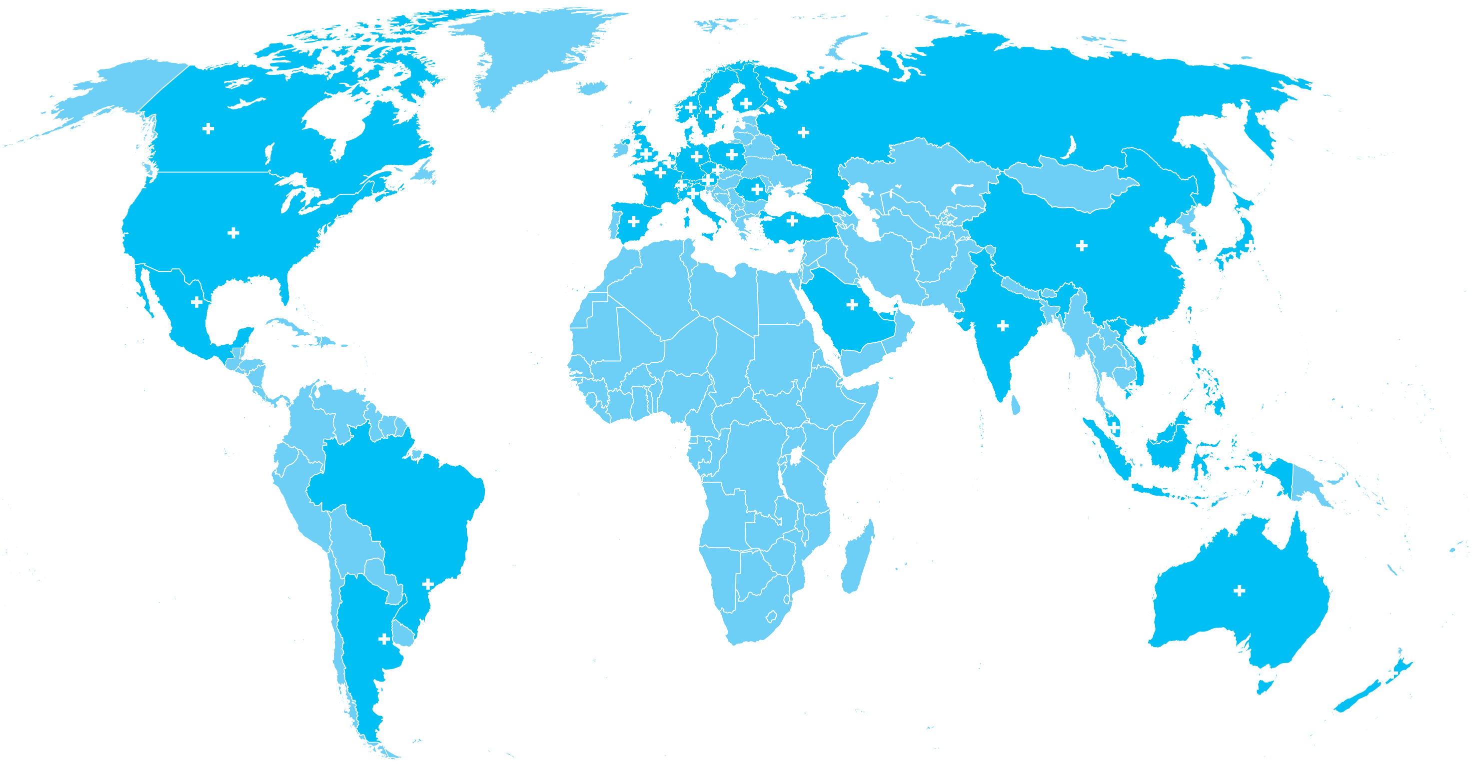
Driving profitable growth

In 2017 GF grew substantially in all regions.

Financial Report 2017

Our Corporation

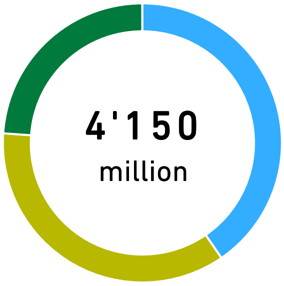
GF comprises three divisions: GF Piping Systems, GF Automotive, and GF Machining Solutions. Founded in 1802, the Corporation is headquartered in Switzerland and is present in 34 countries with 136 companies, 57 of them production facilities. Its 15’835 employees generated sales of CHF 4’150 million in 2017. GF is the preferred partner of its customers for the safe transport of liquids and gases, lightweight casting components, and high-precision manufacturing technologies.



Key figures 2017

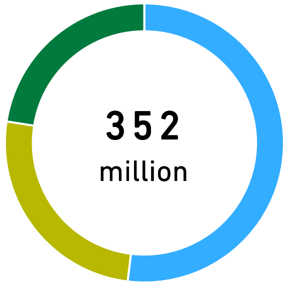
Sales
in CHF

- GF Piping Systems
- GF Automotive
- GF Machinig Solutions



EBIT
in CHF

- GF Piping Systems
- GF Automotive
- GF Machinig Solutions



Sales
in CHF million

4'150

EBIT
in CHF million

352

EBIT margin
in %

8.5

ROIC
in %

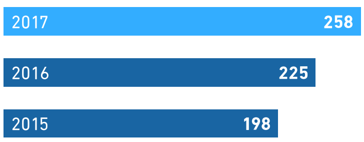
20.3

Earnings per share
in CHF

62

Net profit
in CHF million

258



Free cash flow before acquisitions/divestitures
in CHF million

204

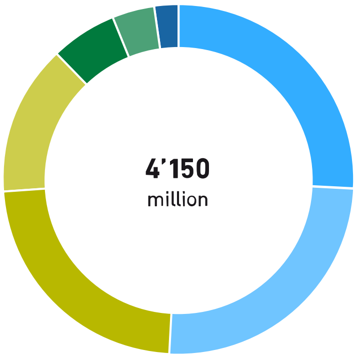
Number of employees

15'835

	Corporation		GF Piping Systems		GF Automotive		GF Machining Solutions	
CHF million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Order intake	**4'274**	3'749	**1'718**	1'488	**1'527**	1'346	**1'030**	917
Sales	**4'150**	3'744	**1'678**	1'494	**1'482**	1'335	**992**	916
Sales growth %	**10.8**	2.9	**12.3**	5.4	**11.0**	1.1	**8.3**	1.6
Organic growth %	**9.8**	1.8	**12.1**	5.0	**8.9**	–0.3	**7.4**	–0.3
EBITDA	**491**	443	**245**	214	**158**	161	**96**	77
EBIT	**352**	311	**189**	162	**93**	100	**82**	62
Net profit	**258**	225						
Free cash flow before acquisitions/divestitures	**204**	231						
Return on sales (EBIT margin) %	**8.5**	8.3	**11.3**	10.8	**6.3**	7.5	**8.3**	6.8
Invested capital (IC)	**1'466**	1'333	**671**	669	**481**	397	**269**	261
Return on invested capital (ROIC) %	**20.3**	19.3	**22.9**	20.6	**19.5**	23.1	**24.1**	18.3
Number of employees	**15'835**	14'808	**6'764**	6'507	**5'738**	5'047	**3'255**	3'102

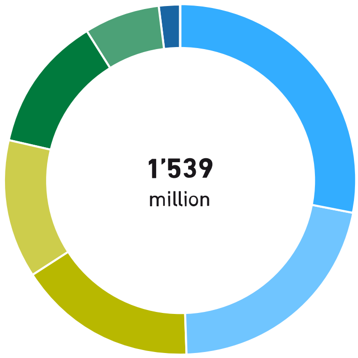
Key figures per region

Sales by region
in % (100% = CHF 4'150 million)



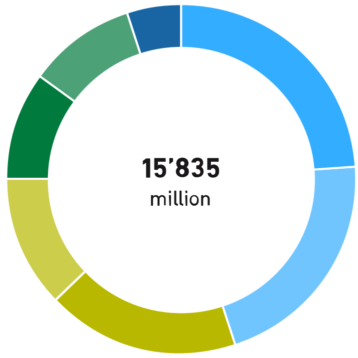
- 26% Asia
- 25% Germany
- 23% Rest of Europe
- 14% Americas
- 6% Rest of world
- 4% Switzerland
- 2% Austria

Gross value added by region
in % (100% = CHF 1'539 million)



- 29% Switzerland
- 22% Germany
- 17% Asia
- 13% Austria
- 10% Americas
- 7% Rest of Europe
- 2% Rest of world

Employees by region
in % (100% = CHF 15'835 million)



- 24% Asia
- 21% Germany
- 18% Switzerland
- 12% Austria
- 10% Rest of Europe
- 10% Americas
- 5% Rest of world

Growth well above target

Yves Serra, President and CEO (left), and Andreas Koopmann, Chairman of the Board of Directors, at the headquarters in Schaffhausen (Switzerland)

Dear shareholders

GF grew substantially in all regions in 2017 with China showing the highest rates of growth and overall sales reached CHF 4'150 million, an 11% increase. Free of acquisitions and currency effects, growth reached the 10% mark, well over the 2020 strategy objective of 3–5% per annum. All three divisions did contribute in a significant manner, GF Piping Systems the most.

Sales grew by 11% to CHF 4'150 million

The operating result (EBIT) reached CHF 352 million, for a return on sales (ROS) of 8.5% against 8.3% in 2016 and the return on invested capital stood at 20.3%, up from 19.3% in 2016. The increase of profitability was attributable to GF Piping Systems and GF Machining Solutions.

The number of employees increased by 7% to 15'835 against 14'808 in 2016, mainly as a result of the acquisitions done during the course of the year.

GF achieved a net result of CHF 258 million, a 15% increase to previous year and net cash flow before acquisitions stood at CHF 204 million well in line with the company's objective range of CHF 150–200 million a year. Earnings per share reached CHF 62 against CHF 53 for 2016.

Earnings per share reached CHF 62 up 17% from CHF 53 in the previous year

In view of the positive financial developments in 2017, the Board of Directors will propose at the upcoming shareholders' meeting an increased dividend of CHF 23 a share, up from CHF 20 in the previous year.

GF Piping Systems

GF Piping Systems grew its sales by 12% to CHF 1'678 million, supported by a strong demand across all market segments and geographies. Organic growth stood also at the 12% level. The division generated an operating result of CHF 189 million, 17% more than in the previous year, as most plants were well-loaded and the higher share of high-value products contributed to a rise in margins.

In July, GF Piping Systems acquired Urecon Ltd., Quebec (Canada), a specialist of pre-insulated pipes for freeze control, with the intention to also use the company as a springboard in North America for its pre-insulated cooling pipes offering.

GF Piping Systems grew its sales by 12% to

1'678

CHF million

GF Automotive

GF Automotive sales amounted to CHF 1'482 million, an 11% increase on the back of a sustained demand for both its light metal castings for cars and its iron castings for trucks. Organic growth itself was 9% as the Euro strongly appreciated during the second half-year. One has to note that approx. 3% of the growth came from passing on raw material hikes to customers.

Since raw material prices steadily increased during the whole year and price adaptations for components are done with a delay of two to three months, the impact on the operating result was in fact negative. Operating costs were up owing to the installation of a new light metal plant in the US and the ramping-up of the new iron castings line in Singen (Germany). As a consequence of the above-mentioned factors, the operating result stood at CHF 93 million against CHF 100 million in 2016.

GF Automotive acquired in November 2017 Eucasting Ro SRL, based in Pitesti (Romania), a successful light metal foundry generating more than CHF 50 million in annual sales. The aim is to better serve its customers in Eastern Europe, a fast-growing region for the car industry. In the US, the new light metal casting plant of Mills River, North Carolina, has been inaugurated in October and will start production as of mid-2018 with an already very high order intake.

GF Automotive grew its sales by 11% to

1'482

CHF million

GF Machining Solutions

GF Machining Solutions had a successful run in 2017, increasing its order intake by more than 12% to CHF 1'030 million and generating sales of CHF 992 million, an increase of 8%. Organic growth reached 7%. The main growth drivers were the aerospace and ICT (information and communication technology) sectors, particularly in China, but also across Europe. Moreover, a rising demand for automation and recently launched new products supported higher sales and margins in the second half. The division significantly increased its operating result by 32% to CHF 82 million.

In order to speed up its digitalization drive, GF Machining Solutions acquired in September Symmedia GmbH, a leading connectivity software specialist, based in Bielefeld (Germany).

GF Machining Solutions grew its sales by 8% to

992

CHF million

Strategy implementation well on track

The 2020 Strategy of GF is being step-by-step implemented. Growth in 2017 clearly exceeded our annual target of 3–5% and profitability was well in line with our strategy goals, also thanks to a broadly favorable economic environment.

In 2017, the majority of acquisitions and investments have been focused on the growth markets of Asia, America, and Eastern Europe, in line with our 2020 strategy. In Western Europe, we have and will continue to automatize as well as optimize productivity.

The ongoing switch to higher margin businesses is showing results at GF Piping Systems and GF Machining Solutions, thanks to the introduction of new products and the development of promising market segments like aerospace for GF Machining Solutions and Cooling for GF Piping Systems.

Per end of January 2018, GF Automotive announced the acquisition of Precicast Industrial Holding SA, a Swiss-based precision casting specialist, thus increasing its industrial sectors' presence, in particular in the promising aerospace field. In order to better reflect the evolution of its portfolio, the name of the division will be, as per closing, changed to GF Casting Solutions.

Finally, the trainings linked to our all-important initiatives to boost our innovation tempo through Design Thinking and to optimize our sales force efficiency through Value Selling were completed during 2017 and will now be applied across the Corporation.

Outlook 2018

The high growth of 2017 can certainly not be taken for granted, but GF is well present and active in today's key industrial trends (water conservation for GF Piping Systems, electric cars and vehicle weight reduction for GF Automotive, digitalization of production for GF Machining Solutions) backed by a worldwide, decentralized presence and an emphasis on customer-centered innovation.

GF is well present and active in today's key industrial trends

The momentum at GF Piping Systems remains strong, the backlog at GF Machining Solutions is at the highest level for more than ten years and new plants as well as additional capacities for light metal components will come into operation at GF Automotive during the year.

Based on our present assessment of the worldwide economic environment, we are therefore convinced that GF can further grow during 2018 and generate returns well in line with its 2020 objectives that is a sales growth in the 3–5% range while maintaining profitability figures in the 8–9% range for the ROS and 18–22% for the ROIC.

We appreciate the feedback of our customers and shareholders

Our heartfelt thanks go to our employees, who all understand that the intensive, continuous trainings we conduct are part and parcel of building a successful future, constantly adapting ourselves to evolving customer requirements. We are similarly grateful to our customers for allowing us to work together in answering their needs. They are the best source for our innovations.

We had regular and intensive discussions with our shareholders all through the year and we thank them for the trust they put in our company as well as for their feedback which allows us to continuously adapt and improve.

Andreas Koopmann
Chairman of the Board of Directors

Yves Serra
President and CEO

Highlights 2017

03/2017

Construction of the new innovation and production center started

In March, the construction of the new GF Machining Solutions facility in Biel (Switzerland) began. The modern plant, which is taking shape on an area of 24'500 m^2, will be built for the production of machine tools and spindles. It will also include a state-of-the-art research and development center and an innovative application center. The first employees will move in at the beginning of 2019. The plant will replace the Swiss sites in Nidau, Ipsach and Luterbach and provide space for approximately 450 workplaces. In total, GF will have invested around CHF 80 million in the Biel location by 2020.

03/2017

15 years “Clean Water” Foundation

Since 2002, GF's “Clean Water” Foundation has been supporting sustainable projects to provide people around the world with clean drinking water. Over the past 15 years, GF has invested over CHF 10 million in the foundation. Until today, more than 130 projects have been implemented, providing about 300'000 people with better access to clean drinking water. Since 2012, the foundation has been working mainly with Caritas Switzerland; the NGO realizes about half of the “Clean Water” drinking water projects. In 2017, various projects in Africa, Asia, and Latin America were defined in order to improve the living conditions of people in Nepal, Kenya, and Bangladesh.

05/2017

Developing the transportation system of the future

Since spring 2017, GF Automotive has been supporting the Swissloop team of ETH Zurich. The Swiss University team developed and built a transport capsule for the Hyperloop project initiated by Tesla founder Elon Musk. The idea: a new high-speed transportation system will transport passengers and goods up to 1'200 km/h in capsules (called pods) through a vacuum tube. As a main sponsor, GF Automotive supports the team in developing and manufacturing an aluminum lightweight component for the pod's chassis. In August 2017, Swissloop entered the Hyperloop Competition II and made it into the top three on the test track in California.

06/2017

Fostering flexible working models, extending parental leave

In addition to up-to-date working models, the compatibility of work and family is one of the key characteristics of a modern employer today. Therefore, GF introduced a new policy for employees in Switzerland: as of 1 June 2017, GF strengthens flexible working models such as part-time work, job sharing, and home office. Furthermore, the company extended the existing maternity or paternity leave by another three weeks. At the same time, GF guarantees women a comparable job for up to one year after the birth of their child, thus supporting them in returning to work after maternity leave.

07/2017

Strengthening presence in North America

In July 2017, GF Piping Systems acquired Urecon Ltd., Coteau-du-Lac (Quebec, Canada), a specialist in pre-insulated piping systems for freeze protection and chilled water. The acquisition strengthens GF Piping Systems’ presence in North America and accelerates the introduction of its pre-insulated COOL-FIT piping system into the local markets. Urecon Ltd. was founded in 1969 and employs around 100 employees. The Canadian company has two state-of-the-art manufacturing facilities and holds a strong market position in the field of high-quality pre-insulated piping systems.

09/2017

Accelerating digitalization

In September, GF Machining Solutions acquired 100% of the shares of Symmedia GmbH, Bielefeld (Germany). The acquisition is in line with the division’s strategy to digitalize its offering. Symmedia, a specialist for the secure interconnection of machines, has been providing software solutions for a wide range of industries for more than 20 years. To date, over 15’000 machines worldwide have been equipped with Symmedia software. Thanks to the newly-acquired technology, GF Machining Solutions is able to accelerate its digital transformation and offer its customers complete solutions in the area of Industry 4.0.

10/17

Opening of new light metal plant in the USA

At the beginning of October 2017, the new high-pressure die-casting facility of GF Linamar LLC was opened in North Carolina, USA. The new plant, measuring 33'000 m^2, provides space for 300 employees and state-of-the-art die-casting machines. As of June 2018, the joint venture between GF and the Canadian manufacturing specialist Linamar will produce light metal components for the strategically important automotive market in North America. The plant will be well-utilized in the coming years: already in September 2017, a US manufacturer placed a major order for a total of approximately USD 300 million with a term of five years.

11/2017

Expanding light metal footprint

GF Automotive has strengthened its portfolio in the field of aluminum die-casting. In November 2017, the division acquired Eucasting Ro SRL, a high-pressure aluminum die-casting specialist with two production sites in Romania. The acquisition follows GF Automotive's strategy to expand its presence in the growing light metal components business. With a workforce of approximately 600 employees, Eucasting generates a turnover of about CHF 50 million. 70% of the sales are achieved in the automotive segment followed by lighting solutions and further industrial applications.

Sustainable progress

Over the last decades, GF has clearly demonstrated its commitment to sustainability. The 2016–2020 Sustainability Targets are closely and clearly linked to the company's overall business strategy. As such, sustainability is a key driver for differentiation, value creation and risk management. The close collaboration with our customers is of utmost importance, allows GF to deliver innovative products and services that support them in producing more efficiently as well as to achieve their own sustainability targets. GF solutions and products focus on safeguarding water supply, reducing emissions, and improving energy efficiency.

For GF, to conduct its business sustainably means strict adherence to environmental as well as to social codes and standards wherever it operates. Therefore, all production facilities are required to be in accordance with ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and OHSAS 18001 (Occupational Health and Safety). Energy-intensive sites must be additionally certified in accordance with ISO 50001 (Energy Management).

The introduction of the Sustainability Targets 2016–2020 led to the definition of action plans to reach the targets at all levels of the corporation. Consequently, a series of projects and measures were defined, which deliver significant results towards achieving these targets.

Sustainability Targets 2020

GF's Sustainability Targets not only relate to the company's own production and sales facilities but also to the impacts of GF's products and services along the whole value chain. According to this approach, the set of targets focuses on the areas of "Procurement and Logistics", "Environment and Energy", "People and Safety", and "Products and Innovation".

The United Nations (UN) challenges the private sector for leadership in dealing with poverty, inequality, and climate change. Linking GF's strategy and targets even more to society's most pressing needs and responding to the UN call, GF's focus areas are now even stronger aligned with several of the UN Sustainable Development Goals (SDGs), for example with SDG 6 "Clean Water and Sanitation". This alignment included the participation in the pilot program SDGXChange and conduction of respective workshops at GF Piping Systems.

More detailed results of this interesting journey will be provided in the Sustainability Report 2017 that will be published 2018.

Focus 2017

The year 2017 focused on the realization of the first actions in order to achieve the 2020 Sustainability Targets. Preliminary data[1] analysis confirms that overall all GF divisions are well underway in reaching the 2020 Sustainability Targets. The focus for 2018 will therefore be to implement additional projects and measures in each division and company to achieve the targets in a timely fashion.

[1] Due to the implementation of a new sustainability reporting software the data analysis contains data from the first half of 2017.

Procurement and Logistics

Ethical conduct and sustainability is absolute imperative for a globally active company. For GF, long-term and trusting relationships with suppliers are of crucial importance. Furthermore, the legally compliant conduct of suppliers as well as environmentally friendly and efficient transport solutions are not only part of our compliance but also contribute to achieving business goals.

During 2017, the vast majority of GF suppliers have signed the Supplier Code of Conduct (GF Piping Systems 86%, GF Automotive 75%, GF Machining Solutions 82%). Therefore, one of the procurement and logistics targets 2020 is almost achieved. Additionally sustainability criteria are increasingly integrated into the supplier evaluation. GF has further started a process to identify high-risk suppliers and to follow up with selected companies to support them in improving their adherence to standards and codes.

For 2018, we foresee an in-depth analysis of GF's entire value-chain. The aim is to identify additional opportunities to improve GF's own, supplier's as well as customers' sustainability performance. This analysis will be followed up by projects in collaboration with selected partners.

Sustainability target 2020
Enable eco-friendly and socially responsible supply:

86%

of GF Piping Systems' suppliers have signed the Code of Conduct in 2017

Environment and Energy

Climate change, the finite nature of fossil fuels and major natural resources as well as a steep increase in demands for energy are still the most crucial challenges for society and the private sector in general.

The improvement of 10% in energy efficiency is one of GF's environmental Sustainability Targets. Preliminary analysis of 2017 data shows that major improvements were achieved due to global initiatives to increase energy efficiency. For example the division GF Piping Systems invested in injection molding machines equipped with ecodrive function which allows energy savings of 30% during production. In particular GF Piping Systems and GF Machining Solutions contributed to these improvements.

However, alternative ways of producing energy and climate change adaptation increasingly provide opportunities for different actors to diversify and adjust their business models.

An excellent example of reducing CO_2 emissions by using renewable energies is GF Piping System's production site in Sissach (Switzerland). The site installed a photovoltaic area of 1'500 m^2 on the roof of the production building, producing an output of 136'000 kWh per year. This compares to the energy consumption of 36 single family homes with four inhabitants and medium-level energy needs. Additionally, 68 tons of greenhouse gas emissions can be avoided.

The reduction of waste is another important sustainability target for GF. The analysis of preliminary 2017 data shows that all GF divisions are progressing to achieve a reduction of non-recyclable waste by 10% until 2020. In addition to reducing waste, recycling or reuse instead of landfill has a significant sustainability impact. At the GF Piping Systems' plant in Traisen (Austria) for example, non-recyclable waste could be reduced by 20% thanks to a project in collaboration with the cement industry. Filter dust of the production facility was collected on site and provided to the nearby cement plant for co-processing, thereby reducing use of natural resources.

More detailed data and case studies on GF's environmental performance will be published in the 2017 Sustainability Report.

Sustainability target 2020
Reduce non-recycled waste by 10%:

20%

of non-recyclable waste was reduced for example at the GF Piping Systems plant in Traisen (Austria)

An excellent example of reducing CO_2 emissions by using renewable energies is GF Piping Systems' production site in Sissach (Switzerland)

On the roof of the production facility a photovoltaic area of 1'500 m^2 has been installed

At the GF Piping Systems plant in Traisen (Austria) non-recyclable waste could be reduced by 20% thanks to a project in collaboration with the cement industry

People and Safety

Health and Safety

GF's continuing "Zero Risk" work safety campaign has triggered significant improvements in occupational health and safety. We observe in the division GF Automotive a significant decrease in the accident rate over the last years, from 44 accidents per 1 million worked hours in the baseline year (average of the years 2013–2015) to 30 accidents per 1 million working hours in 2017. GF Automotive is currently in phase 2 of the multistage "Zero Risk" campaign. The core of phase 1 was the organization of action days to raise awareness of various hazards. Phase 1 formed the basis for phase 2 focusing on lasting behavior changes. Thereby raising awareness for topics as illusion of invulnerability, compliance with rules and responsibilities are focused during the worldwide trainings. In 2017, around 3'500 employees were trained with the target that all employees of GF Automotive will have been trained in these topics by mid-2018.

The engagement of employees and management in the area of safety at work shows continued success. The accident rate decreased in all three divisions as preliminary data analysis shows and it is a significant progress towards achieving the targeted reduction of the accident rate by 20% until 2020. After the successful implementation of the campaign at GF Automotive, GF Piping Systems followed suit and also started a safety campaign.

Sustainability target 2020

Reduce accident rate by 20%:

3'500

employees at GF Automotive were trained on the topic of work safety in 2017

The official launch of GF Piping Systems' safety campaign took place in November 2017 but even before, GF Hakan Plastik in Turkey implemented an "Occupational Health and Safety Week" with the objective of raising awareness and training of employees. One of the activities stood out particularly: A lively theatre performance related to safety enabled the observers to understand and recognize common mistakes and assumptions around safe behavior. This project is part of an ongoing effort to make work safer and GF Hakan Plastik has been able to reduce its accident rate by 20% in comparison to 2014. GF Machining Solutions will kick-start the campaign in early 2018.

Another focus of people and safety is the well-being of employees and a 10% decrease in absence rate. GF Piping Systems conducted a global employment satisfaction survey among all employees in the divisions. The results are currently being analyzed and the Sustainability Report 2017 will provide further information. However, special attention will be given to reduce the absence rate by 10% until 2020.

Training

The GF Academy holds regular management trainings relative to leadership, financials, business, and project leadership as well as other pertinent business topics. In 2017 the GF Academy trained corporate wide approximate 300 participants. Further, the GF Academy was closely collaborating in establishing the trainings regarding the strategic initiatives on Value Selling and Design Thinking. During 2017 more than 500 employees received further training in Design Thinking and more than 2'000 in Value Selling. Both strategic initiatives are primarily carried out within the divisions. Trainings on 7 Habits and 4DX are continuously carried out to enhance collaborative work and strengthen execution skills. Over 500 employees were trained on 7 Habits in 2017. Furthermore, GF executes an annual holistic process reviewing talents and successors to management functions at a global level and reports in this regards to the executive committee as well as to the board of directors.

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 2017 around CHF 2 million were spent corporate wide on social involvement activities. In addition to this, some 30 GF companies support local activities, by making substantial contributions. The biggest contributions in 2017 went to the Corporation-owned Foundations Klostergut Paradies, the Iron Library, and "Clean Water".

In the year under review, no contributions were made to political parties or to individual politicians. GF is member of various Swiss and international business associations and provided membership fees in the amount of less than CHF 0.1 million.

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 and industrialization. Together with the Group archive, it is the center of competence for maintaining the Group's historical and cultural heritage.

GF has owned Klostergut Paradies in Schlatt (Switzerland) since 1918. Today it is used as a Corporate training center. In 2018 GF celebrates 100 years of owning Klostergut Paradies

Through its “Clean Water” Foundation, GF has been supporting a total of 142 drinking water projects worldwide since 2002. To date, the Corporation has invested almost CHF 10 million and has improved the lives of more than 300’000 people with a sustainably better access to clean drinking water.

Since 2012 GF has been working closely with Caritas Switzerland on the implementation of drinking water projects. As part of this partnership, GF also offers know-how and technical expertise with a special focus on quality and hygiene. In 2017 the “Clean Water” Foundation approved a total of seven new drinking water projects, including Malawi, Myanmar, Uganda, Nepal, Bangladesh, and Kenya. In addition to its long-standing partners, the Foundation collaborates with the ICRC (International Committee of the Red Cross) for the first time in the Myanmar project.

“Clean Water” Foundation
Cooperation with Caritas Switzerland:

7

new drinking water projects were approved in 2017

Products and Innovation

Innovation is one of the most important factors in providing superior value to customers and drives profitable growth across all three divisions. GF’s focus on innovation and on collaborating closely with its customers is a reflection that customers are at the heart of everything that GF does. This goes beyond new products and services. Understanding the exact needs of GF customers and responding quickly with solutions helps us to transform from a product and service provider to an integrated solution provider over the whole life cycle of products – enabling sustainability benefits all along the way.

This approach to innovation delivered value across all divisions during 2017. An excellent example of how GF positively impacts clients’ sustainability efforts is Microlution, a GF Machining Solutions company based in Chicago.

Microlution is a leading company to produce parts with laser drilling machines that are, amongst other applications, facilitating the production of the next generation of gasoline fuel injectors. These gasoline fuel injectors need very precise micro holes to inject the fuel into the combustion engine.

Sustainability target 2020
GF provides CO_2-efficient products :

25%

is the expected energy efficiency improvement brought by Microlution technology to gasoline engines

Precision parts for watches produced by a Microlution Laser Machine

The Microlution ML-5 laser is able to increase energy efficiency by up to 25%

The precise micro holes in fuel injectors enable automobile engines to get more combustion from less fuel by creating more precise spray patterns. Translating this into numbers, it means that energy efficiency is expected to increase by up to 25% while furthermore a reduction of particulate matter during the start of the engine is expected. The increase in energy efficiency is a result of the higher compression ratios.

A totally different application of these micro holes can be implemented in the context of medical devices. Micro holes, in this area, accelerate healing by precisely directing medication to targeted internal tissue, for example bone plates or in surgical devices.

Finding specific solutions in collaboration with our clients will become even more important in the years to come.

Organization of GF

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

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.

The sustainable development of the Corporation is supported by shared corporate values.

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.

Finance

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

For detailed information on Corporate Governance see the same named chapter.

GF organization structure

As of 1 January 2018

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
Georg Neuschütz

Europe
Dominique Van Ackere

Americas
James Jackson

Asia
Bruno Meier (until end of April 2018)
Michael Toh Yue Kang (as of May 2018)

GF Automotive
Head: Josef Edbauer

Finance, Procurement & IT
Thomas Hary

Human Resources
Joerg Hannsen

Chief Technology Officer
Dirk Lindemann

Strategy & Business Development
Achim Schneider

Sales, Marketing & Development
Axel Böhme

Business Unit Iron Casting & Precision Casting Europe
Carlos Vasto (as of April 2018)

Business Unit Pressure Die Casting & Mold Technology Europe/NAFTA
Markus Rosenthal

Business Unit China
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

North America
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 Management & Tax
Daniel Vaterlaus

Law, Compliance & IP Services
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

GF Piping Systems at a glance

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. The product portfolio of fittings, valves, pipes, automation, and jointing technologies covers all applications of the water cycle.

Worldwide presence

GF Piping Systems supports customers in the fields of utility, industry, and building technology in over 100 countries through its own sales companies and representative offices. The division operates several research and development centers as well as more than 30 production sites in Europe, Asia, and North and South America.

Key figures

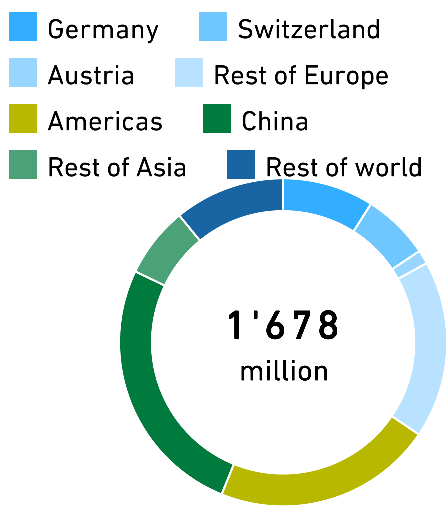
CHF million	2017	2016
Order intake	1'718	1'488
Sales	1'678	1'494
Sales growth %	12.3	5.4
Organic growth %	12.1	5.0
EBITDA	245	214
EBIT	189	162
Return on sales (EBIT margin) %	11.3	10.8
Invested capital (IC)	671	669
Return on invested capital (ROIC) %	22.9	20.6
Number of employees	6'764	6'507

Employees

6'764

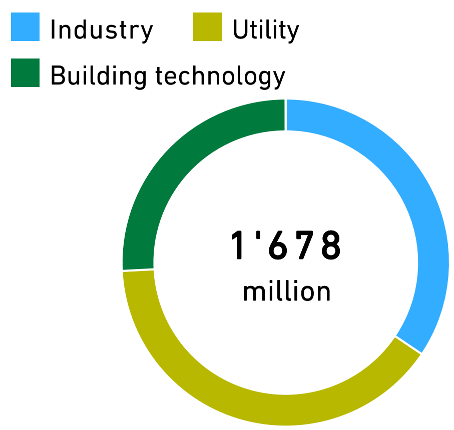
Sales by region

in CHF



Sales per segment

in CHF



Strategy 2020

Expanding global presence

With the acquisition of Urecon Ltd., a Canadian specialist for pre-insulated piping systems for freeze protection and chilled water, GF Piping Systems is expanding its footprint in North America and accelerating the launch of its pre-insulated piping system COOL-FIT in the NAFTA region. Urecon operates two state-of-the-art production sites in the provinces of Quebec (Coteau-du-Lac) and Alberta (Calmar), has a workforce of approximately 100 employees and generated sales of around CHF 20 million in 2016.

Strategy 2020

Shifting the portfolio to higher-value products and services

The shift of the portfolio to higher-value products and services is a key element of the strategy of GF Piping Systems. The division wants to grow significantly in the area of automation solutions, sensors, and intelligent valves. At the same time, it aims to expand its global service business. The development of its digital offering, which optimally connects the diverse stakeholders in the value chain, plays an important role. An example is Track&Trace, a new digital service that enables centimeter-precise positioning of GF products. In addition, the piping installation process can be monitored remotely.

Strategy 2020

Driving innovation excellence

The launch of Strategy 2020 marked the start of a corporate-wide initiative to implement the Design Thinking approach. So far more than 1'000 GF employees have taken part in training sessions in Asia, America, and Europe. At GF Piping Systems alone, more than 30 projects are currently being carried out in the spirit of the customer-oriented Design Thinking approach.

Innovative solution for a prestigious project

(Source: Cambridge Assessment)

Cambridge Assessment, a department of the renowned University of Cambridge (UK), opened the doors of its new headquarter building in early 2018. The requirements of the building were high, especially with regard to innovation and sustainability. This made COOL-FIT 2.0, the pre-insulated piping solution of GF Piping Systems, the perfect choice.

The Triangle, the distinctive headquarter building of Cambridge Assessment, was one of the biggest construction projects ever in the British university city. The new building complex provides space for more than 2'000 employees – rising to around 3'000 by 2025. For the development of the pioneering project, innovation and sustainability had top priority. This, of course, extended to the piping systems for the supply of cold and warm water: they should not only contribute to the energy efficiency of the building but also – due to the tight time schedule of the project – had to be installed quickly and easily on site.

High energy efficiency

That was why the construction company Bouygues opted for COOL-FIT 2.0, the pre-insulated, lightweight and corrosion-free plastic solution from GF Piping Systems. "That's the solution we want", the Bouygues representatives exclaimed. The company was looking for an innovative and economic solution for distributing chilled and hot water (37°C) in the office spaces as well as in ancillary buildings. Thanks to the insulating qualities of COOL-FIT 2.0, temperature fluctuations are minimized both for chilled water and for warm water which leads to remarkable savings. For the cooling function alone, the savings are up to 30% per year compared to an insulated steel piping system.

Long lifetime

Moreover, COOL-FIT 2.0 offers outstanding durability. More and more metal solutions are being substituted with plastic as building owners seek to avoid rusty, corroding pipes that result in leaks and maintenance issues. Bouygues therefore stipulated that the piping systems in the Triangle building should have a life cycle of at least 25 years. COOL-FIT 2.0 meets this requirement easily and significantly exceeds the durability of conventional solutions made of metal. "As it turned out, we offered the right solution at the right time", says James Chandler, Project Manager at GF Piping Systems.

Fast installation

The schedule for the realization of the project was ambitious. To expedite on-site work, the installation team followed a modular approach. The team of GF Piping Systems in Coventry (UK) provided valuable support by cutting the pipes to predetermined lengths and prefabricating custom bends for unique angles in the building. "This way, completed modules could easily be installed and connected with electrofusion jointing technology on site", explains James Chandler. Thanks to its lightweight and pre-insulation properties, COOL-FIT 2.0 was especially conducive to this installation strategy: the innovative system was set up in just half the time that would have been required for a conventional solution.

Promising market potential

COOL-FIT 2.0 has only been on the market for a short while, yet the list of projects is already impressive and includes prestigious buildings such as the London South Bank University, the Eden Project in Cornwall, or the Left Bank Residential Tower in Birmingham. And that's just in the UK. The worldwide market potential for COOL-FIT 2.0 is even more promising. After all, GF Piping Systems' latest innovation is not only perfectly suited for maintaining temperatures in larger buildings such as shopping malls, hospitals, hotel and office complexes, but also for cooling large data centers with their special requirements in terms of safety and efficiency.

The Triangle

The Triangle is the new headquarters building of Cambridge Assessment, a department of the renowned university that provides assessments for over eight million students in more than 170 countries. The distinctive building complex consists of five-story office blocks in a triangular shape as well as a 39-meter-high tower. Since early 2018, 2'000 employees have been working on the 33'500 m^2 area – and this number is set to rise to around 3'000 by 2025.

"As it turned out, we offered with COOL-FIT 2.0 the right solution at the right time", says James Chandler, Project Manager at GF Piping Systems in Coventry (UK)

COOL-FIT 2.0 was especially conducive to the installers' strategy: the time needed to set up the system is up to 50% lower in comparison to conventional solutions

Thanks to its lightweight properties the installers can easily carry meter-long pipes on their shoulders

Brian Brewis, Senior Building Services Manager at construction company Bouygues

"A benchmark for new buildings"

Brian Brewis is Senior Building Services Manager at Bouygues and responsible for "The Triangle". He speaks about the special requirements of the project and why COOL-FIT 2.0 was chosen for piping.

Mr. Brewis, what were your considerations with regard to the piping system?
Our specifications were originally for a traditional piping and insulating system. But because it is extremely heavy and difficult to work with, we knew we had to come up with something completely different. We needed a manufacturer to help us.

Is that where GF Piping Systems came in?
Yes. When we were introduced to COOL-FIT 2.0, we knew it was the right solution. One of the biggest advantages is the fast installation. But before we could change the specifications, we had to get approval from Cambridge Assessment. You have to keep in mind that we wanted to introduce a product that was completely new to the market. We got approval right away. The good reputation of GF Piping Systems played a big role in that.

What experiences have you had with COOL-FIT 2.0 so far?
It's amazing how easily the installers have been able to so leisurely lift the piping, even sections that are up to six meters long. Without COOL-FIT 2.0 the project would have been much more challenging. It is definitely a benchmark for new buildings. Where previously copper or steel were used, I believe we'll be seeing many more buildings moving to COOL-FIT 2.0 in the future.

GF Automotive at a glance

GF Automotive is a technologically pioneering development partner and manufacturer of lightweight casting solutions and systems made of aluminum, magnesium, and iron for the global automotive industry as well as for industrial applications. The highly complex lightweight solutions contribute significantly to making modern vehicles lighter as well as to reducing CO_2 emissions.

Worldwide presence

GF Automotive manufactures at 13 production sites in Germany, Austria, Romania, China, and the USA. It also has sales offices in these countries, as well as in Switzerland, Italy, Korea, and Japan. The research and development centers with globally recognized lightweight expertise are located in Schaffhausen (Switzerland) and Suzhou (China).

Key figures

CHF million	2017	2016
Order intake	**1'527**	1'346
Sales	**1'482**	1'335
Sales growth %	**11.0**	1.1
Organic growth %	**8.9**	–0.3
EBITDA	**158**	161
EBIT	**93**	100
Return on sales (EBIT margin) %	**6.3**	7.5
Invested capital (IC)	**481**	397
Return on invested capital (ROIC) %	**19.5**	23.1
Number of employees	**5'738**	5'047

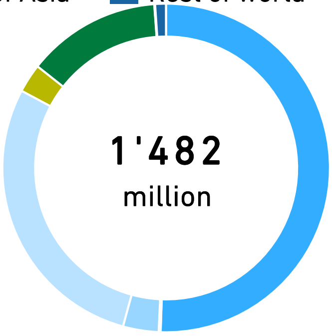
Employees

5'738

Sales by region

in CHF

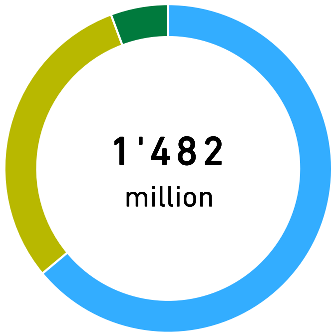
Germany, Switzerland, Austria, Rest of Europe, Americas, China, Rest of Asia, Rest of world



Sales per segment

in CHF

Passenger cars, Trucks, Industrial applications



Strategy 2020

Expanding global footprint in light metal

A cornerstone of the strategy of GF Automotive is to expand its light metal expertise globally. In 2017, the division achieved two milestones: First, it acquired Eucasting Ro SRL, an aluminum die-casting specialist with two production sites in Romania. Secondly, as part of the joint venture with Linamar, it opened a new die-casting facility in North Carolina, USA. From 2018, GF Linamar will be manufacturing light metal components for the strategically important North American automotive market. The plant will be well-utilized in the upcoming years, thanks in part to a major order for instrument panels for a new pick-up model of a renowned US manufacturer. The value of the contract amounts to a total of around USD 300 million over a period of five years.

Strategy 2020

Developing new, attractive business segments

GF Automotive also aims to be active in promising markets outside the automotive segment, such as energy. For example, the division is successfully participating in the growing solar market. In 2017, it delivered thousands of castings for one of the world's largest solar power plants located on the edge of the Moroccan desert. The special brackets from the GF Automotive plant in Leipzig (Germany) weigh almost 600 kilograms and ensure that the 180-square-meter solar reflector is perfectly aligned and maintains its position in the event of storms.

Strategy 2020

Increased offering of ready-to-mount components

More and more customers are looking for a partner who operates at multiple stages along the value chain and delivers ready-to-mount solutions from a single source. GF Automotive is responding to this growing need by offering an increasing number of these components, such as sill frame members for Audi (image left). Today, the proportion of machined parts at GF Automotive amounts to round about 30%.

Lightweight design for the premium segment

(Source: Audi Media Center)

Dynamic, safe and efficient: with the new A8, premium car manufacturer Audi has excelled itself in its core competence of lightweight design. For the car body, the so-called Audi Space Frame, GF Automotive provides eleven ultra-light aluminum and magnesium castings – more than ever before.

The new A8 fully lives up to the “Vorsprung durch Technik” slogan of the Ingolstadt-based premium manufacturer. The fourth generation of the luxury sedan impresses not only with the latest technology for highly automated driving but also with its innovative lightweight design. Already back in 1994, with the first generation of the Audi A8, the car manufacturer introduced a revolutionary body construction: the Audi Space Frame. The self-supporting aluminum structure weighed as less as 249 kilograms, making Audi one of the first car manufacturers in the premium segment to focus consistently on lightweight construction and aluminum components.

Unique mix of materials

For the latest generation of its top model, Audi has perfected the legendary Audi Space Frame, also thanks to the expertise of GF Automotive. For the first time an intelligent mix of four materials has been used to further reduce the weight and increase the torsional stiffness of the body structure. GF Automotive provides a total of eleven structural components for the Audi Space Frame: nine parts made of high-strength die-casting aluminum plus two magnesium components for the front and rear center console. GF Automotive is thereby making a decisive contribution to the intelligent lightweight construction concept of the new A8. Steel and carbon-fiber reinforced polymer (CFRP) complement the innovative material mix.

High customer requirements

"The body of the new Audi A8 requires more large, supporting high-tech structural components casted in light metal than any other car model to date," says Siegfried Wilhelm, Key Account Manager at GF Automotive. He has been looking after Audi for almost 20 years and understands the customer's high requirements when it comes to technology and quality. GF Automotive ultimately secured the ambitious A8 contract thanks to its expertise in light metal and its know-how in casting large and complex components.

Significant weight reduction

With the latest generation of its luxury sedan, Audi is setting new standards in the areas of driving dynamics, safety and efficient consumption. The use of very light, yet extremely stable, structural components is a major factor, as for example the increasing amount of electronics adds to the weight of the vehicle. Thanks to the Audi Space Frame, the body of the A8 weighs around 40% less than a comparable steel structure. The castings from GF Automotive replace a large number of sheet metal parts with a small number of lightweight structural components. The highly complex geometry of the largest aluminum parts which are connecting the side sills with the rear frame members, could not have been produced in steel. These parts made it possible to further expand the interior of the new A8. In addition, the A8 outperforms the previous model by offering up to 24% more torsional stiffness for precise handling and driving comfort. At the same time, the GF castings are used at crash-relevant points of the car body and increase the safety of the large sedan thanks to their high stability.

Innovative materials development

The innovative approach to materials and connection technology is essential for ensuring the high level of stiffness of the castings and the stability of the body structure. For the Audi Space Frame of its latest A8, Audi has developed new high-strength casting alloys. The development center of Audi and the R&D department of GF Automotive in Schaffhausen worked closely together in order to ensure optimum castability of the alloy and to make it ready at GF for serial production.

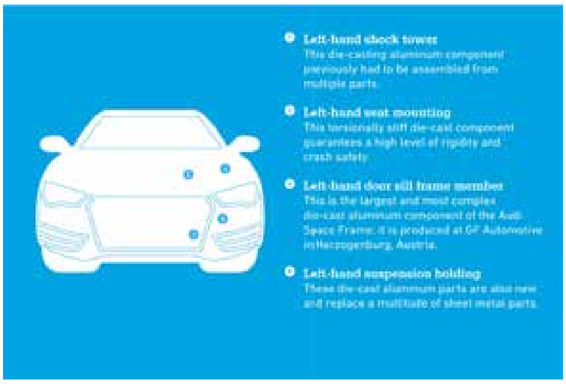
Greater value creation

A new, four-step heat treatment process is used to further increase the strength of the die-cast aluminum components. "This process enables us to manufacture stronger components even though the walls are up to 1.8 mm thinner compared to previous models", states Siegfried Wilhelm. For the heat treatment as well as for the coating and processing of the castings, GF Automotive invested in new production lines at its location in Herzogenburg (Austria). Here, the 1.43-meter sill frame members are manufactured on GF Automotive's largest high-pressure die-casting machines. The suspension holdings made of aluminum are also casted in Herzogenburg. The remaining aluminum and magnesium components are produced in Altenmarkt (Austria).

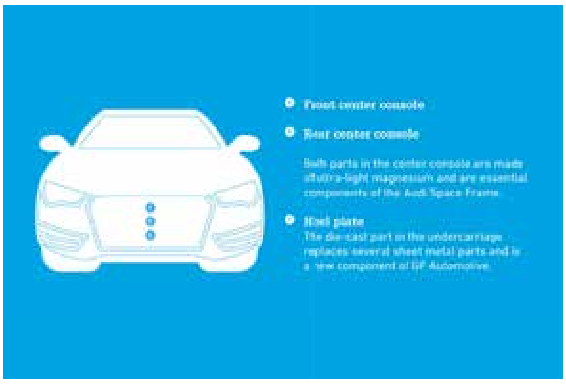
But GF Automotive is not only responsible for the casting, heat treatment, and coating of most Audi Space Frame components; the components are also mechanically processed at GF and partly pre-assembled before they are delivered ready for mounting to the Audi production plant in Neckarsulm (Germany). This is where the new A8 is produced for the global market. "In the scope of this ambitious assignment, we offer Audi even greater value creation and GF Automotive's comprehensive expertise in lightweight design", Siegfried Wilhelm says proudly.

"With GF Automotive we have a strong partner to realize the challenging castings for the Audi Space Frame of the new A8."

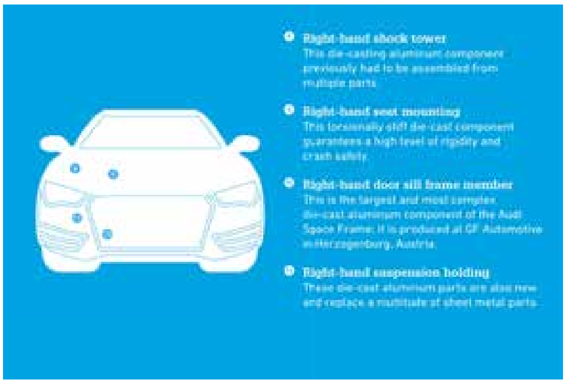
Marc Hummel
Project Manager at Audi



For the Audi Space Frame of the new A8 GF Automotive provides eleven ultra-light aluminum and magnesium castings – more than ever before



Thanks to the Audi Space Frame, the body of the A8 weighs around 40% less than a comparable steel structure



With its components, GF Automotive is making a decisive contribution to the intelligent lightweight construction concept of the new A8

f. l. t. r. Markus Beier (Project Manager, GF Automotive Herzogenburg), Georg Zerling (Project Manager, GF Automotive Herzogenburg), Christian Platzer (Project Manager, GF Automotive Altenmarkt), Siegfried Wilhelm (Key Account Management, GF Automotive), Marc Hummel (Project Manager, Audi Neckarsulm), Jan Gaugler (Development Casting, Audi Neckarsulm)

GF Machining Solutions at a glance

GF Machining Solutions is one of the world's leading providers of complete solutions to the tool and mold making industry and to manufacturers of precision components. The portfolio includes milling, wire cutting and EDM machines as well as spindle systems, laser texturing, additive manufacturing, as well as automation and digitalization solutions. The key customer segments are the aerospace, ICT, medical, and automotive industries.

Worldwide presence

GF Machining Solutions is present in more than 50 countries with its own sales companies. In addition, the division operates production facilities and research and development centers in Switzerland, in the USA, in Sweden, and China.

Key figures

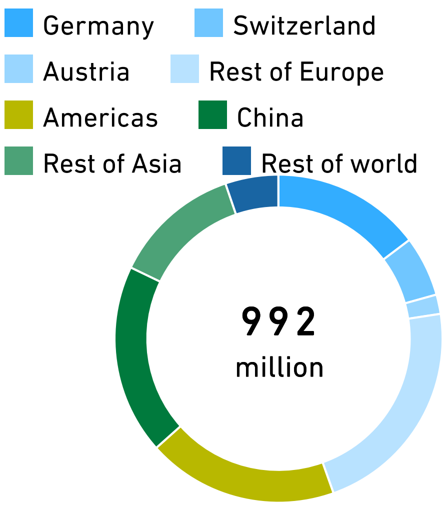
CHF million	**2017**	2016
Order intake	**1'030**	917
Sales	**992**	916
Sales growth %	**8.3**	1.6
Organic growth %	**7.4**	–0.3
EBITDA	**96**	77
EBIT	**82**	62
Return on sales (EBIT margin) %	**8.3**	6.8
Invested capital (IC)	**269**	261
Return on invested capital (ROIC) %	**24.1**	18.3
Number of employees	**3'255**	3'102

Employees

3'255

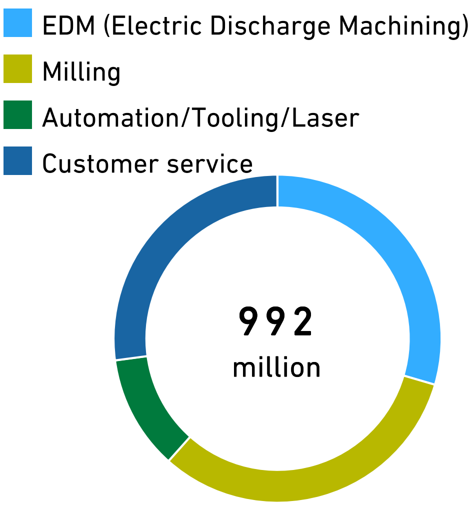
Sales by region

in CHF



Sales per segment

in CHF



Strategy 2020

Positioning as innovation leader

In 2017, GF Machining Solutions once again successfully presented its competencies at the EMO in Hannover (Germany), the world's largest trade fair for metalworking. On an interactive, 945 m^2 booth, customers were able to learn more about the division's intelligent solutions and technological innovations. GF Machining Solutions unveiled several novelties to the 130'000 trade visitors, covering the areas of milling, EDM and laser technology, additive manufacturing, automation, and digitalization.

Strategy 2020

Creating a future-oriented, efficient organization

In order to concentrate all milling machine operations in Switzerland in one location, GF Machining Solutions is building a new innovation and production center in Biel. The state-of-the-art plant will replace the three current locations in Nidau, Ipsach, and Luterbach (Switzerland), and lay the ideal foundations for future growth through synergies and streamlined processes. In total, approximately 450 attractive workplaces will be created in Biel. The site will comprise production, research and development, as well as a modern application center.

Strategy 2020

Offering complete solutions

Symmedia GmbH from Bielefeld (Germany) has been part of GF since September 2017. With the acquisition of the software company, GF Machining Solutions is expanding its expertise in the field of Industry 4.0 and strengthening its digital offering. Symmedia specializes in the secure networking of machines and has been developing service solutions for the mechanical engineering sector since 1997. Today, over 15'000 machines across the globe are equipped with software produced by Symmedia. Thanks to this acquisition, GF Machining Solutions can now drive forward its own digital transformation and offer its customers complete solutions for industrial networking.

Smart solutions for the factory of the future

The Industrial Internet of Things (IIoT) is opening up a new era of smart manufacturing. Accordingly, GF Machining Solutions has been speeding up its digital transformation and broadening its digital portfolio. A prime example is the software solution rConnect, which helps Italian mold and tool maker Aldeghi ensure maximum machine uptime.

Commonly described as Industry 4.0, a revolution is in progress that will change shop floors all over the world: smart machines will be connected with one another and soon make smart factories a reality. GF Machining Solutions is part of this radical change. “We have a clear vision of industrial processes in the future and a strategy to realize the potential for our customers,” says Andreas Rauch, Head of Digital Transformation at GF Machining Solutions.

However, the factory of the future won’t be built overnight. On the contrary, it will require many small steps. A starting point is automation and the ability to flexibly coordinate machining processes with one another. “This is something we already do very well,” Andreas Rauch says. Another important aspect is connectivity: enabling machines to communicate with one another, to deliver data wirelessly and to be accessed from remote service centers. With the digital service platform rConnect, GF Machining Solutions already provides such an offering. rConnect was developed in collaboration with German software specialist Symmedia, a company that GF Machining Solutions acquired in September 2017.

Digital services for higher productivity

rConnect is a platform for digital services available for all technologies supplied by GF Machining Solutions, from milling, EDM, and laser to automation and additive manufacturing. Following a modular approach, rConnect comprises different services which empower manufacturers to increase their productivity. First, there is the Customer Cockpit, the user interface and the door to GF Machining Solutions' world of digital services. It connects customers with their production facilities via PC or mobile device from anywhere at any time. Live Remote Assistance (LRA) provides direct access to GF experts allowing face-to-face assistance using audio, video, chat, and much more functionalities. In order to resolve a problem with a machine, the GF experts can now use LRA to perform checks remotely. This way, machine downtime can be reduced significantly, as less time is needed to diagnose problems and service engineers do not need to travel to customers for each incident.

In addition, customers can use the Messenger module to get instant access to all machine park data on their smartphones, such as information on machine status or programs. It is even possible to receive an alarm message from a machine or to send a service request via App. An important precondition for sharing this sensitive data is trust. Therefore, rConnect offers secure certified connections based on the latest technology. In 2017, GF Machining Solutions already connected 20 percent of new machines delivered to customers with the rConnect platform. In 2018, this figure will be more than 1'000 machines, rising to an estimated 5'000 machines over the next four years.

Clear customer benefit

Precision mechanical workshop Aldeghi is already working with rConnect. The Northern Italian company manufactures molds, tools, and prototype mechanical products for companies in the automotive, electronic, and household appliance markets. The fact that Aldeghi turned to GF Machining Solutions for assistance with its first steps into digitalization is the natural continuation of a collaboration which started some 30 years ago. Today, nine machines from GF Machining Solutions are running at the Italian production facility. Six of these are equipped with a System 3R robot system, while rConnect LRA and Messenger are operating on three EDM machines from GF.

The benefits for the customer are clear. Thanks to rConnect, Aldeghi now have greater peace of mind when running their machinery unmanned in the evenings and on weekends, because the status of the machines can be checked remotely. "We wanted to ensure that Aldeghi was getting a solution that worked for them right from the start. So before the implementation, we performed extensive tests until Aldeghi's employees were comfortable with the rConnect features", says Enrico Borghi from GF Machining Solutions Customer Services Italy.

Looking into the future

The world of digitalization is evolving rapidly and so is GF Machining Solutions' digital portfolio. Therefore rConnect will soon be extended by modules for condition monitoring and predictive maintenance. With condition monitoring, operators will receive proactive updates on the current status of their machines, for example, when wear parts are nearing their end of life, or when consumables have almost run out. Predictive maintenance goes a step further. The data generated by the machine is analyzed with algorithms. This way, it becomes possible to predict when maintenance needs to be carried out – even before an alarm is triggered.

Aldeghi

Precision mechanical workshop Aldeghi was founded in 1983 in the Italian province of Bergamo and . In 2002 it became part of the M.S.Ambrogio Group in 2002. Over the years Aldeghi has stayed true to its origins as a family company, and today Cesare Aldeghi, son of founder Pietro Aldeghi, is the Managing Director. Serving customers in the automotive, electronic, and household appliance markets, the mold and tool maker relies on technologies from GF Machining Solutions such as EDM, milling and automation.

Operators of machine fleets equipped with rConnect benefit on many levels: faster diagnosis and interventions when machine issues arise which leads to significantly less machine downtime and to higher continuous productivity. The soon-to-be-introduced modules for condition monitoring and predictive maintenance will help boost the effectiveness and service life of the entire machine fleet. But most of all, by integrating rConnect into their productions, as Aldeghi has done, machine operators are taking an important step towards smart factories.

Enrico Borghi (left) from GF Machining Solutions and Cesare Aldeghi, Managing Director of Aldeghi, work closely together when it comes to the production of molds and tools

Thanks to the software solution rConnect customers can get instant access to all machine park data on their smartphones

rConnect enables faster diagnosis and interventions when machine issues arise. This leads to significantly less machine downtime and consequently higher productivity

Cesare Aldeghi, Managing Director of Aldeghi, an Italian mold and tool maker, explains how rConnect is saving his employees time

"With rConnect we can monitor our production from a mobile device"

Mr. Aldeghi, today, you are using rConnect in your production. With regard to maintenance, how were issues previously managed?
Before rConnect was activated, requests for assistance were managed by contacting the GF support service. One of our employees had to explain the situation and carry out the checks according to the instructions of the GF Machining Solutions engineer. If the solution couldn't be found quickly, we had to arrange for a site visit. This costs time and money.

What changed with the introduction of Live Remote Assistance?
Now, we can create a request for assistance directly from the LRA interface or the Customer Cockpit. This allows the GF Machining Solutions engineer to connect directly to the machine and carry out the checks without our assistance. In the meantime, we can continue with our work.

Has LRA led to improvements in uptime?
Definitely. In the first place, it reduces the time spent waiting for assistance and for faults to be identified. And more specifically, it reduces the hours our employees would otherwise spend on the phone and performing checks.

How about Messenger? How has that changed processes at Aldeghi?
This is one of my favorite aspects of rConnect. When our machines are operating on an unmanned basis – for example during the night or on weekends – we can use the Messenger to monitor the progress from a mobile device. We instantly see how work is proceeding, and that gives us greater peace of mind. We've been waiting for this option for some time and are very happy to be able to use it at last.

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.

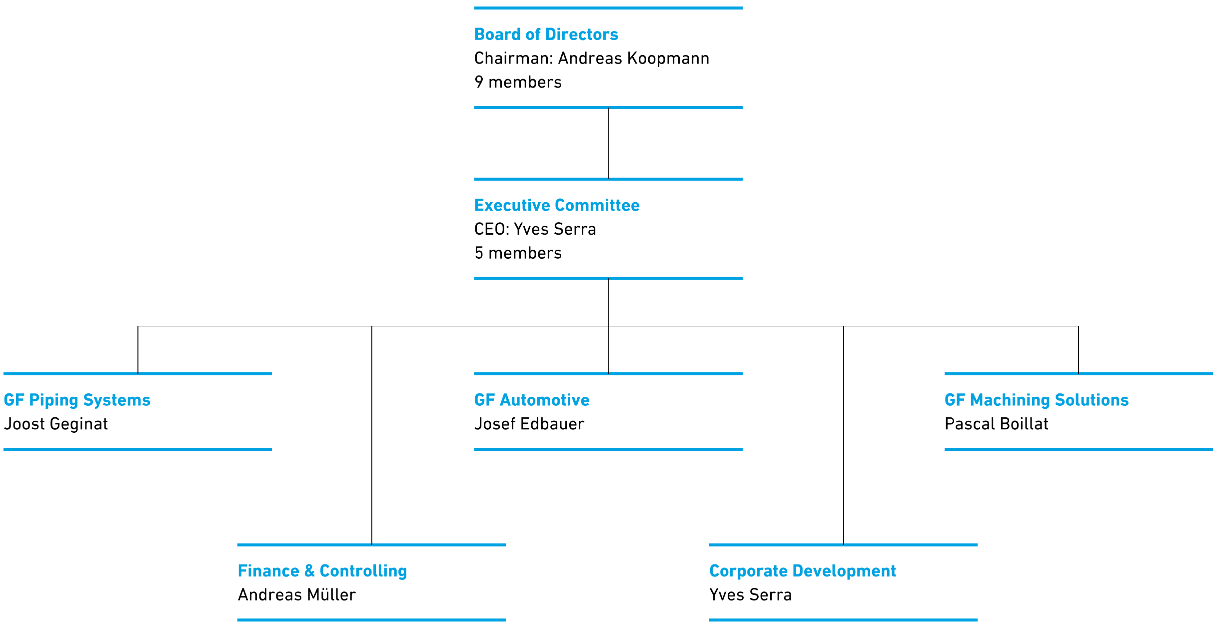
Contents

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 2017, unless otherwise noted. Any changes occurring before the editorial deadline on 22 February 2018 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 2018



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 5’282 million as of 31 December 2017 (previous year: CHF 3’420 million).

Affiliated Companies

An overview of all Affiliated Companies in the scope of consolidation can be found in the Financial Report (consolidated financial statements/notes to the consolidated financial statements) in note 4.2 (4.2.1 Affiliated companies). The list contains the company name, domicile, share capital, and percentage held by GF.

Significant shareholders and shareholder groups

As of 31 December 2017, the BlackRock Group, held directly or indirectly by BlackRock, Inc., New York (USA), had shareholdings in excess of 5%. In addition, Norges Bank (the Central Bank of Norway), Oslo (Norway), the UBS Fund Management (Switzerland) AG, Basel (Switzerland), and JP Morgan Chase & Co., New York (USA), had shareholdings between 3% and 5%.

In the year under review, 21 disclosure notifications were filed; of these, 20 were published in the year under review and one was published on 4 January 2018. 20 of the filings related to the BlackRock Group, held directly or indirectly by BlackRock Inc., New York (USA), while one related to JP Morgan Chase & Co., New York (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 41'717 Georg Fischer shares were held by members of the Board of Directors, the Executive Committee, and the Senior Management as of 31 December 2017 (previous year: 45'115 Georg Fischer shares):

	Number of Georg Fischer registered shares as of 31 Dec. 2017	Number of Georg Fischer registered shares as of 31 Dec. 2016
Members of the Board of Directors	14'252	12'862
Members of the Executive Committee	8'765	10'879
Members of the Senior Management	18'700	21'374
Total	**41'717**	45'115
In % of issued shares	**1.02%**	1.10%

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 2017, 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 Financial Report (investor information) 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 of Georg Fischer Ltd, 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 of Georg Fischer Ltd, 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.

2017

At the 121st Annual Shareholders' Meeting on 19 April 2017, all nine members of the Board of Directors were re-elected.

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 19 April 2017.

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 section 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: five meetings lasted less than a day. The strategy meeting was embedded in the Board's five-day USA trip in 2017 and included several customer visits and inspections of subsidiary sites. 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 15 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 2017 the Board of Directors worked on the implementation of the findings out of the self-assessment which took place in 2016. Another assessment is planned for 2018.

Audit Committee

The Audit Committee consists of three Board members (see separate section Members of the Board of Directors). 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 a representative 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.

In the year under review, the Audit Committee held five ordinary and two extraordinary meetings, four of which lasted half a day, and the other three lasted between one and two hours. All members of the Audit Committee attended all seven meetings.

Compensation Committee

The Compensation Committee consists of three Board members (see separate section Members of the Board of Directors), 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 internal and external compensation specialists about market data from comparable companies in Switzerland, in addition to publicly available data obtained on the basis of compensation disclosures. Further, based on internal and external sources, common market practices and expectations of stakeholders are continuously evaluated by the Compensation Committee. Comparable industrial corporations headquartered in Switzerland and the industrial market of Switzerland were used as a basis. In the reporting year, adaptations to the long-term incentive plan (LTI) and the short-term incentive plan (STI) were decided and implemented based on requirements expressed by the shareholders of GF. 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 ordinary and one extraordinary meeting during the past fiscal year, each of which lasted about two hours. All members of the Compensation Committee attended all five meetings.

Nomination Committee

The Nomination Committee consists of three Board members (see separate section Members of the Board of Directors). 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. For specific high-level recruitments, services of headhunters were hired.

In the year under review, the Nomination Committee held three ordinary meetings, which lasted an hour on average. Each Nomination Committee meeting was attended by all of the Nomination Committee members, with the exception of one person at one of the meetings.

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. In addition to an introductory commentary on the current course of business, it contains the most important key figures for the course of business and the monthly closing as well as a preview of the next three months and the year-end. These key figures are broken down by Corporation, divisions and Corporate Companies. The Executive Committee presents and comments on business performance and presents its assessment of business performance for the coming months at Board meetings. It also presents all important topics to the Board of Directors.

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 2017, he visited Corporate Companies in Europe and in the USA.

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, 41 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 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 2017:

- 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
- roughly 3'400 internal e-learnings were conducted on anticorruption, competition, and cartel law as well as for export controls and economic sanctions
- training courses on antitrust law, anticorruption, export controls, and/or other compliance topics at various Corporate Companies
- ongoing advice and support 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
- advice on issues relating to export controls, cartel law, and labour law
- further implementation of the function "Compliance Agents" (carried out by the Business Unit Controllers) for risk assessment and internal control
- preparatory activities for updating the data protection measures in view of the forthcoming legislative changes in the EU and in Switzerland

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 Management & Tax 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 December.

The handling of financial and operational risks is explained in the Financial Report (consolidated financial statements/notes to the consolidated financial statements) in note 3.6 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 2018

Committees

Audit Committee
Hubert Achermann, Chairman
Gerold Bührer
Roger Michaelis

Compensation Committee
Eveline Saupper, Chairwoman
Riet Cadonau
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 (Switzerland) (1989–2009), 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 and of Friends of Lucerne Festival; 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

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 (2004–2015) and Member of the Executive Board of the ETH Zurich (2008–2015)

Other activities of governing bodies in listed corporations
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Further professional activities and functions
Chairman of the Board of Directors 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 (until end of 2017); 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
Member of the Compensation Committee

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)

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 (Brazil), 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 Consulting; 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 (2014–2017)

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); Member of the Board of Trustees of UZH Foundation and of Schweizer Berghilfe (both Switzerland)

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 Board of Economiesuisse (until August 2017; Vice President Swisselectric (until September 2017) (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); Executive Vice President and Head of Emerging Markets (2012–2016), Senior Vice President of Sandvik Group, Head of APAC and President of Greater China Region (since 2016)

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 January 2017, Andreas Müller was appointed as CFO and successor of Roland Abt. As of 1 January 2018, 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 École 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 at GF (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); 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 École des Hautes Études 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 GF 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); Delegate of Swissmem to CECIMO

Shareholders' rights

As of 31 December 2017, Georg Fischer Ltd had 12'514 shareholders with voting rights (previous year: 12'596), most of whom reside in Switzerland. To maintain this broad base, the Articles of Association of Georg Fischer Ltd 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 of Georg Fischer Ltd 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 of Georg Fischer Ltd, 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 of Georg Fischer Ltd), 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 of Georg Fischer Ltd
- 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. The deadline 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 bonds 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. He will assume the responsibility of the audit for no longer than seven years. After this period a new auditor in charge will need to be engaged. The next change in the lead auditor is due after the audit of the fiscal year 2018. The statutory auditor is elected at the Annual Shareholders' Meeting for a term of one year.

Audit fees

In 2017, the Corporation spent about CHF 2.70 million (previous year: CHF 2.55 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 2017 fees of approximately CHF 0.56 million (previous year: CHF 0.28 million), thereof CHF 0.49 million (previous year: CHF 0.13 million) for consulting mandates in connection with accounting and CHF 0.07 million (previous year: CHF 0.15 million) for services related to tax advice.

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 reports provided to the Audit Committee and the management
- 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 activities relating to stakeholder information and communication. 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 fourth 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). Both print and online editions were awarded. The significance of digital communication channels grew again in 2017 – a trend that is most likely to continue unabated in the coming years. Correspondingly, the focus of communication activities has shifted, requiring changes in how GF structures its communications. The main project taken on was the relaunch of the GF website.

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

Between 1 January 2018 and the editorial deadline on 22 February 2018, the following changes occurred.

On 31 January 2018, GF announced the acquisition of 100% of Precicast Industrial Holding SA, the Swiss-based precision casting specialist. In order to better reflect its portfolio evolution, the division GF Automotive will, upon closing expected for the first quarter of 2018, be renamed GF Casting Solutions.

Precicast generated in 2017 sales of approximately CHF 120 million with a workforce of 730 employees in Switzerland and Romania. Closing is subject to the approval of the relevant authorities.

Between 1 January 2018 and the editorial deadline on 22 February 2018 four disclosure notifications were filed relating to the BlackRock Group, held directly or indirectly by BlackRock Inc., New York (USA), stating that the shareholdings are over 5%. Disclosure notifications pertaining to shareholdings in Georg Fischer Ltd that were filed with Georg Fischer Ltd and the SIX Swiss Exchange are published on the latter's electronic publication platform 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 2017 compensation report.

The Board of Directors decided to adapt the long-term incentive plan as per 1 January 2017, based on an intensive, continuous dialogue with our shareholders and proxy advisors. In addition, minimum shareholding ownership guidelines for the members of the Board of Directors and members of the Executive Committee have been introduced.

The new long-term incentive plan is based on the following principles:

- The entirety of the award will be granted as performance shares. The vesting of the performance shares is conditional upon the fulfillment of future performance conditions.
- The performance conditions include Earnings per Share (EPS) as internal measure and relative Total Shareholder Return (rTSR) as external measure. Therefore, the performance criteria are well balanced in terms of both internal and external views.
- The EPS value targets have been linked to the Strategy 2020 goals of GF and the rTSR targets are linked to the SMI-Mid.
- The vesting period is three years, followed by a further blocking period of two years on the vested shares. The plan is truly long-term focused. Further details on the plan can be found in chapter Architecture of Compensation.

The Board of Directors trusts that the changes made to the compensation architecture address the concerns raised by our shareholders. The compensation report for 2017 newly provides an Executive Summary; all other content does not differ from previous years and continues to provide a high level of transparency.

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 the maximum amount of compensation for the Executive Committee for the next business year. Further, you will have the opportunity to express your opinion on the compensation report in a consultative vote.

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

Executive summary 2017

Overview architecture of compensation for the Executive Committee

Changes compared to the previous year are highlighted in green.

	Fixed compensation elements		Variable compensation elements	
	Fixed base salary	Benefits	Short-term incentive Performance year x	Long-term incentive Performance year x
Purpose	Ensure basic fixed remuneration	Ensure protection against risks such as death, disability, and old age	Pay for annual performance	Align to shareholders' interests Participate in long-term success and align with Strategy 2020
Drivers	Scope and complexity of the function Profile of the individual	Local legislation and market practice	Performance against business and individual objectives	Long-term value creation Supporting a high-performance culture
Performance / Vesting period			Current year (year x)	3 years Grant date: 1 January year x+1 Vesting period: years x+1, x+2, x+3
Blocking period				Additional 2 years Years x+4, x+5
Performance measures	Skills, experience, and performance of the individual		Organic sales growth EBIT margin ROIC Individual objectives Fine-tuned hurdles	All LTI-related shares are performance dependent; 50% PS(EPS), 50% PS(rTSR) EPS-related achievement determination: Ø (EPS value years x+1, x+2, x+3) divided by Ø (EPS value years x, x-1, x-2) * 1.04 rTSR-related achievement determination: Ø (ranking in the years x+1, x+2, x+3 of GF within the SMI-Mid)
Share ownership				CEO: 200% of annual fixed base salary EC: 100% of annual fixed base salary
CEO compensation	100%	Total remuneration dependent	Minimum: 0% Target: 100% Maximum: 150% of fixed base salary	Vesting: Minimum: 0 shares Target: 750 shares (375 PS(EPS), 375 PS(rTSR)) Maximum: 1'500 shares Articles of Association: The variable compensation (STI and LTI) is capped at 250 % of the fixed compensation for the calendar year in question
EC committee member compensation	100%	Total remuneration dependent	Minimum: 0% Target: 60% Maximum: 90% of fixed base salary	Vesting: Minimum: 0 shares Target: 250 shares (125 PS(EPS), 125 PS(rTSR)) Maximum: 500 shares Articles of Association: The variable compensation (STI and LTI) is capped at 250 % of the fixed compensation for the calendar year in question

EBIT = Earnings before interest and taxes
EPS = Earnings per share
LTI = Long-term incentive plan
PS = Performance shares
PS(EPS) = EPS dependent performance shares
PS(rTSR) = rTSR dependent performance shares
ROIC = Return on invested capital
STI = Short-term incentive plan
Ø = Average

Executive Committee compensation 2017

	Fixed compensation elements		Variable compensation elements		Total 2017
	Fixed base salary	Benefits	Short-term incentive Performance year 2017	Long-term incentive Performance year 2017	
Performance year 2017	2'978	1'216	2'675	2'254	9'123
Performance / Vesting period			Year 2017	3 years Grant date: 1 January 2018 Vesting period: years 2018, 2019, 2020	
Blocking period				2 years (years 2021, 2022)	
Performance measures			Organic sales growth EBIT margin ROIC Individual objectives	EPS-related achievement determination: Ø (EPS value years 2018, 2019, 2020) divided by Ø (EPS value years 2017, 2016, 2015) * 1.04 rTSR-related achievement determination: Ø (ranking in the years 2018, 2019, 2020 of GF within the SMI-Mid)	
Delivery	Monthly cash	Contributions to social security, pension, and insurances	Cash payment in March 2018	1'750 PS with a total grant value of 2'254 based on share price of CHF 1'288 at 29 December 2017	
Executive Committee target compensation	2'978	1'157	2'163	2'254	8'552
Compensation 2017 in % of target compensation*	100%	105.1%	123.7%	100%	106.7%

(all financial figures in CHF 1'000, except number of shares and shareprice)
* These figures represent the ratio between elements of compensation achieved within 2017 compared to elements of target compensation.
EBIT = Earnings before interest and taxes
EPS = Earnings per share
LTI = Long-term incentive plan
PS = Performance shares
PS(EPS) = EPS dependent performance shares
PS(rTSR) = rTSR dependent performance shares
ROIC = Return on invested capital
STI = Short-term incentive plan
Ø = Average

CEO compensation 2017

	Fixed compensation elements		Variable compensation elements		Total 2017
	Fixed base salary	Benefits	Short-term incentive Performance year 2017	Long-term incentive Performance year 2017	
Performance year 2017	942	400	1'163	966	3'471
Performance / Vesting period			Year 2017	3 years Grant date: 1 January 2018 Vesting period: years 2018, 2019, 2020	
Blocking period				2 years (years 2021, 2022)	
Performance measures			Organic sales growth EBIT margin ROIC Individual objectives	EPS-related achievement determination: Ø (EPS value years 2018, 2019, 2020) divided by Ø (EPS value years 2017, 2016, 2015) * 1.04 rTSR-related achievement determination: Ø (ranking in the years 2018, 2019, 2020 of GF within the SMI-Mid)	
Delivery	Monthly cash	Contributions to social security, pension, and insurances	Cash payment in March 2018	750 PS at grant value (based on share price at 29 December 2017 of CHF 1'288) 375 PS(EPS): grant value 483 375 PS(rTSR): grant value 483 Total Grant value: 966	
CEO target compensation	942	374	942	966	3'224
Compensation 2017 in % of target compensation*	100%	107.0%	123.5%	100%	107.7%

(all financial figures in CHF 1'000, except number of shares and shareprice)
* These figures represent the ratio between elements of compensation achieved within 2017 compared to elements of target compensation
EBIT = Earnings before interest and taxes
EPS = Earnings per share
LTI = Long-term incentive plan
PS = Performance shares
PS(EPS) = EPS dependent performance shares
PS(rTSR) = rTSR dependent performance shares
ROIC = Return on invested capital
STI = Short-term incentive plan
Ø = Average

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 2017. This report is written in accordance with 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 2017

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, motivate, and retain 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 2017

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 function (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 performance 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 2017 Annual Shareholders' Meeting, Riet Cadonau, 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 2017, the Committee held five meetings of approximately two hours:

The Committee evaluated the business performance for the 2016 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. The Committee determined the business objectives for the 2017 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. The Committee reviewed the compensation report 2016.

Based on the negative vote on the compensation report 2016 and based on input received from various proxy advisors and investors, the Compensation Committee amended the short- and long-term incentive plans for the business year 2017 and following years.

The Committee reviews annually the benchmarking analysis of the compensation of the Chief Executive Officer and the members of the Executive Committee; it determined the target compensation of the Chief Executive Officer for the year 2017 and next business years based on a proposal from the Chairman of the Board, and reviewed the target compensation for the year 2017 and following years for the members of the Executive Committee based on a proposal from the Chief Executive Officer. The Committee submitted a proposal to the Board of Directors for approval.

Overview of meetings' schedule 2017

	February	June	August	November	December
CEO and EC compensation	Business performance 2016; STI 2016 for CEO and EC	Elaboration of adapted STI- and LTI-plans	Preparation for discussions with various proxy advisors and investors	Review of feedback received on potential adaptations of the STI- and LTI-plans	Review target compensation for the CEO and EC members for following business years
	Business objectives for the year 2017		Benchmarking analysis CEO and EC compensation	Finalization of the STI- and LTI-plans	
	Review compensation report 2016			Definition of shareholding guidelines	

In 2017, all Committee members attended all meetings. The Chairman of the Board, 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 froms >
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 and External 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 every two to three years and are tailored to the relevant sectors and labor markets 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 has been selected, all Swiss multinational companies of the industry sector listed on the Swiss stock exchange (SIX). The group consists of Autoneum, Bucher Industries, Dätwyler, Geberit, Oerlikon, Rieter, 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; this evaluation is approved by the full Board of Directors.

Architecture of compensation

Compensation of the Board of Directors

The compensation regulation applicable to the Board of Directors is reviewed every two to three years based on competitive market practice and its basic structure is kept as constant as possible.

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 vice-chairmanship of the Board, committee chairmanship or committee membership. The fees are paid in cash in January for the previous calendar year. Actual expenditures are reimbursed against receipts.

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 blocked 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 in the chapter 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 2017.

The compensation of the Executive Committee includes the following elements:

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

Compensation model: Executive Committee

	Fixed compensation elements		Variable compensation elements	
	Fixed base salary	Benefits	Short-term incentive Performance year x	Long-term incentive Performance year x
Purpose	Ensure basic fixed remuneration	Ensure protection against risks such as death, disability and old age	Pay for annual performance	Align to shareholders' interests Participate in long-term success and align with Strategy 2020
Drivers	Scope and complexity of the function Profile of the individual	Local legislation and market practice	Performance against business and individual objectives	Long-term value creation Supporting a high performance culture
Performance / Vesting period			Current year (year x)	3 years Grant date: 1 January year x+1 Vesting period: years x+1, x+2, x+3
Blocking period				Additional 2 years Years x+4, x+5
Performance measures	Skills, experience and performance of the individual		Organic sales growth EBIT margin ROIC Individual objectives	All LTI-related shares are performance dependent; 50% PS(EPS), 50% PS(rTSR) EPS-related achievement determination: Ø (EPS value years x+1, x+2, x+3) divided by Ø (EPS value years x, x-1, x-2) * 1.04 rTSR-related achievement determination: Ø (ranking in the years x+1, x+2, x+3 of GF within the SMI-Mid)
Delivery	Monthly cash	Contributions to social security, pension, and insurances	Cash, one-off payment in March year x+1	Number of PS, of which 50% PS(EPS), 50% PS(rTSR)

EBIT = Earnings before interest and taxes
EPS = Earnings per share
PS = Performance shares
PS(EPS) = EPS dependent performance shares
PS(rTSR) = rTSR dependent performance shares
ROIC = Return on invested capital
Ø = Average

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 function;
- Skills, experience and performance of the individual in the function;
- External market value of the function.

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 divestitures), 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 weight is on the organization, the executive is responsible for;
- These challenging weights, 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. 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 weighted average cost of capital (WACC) of the Corporation.

The individual objectives are set within the MBO process at the beginning of the year. These objectives are clearly measurable, not duplicating the financial targets, and are set in three different categories:

- Strategic goals: such as, for example in 2017, the elaboration of the America strategy;
- Operational: such as, for example, the implementation of strategic topics like digitalization, launching of corporate training initiatives, acquisitions and divestments, large reorganizations, if any;
- Personal: such as, for example, personal improvements and/or trainings, succession planning.

Among the MBO related objectives at least one is related to Sustainability (for example ensuring 0% accident rate).

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 payouts 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 table:

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%	3–5%
EBIT margin	6%	8–9%
ROIC	14%	18–22%

1 Achievements below the hurdle result in zero payout for the respective business objective; for the objectives EBIT margin and ROIC, hurdle achievements result in 50% payout for the respective target

Long-term incentive (share-based remuneration)

GF introduced as per 1 January 2017 a new long-term, performance-based plan, the so-called Long-Term Incentive Plan (LTI-Plan) which has been endorsed by the Compensation Committee and approved by the Board of Directors.

The metrics of the LTI-Plan have been designed to fit with GF's Strategy targets, focusing on long-term sustainable value creation for employees, company, customers, and shareholders.

The CEO and members of the Executive Committee are granted performance shares (PS). The vesting of the PS is subject to meeting two specific performance achievements over prospective three years, followed by a two-year blocking period. The incentive is based on two Key Performance Indicators, Earnings per Share (EPS) and relative Total Shareholder Return (rTSR), both measured in relation to defined benchmarks, 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 initial grant is expressed as a number of shares for the CEO and for members of the Executive Committee, based on the length of employment in the year x. The number of granted shares will be equally divided into a number of EPS-related performance shares (PS(EPS)) and a number of rTSR-related performance shares (PS(rTSR)), as follows:

Performance shares

	PS(EPS) EPS - Performance shares	PS(rTSR) rTSR - Performance shares	Total number of shares
CEO	0 - 750	0 - 750	0 - 1'500
Executive Committee	0 - 250	0 - 250	0 - 500

After the vesting period of three years, the PS will be blocked for two years (blocking period).

For the year x, the PS are granted on 1 January, year x+1 (grant date). The grant value of the shares is based on the closing share price on the last trading day of the previous year. The vesting of the PS is subject to meeting the following performance criteria:

Vesting of the PS(EPS)

The Key Performance Indicator (KPI) for the EPS-related performance shares for the LTI-Plan year x is defined as follows:

$$\text{KPI (EPS)} = \frac{\text{Average (EPS value year x+1, EPS value year x+2, EPS value year x+3)}}{\text{Average (EPS value year x, EPS value year x-1, EPS value year x-2) * 1.04}}$$

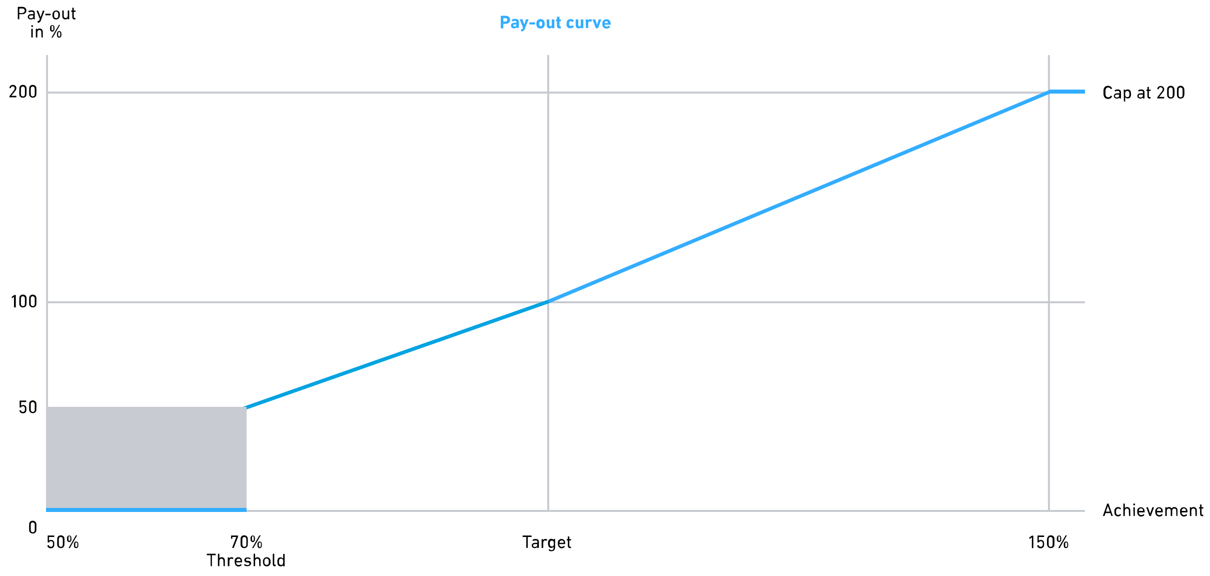
measured in %

The factor 1.04 reflects the average of the growth rate of 3% to 5% outlined in the GF Strategy 2020.

The vesting conditions are as follows:

- If KPI(EPS) = 100%, 100% of the granted PS(EPS) will vest at the vesting date;
- If KPI(EPS) = 150%, 200% of the granted PS(EPS) will vest at the vesting date (cap);
- For values in between the calculation is linear.
- If KPI(EPS) = 70%, 50% of the granted PS(EPS) will vest at the vesting date;
- If KPI(EPS) < 70%, all granted PS(EPS) will forfeit (threshold);
- For values in between the calculation is linear.

Share buybacks or capital increases will be neutralized and will have no impact on the EPS value. The vesting date of the granted PS(EPS) is defined as the day three years after the grant date and five working days after the official disclosure of the EPS value of the business year x+3.



Vesting of the PS(rTSR)

For the LTI-Plan year x:

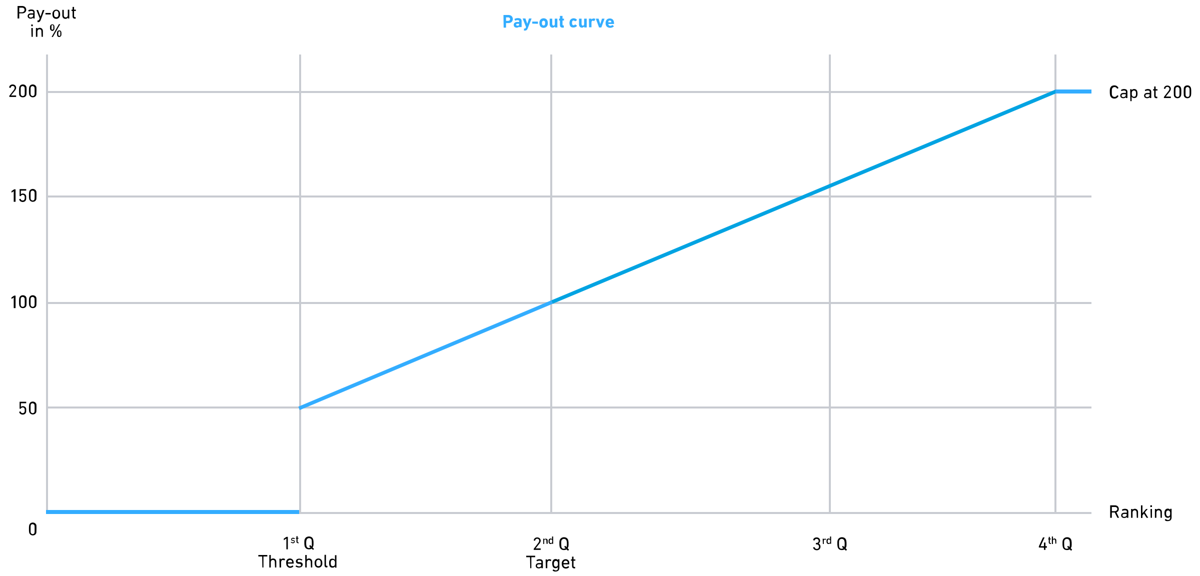
TSR is measured with a starting value of the Volume Weighted Average Shareprice (VWAP) over the first 30 trading days of the year and an ending value of the VWAP over the last 30 trading days of the year. Relativity is measured against the SMI-Mid group of companies (benchmark group).

As there is no obvious peer group for GF given its diversified portfolio, the Board of Directors decided to select the SMI-Mid as the benchmark group for comparability reasons. Companies belonging to the SMI-Mid are comparable in terms of organizational size and market capitalization; in addition this index reflects best the economic environment for companies listed in Switzerland.

The ranking is evaluated on an annual basis. At the end of the vesting period, the final ranking of GF amongst the benchmark group results from the average annual rankings over the three-year vesting period.

- Ranking at the median of the benchmark group leads to 100% vesting of the granted PS(rTSR);
- Ranking as number 1 within the benchmark group leads to 200% vesting of the granted PS(rTSR);
- Ranking at the lower end of the 2nd quartile of the benchmark group leads to 50% vesting of the granted PS(rTSR);
- Ranking in the 1st quartile of the benchmark group leads to a forfeiting of the granted PS(rTSR);
- For results in between the calculation is linear.

The vesting date of the granted PS(rTSR) is coincidental with the vesting date of the granted PS(EPS).



Summary LTI-Plan year x

Long-term incentive plan year x

	PS(EPS)	PS(rTSR)
Grant date	1 January year x+1	1 January year x+1
Vesting date	early Year x+4 5 working days after official disclosure of EPS value year x+3	early year x+4 5 working days after official disclosure of EPS value year x+3
Achievement calculation	Ø (EPS year x+1, EPS year x+2, EPS year x+3)	Ø (ranking year x+1, ranking year x+2, ranking year x+3)
	divided by	whereas ranking = ranking among the SMI-Mid
	Ø (EPS year x-2, EPS year x-1, EPS year x) * 1.04	
Blocking period	2 years years x+4, x+5	2 years years x+4, x+5

Ø = Average

In case of dismissal by GF due to cause, the vested shares will remain blocked until the end of the respective blocking periods; the unvested PS as well as the grant for the year the employment ends will forfeit.

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

Benefits

Benefits consist primarily of retirement and insurance plans that are designed to provide reasonable retirement remuneration as well as a reasonable level of protection against risks such as death and disability. All members of the Executive Committee have a Swiss employment contract and participate in the pension fund of GF offered to all Swiss-based employees, in which 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. Ordinary retirement is at age 65.

Members of the Executive Management do not receive 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 twelve months. There are no entitlements to severance payments.

Remuneration for the 2017 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 1’390 GF registered shares with a total market value of CHF 1.79 million were allocated as share-related compensation. In the previous year, the allocation had been 1’501 GF registered shares, equivalent to a total market value of CHF 1.251million. Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 3.085 million (previous year: CHF 2.523 million).

According to the compensation model for the Board of Directors, the Board of Directors would have been entitled to 1’500 GF registered shares with a total market value of CHF 1.932 million leading to a total compensation of the Board of Directors amounting to CHF 3.23 million. This total compensation would have been above the maximum sum of CHF 3.093 million approved by the Annual Shareholders’ Meeting of 19 April 2017 for remuneration of the members of the Board; according to the Articles of Association Art. 22.2b, the number of registered shares to be allocated have been reduced proportionally.

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

Compensation of the members of the Board of Directors 2017

	Compensation					
	Cash compensation[1]	Number of shares	Share-based compensation[2]	Social insurance funds[3]	**Total compen-sation 2017[4]**	Total compen-sation 2016[4]
Andreas Koopmann	270	278	358	27	**655**	543
Chairman Board of Directors Chairman Nomination Committee						
Hubert Achermann	150	139	179	14	**343**	287
Chairman Audit Committee						
Gerold Bührer	123	139	179	12	**314**	258
Vice Chairman Board of Directors Member Audit Committee						
Roman Boutellier[5]	96	139	179	11	**286**	239
Member Nomination Committee Member Compensation Committee						
Riet Cadonau[6]	84	139	179	13	**276**	159
Member Compensation Committee						
Roger Michaelis	123	139	179	15	**317**	261
Member Audit Committee						
Eveline Saupper	110	139	179	15	**304**	243
Chairwoman Compensation Committee						
Jasmin Staiblin	90	139	179	14	**283**	226
Member Compensation Committee						
Zhiqiang Zhang	113	139	179	15	**307**	251
Member Nomination Committee						
Total	**1'159**	**1'390**	**1'790**	**136**	**3'085**	2'467*

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

* The total compensation in 2016 amounted to CHF 2.523 million, including a compensation for Ulrich Graf (Chairman Compensation Committee until 23 March 2016) of CHF 56'000.

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 1'288 on 29 December 2017.

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 until 19 April 2017.

6 Member of the Compensation Committee since 19 April 2017.

The compensation paid to the Board of Directors for the year 2017 was above that of the previous year. The increase is explained solely by the increased value of the shares from CHF 834 in 2016 to CHF 1’288 in 2017. The compensation system for the Board of Directors remained unchanged.

In the year under review 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 9.123 million for the year under review (previous year: CHF 8.320 million). Under the new long-term incentive plan, 1'750 performance shares with a total value at grant of CHF 2.254 million, based on a share price of CHF 1'288 at year-end 2017, were granted to members of the Executive Committee for the year under review (previous year: 1'063 restricted shares and 1'063 performance shares with a total value of CHF 1.773 million).

At the Annual Shareholders' Meeting of 19 April 2017, a maximum sum of CHF 10.177 million for remuneration of the members of the Executive Committee for the business year 2017 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 of the members of the Executive Committee 2017

	Fixed salary in cash	Short-term incentive in cash[1]	EPS dependent performance shares PS(EPS)	rTSR dependent performance shares PS(rTSR)	Share-based remuneration[2]	Social insurance funds[3]	Pension funds[4]	**Total compensation 2017[5]**	Total compensation 2016
Executive Committee	2'978	2'675	875	875	2'254	359	857	**9'123**	8'320
Of whom Yves Serra, CEO (highest individual compensation)	942	1'163	375	375	966	127	273	**3'471**	2'976

(all in CHF 1'000, except rows "EPS dependent performance shares" and "rTSR dependent performance shares")

1 The short-term incentive is based on the short-term incentive plan. The amount is determined by the fulfillment of personal performance objectives and by the financial results of the divisions and the Corporation. The short-term incentive for the 2017 financial year was approved by the Board of Directors on 22 February 2018. Payment will be made in March 2018.

2 The share-based remuneration is based on the long-term incentive plan: Each year, fixed numbers of performance shares (PS) are allocated. 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 1'288 on 29 December 2017. The number of PS vesting after the vesting period of three years depends on meeting the respective performance criteria.

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

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

5 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 2017 was higher than in 2016. The increase is explained by the following factors:

- The value of the shares increased from CHF 834 in 2016 to CHF 1'288 in 2017.
- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was higher than in 2016, based on the excellent results achieved. Consequently, the overall short-term incentive percentage ranges from 62% to 80.7% of the base salary for the Executive Committee members and amounts to 123.5% of the base salary for the Chief Executive Officer.
- The fixed salaries were adjusted, due to the reduction of number of shares granted compared to the long-term incentive plan 2016. For the CEO the number of shares granted has been reduced from 850 to 750, for the Executive Committee members from 300 to 250; the value of the reduced shares has been calculated with a share value of CHF 810 and has been embedded within the other elements of compensation (fixed salary in cash and short-term incentive).
- 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.

Achievement of the corporate business objectives

The achievement of the corporate business objectives for the year 2017 is as follows:

Business objectives	Hurdle[1]	Strategy targets 2016–2020	Result 2017
Organic sales growth (at constant currencies)	1%	3–5%	9.8%
EBIT margin	6%	8–9%	8.5%
ROIC	14%	18–22%	20.3%

1 Achievements below the hurdle result in zero payout for the respective business objective; for the objectives EBIT margin and ROIC, hurdle achievements result in 50% payout for the respective target

Starting 1 January 2017 until the end of October 2017, Pietro Lori continued his employment with GF as non-Executive Committee member and the compensation package for this period amounted to CHF 101’684. Roland Abt continued his employment with GF as non-Executive Committee member from 1 January 2017 until the end of August 2017; his compensation package for the year 2017 amounted to CHF 342’899.

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.

Shareholding ownership guideline (as of business year 2017)

The Board of Directors approved the implementation of a shareholding ownership guideline as per 1 January 2017, as follows:

- Members of the Board are required to hold 200% of the basis fee in GF shares.
- The CEO is required to hold 200% of the fixed base salary in GF shares.
- Members of the Executive Committee are required to hold 100% of the fixed base salary in GF shares.
- Newly appointed members shall build up the required ownership within five years of their appointment. In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend that time period accordingly.

To calculate whether the minimum holding requirement is met, all vested shares are considered regardless of whether they are blocked or not. However, unvested PS are excluded. The Compensation Committee reviews compliance with the share ownership guideline on an annual basis.

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 2017, no loans were outstanding.

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

Report on the audit of the Compensation Report 2017

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 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration 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 remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration 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 remuneration 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 remuneration 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 remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration 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 remuneration report of Georg Fischer AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers Ltd

Stefan Räbsamen
Audit expert
Auditor in charge

Gian Franco Bieler
Audit expert

Zurich, 22 February 2018

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Income statement for the year ended 31 December 2017

CHF million	Notes	2017	%	2016	%
Sales		**4'150**	**100**	3'744	100
Other operating income	(1.2.2)	43		45	
Income		**4'193**	**101**	3'789	101
Cost of materials and products		–1'991		–1'751	
Changes in inventory of unfinished and finished goods		37		57	
Operating expenses	(1.3.1)	–700		–674	
Gross value added		**1'539**	**37**	1'421	38
Personnel expenses	(1.3.2)	–1'048		–978	
Depreciation on tangible fixed assets	(2.4)	–131		–126	
Amortization on intangible assets	(2.5)	–8		–6	
Operating result (EBIT)		**352**	**8.5**	311	8.3
Interest income	(3.2)	2		2	
Interest expense	(3.2)	–28		–30	
Other financial result	(3.2)	–5		–3	
Ordinary result		**321**	**8**	280	7
Non-operating result		1		1	
Extraordinary result					
Profit before taxes		**322**	**8**	281	8
Income taxes	(1.4)	–64		–56	
Net profit		**258**	**6**	225	6
– Thereof attributable to shareholders of Georg Fischer Ltd		252		216	
– Thereof attributable to non-controlling interests		6		9	
Basic earnings per share in CHF	(1.5)	62		53	
Diluted earnings per share in CHF	(1.5)	62		53	

Balance sheet as of 31 December 2017

CHF million	Notes	2017	%	2016	%
Cash and cash equivalents		624		571	
Marketable securities		9		8	
Trade accounts receivable	(2.1.1)	754		666	
Inventories	(2.2)	773		673	
Income taxes receivable	(2.1.2)	9		14	
Other accounts receivable	(2.1.3)	62		52	
Prepayments to creditors		30		19	
Accrued income		16		21	
Current assets		**2'277**	**63**	2'024	63
Property, plant, and equipment for own use	(2.4)	1'170		1'026	
Investment properties	(2.4)	36		37	
Intangible assets	(2.5)	29		25	
Deferred tax assets	(5.3)	85		80	
Other financial assets	(5.2)	13		10	
Non-current assets		**1'333**	**37**	1'178	37
Assets		**3'610**	**100**	3'202	100
Trade accounts payable		593		470	
Bonds	(3.1.1)	150			
Other financial liabilities	(3.1.1)	147		145	
Loans from pension fund institutions	(3.1.1, 5.1)	28		29	
Other liabilities	(2.3.1, 2.3.2)	69		53	
Prepayments from customers		65		50	
Current tax liabilities		63		59	
Provisions	(2.6.1)	45		43	
Accrued liabilities and deferred income	(2.6.2)	258		218	
Current liabilities		**1'418**	**39**	1'067	34
Bonds	(3.1.1)	374		523	
Other financial liabilities	(3.1.1)	117		96	
Pension benefit obligations	(5.1)	127		119	
Other liabilities	(2.3.1)	38		47	
Provisions	(2.6.1)	120		105	
Deferred tax liabilities	(5.3)	47		45	
Non-current liabilities		**823**	**23**	935	29
Liabilities		**2'241**	**62**	2'002	63
Share capital	(3.4)	4		4	
Capital reserves		26		24	
Treasury shares	(3.5)	–8		–10	
Retained earnings		1'295		1'138	
Equity attributable to shareholders of Georg Fischer Ltd		**1'317**	**37**	1'156	36
Non-controlling interests		52	1	44	1
Equity	(3.4)	**1'369**	**38**	1'200	37
Liabilities and equity		**3'610**	**100**	3'202	100

Statement of changes in equity for the year ended 31 December 2017

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 2017		**4**	**26**	**–8**	**–464**	**–40**	**–13**	**1'812**	**1'295**	**1'317**	**52**	**1'369**
Net profit								**252**	**252**	**252**	**6**	**258**
Translation adjustments recognized in the reporting period						44			44	44	1	45
Changes of cash flow hedges	(2.3.2, 2.3.3)						2		2	2		2
Goodwill offset via equity	(2.5, 4.1.2)				–63				–63	–63		–63
Capital increase/acquisition of non-controlling interests											8	8
Purchase of treasury shares	(3.5)			–18						–18		–18
Disposal of treasury shares	(3.5)		1	14						15		15
Share-based compensation												
– Transfers	(3.5, 4.2.2)		1	6				–7	–7			
– Granted	(3.5, 4.2.2)							11	11	11		11
Dividends	(3.4)							–82	–82	–82	–7	–89
Balance as of 31 December 2016		**4**	**24**	**–10**	**–401**	**–84**	**–15**	**1'638**	**1'138**	**1'156**	**44**	**1'200**
Net profit								**216**	**216**	**216**	**9**	**225**
Translation adjustments recognized in the reporting period						–24			–24	–24	–1	–25
Changes of cash flow hedges	(2.3.2, 2.3.3)						13		13	13		13
Goodwill offset via equity	(2.5, 4.1.2)				–53				–53	–53		–53
Capital increase/acquisition of non-controlling interests											2	2
Purchase of treasury shares	(3.5)			–17						–17		–17
Disposal of treasury shares	(3.5)			6						6		6
Share-based compensation												
– Transfers	(3.5, 4.2.2)			7				–7	–7			
– Granted	(3.5, 4.2.2)							8	8	8		8
Dividends	(3.4)							–74	–74	–74	–15	–89
Balance as of 31 December 2015		**4**	**24**	**–6**	**–348**	**–60**	**–28**	**1'495**	**1'059**	**1'081**	**49**	**1'130**

Cash flow statement for the year ended 31 December 2017

CHF million	Notes	2017	2016
Net profit		258	225
Income taxes	(1.4)	64	56
Financial result	(3.2)	31	31
Depreciation and amortization	(2.4, 2.5)	139	132
Other non-cash income and expenses		–2	17
Increase in provisions, net	(2.6.1)	30	32
Use of provisions	(2.6.1)	–22	–31
Loss/profit from disposal of tangible fixed assets			1
Changes in			
– Inventories		–71	–39
– Trade accounts receivable		–56	–33
– Prepayments to creditors		–10	–5
– Other receivables and accrued income		2	–3
– Trade accounts payable		94	53
– Prepayments from customers		13	–6
– Other liabilities and accrued liabilities and deferred income		22	42
Interest paid		–25	–31
Income taxes paid		–57	–41
Cash flow from operating activities		**410**	400
Additions to			
– Property, plant, and equipment	(2.4)	–207	–174
– Intangible assets	(2.5)	–4	–5
– Other financial assets		–5	
Disposals of			
– Property, plant, and equipment	(2.4)	4	4
– Intangible assets	(2.5)		1
– Other financial assets		2	3
Purchase/disposal of marketable securities		2	
Cash flow from acquisitions	(4.1.2)	–74	–96
Interest received		2	2
Cash flow from investing activities		**–280**	–265
Free cash flow		**130**	135
Purchase of treasury shares		–18	–17
Disposal of treasury shares		15	6
Dividend payments to shareholders of Georg Fischer Ltd		–82	–74
Dividend payments to non-controlling interests		–7	–15
Inflows from or outflows for shares from non-controlling interests		7	1
Issuance of bonds	(3.1.1)		224
Repayment of bonds	(3.1.1)		–200
Issuance of long-term financial liabilities	(3.1.1)	21	
Repayment of long-term financial liabilities	(3.1.1)	–15	–17
Changes in short-term financial liabilities		–1	–15
Cash flow from financing activities		**–80**	–107
Translation adjustment on cash and cash equivalents		3	–6
Net cash flow		**53**	22
Cash and cash equivalents at beginning of year		571	549
Cash and cash equivalents at year-end[1]		**624**	571

1 Cash, postal and bank accounts: CHF 592 million (previous year: CHF 511 million), fixed-term deposits: CHF 32 million (previous year: CHF 60 million).

Information to the report

This section explains the basis of preparation of the financial report and provides a summary of the key accounting estimates and judgements.

About this report

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.

Over the past year GF has reviewed the content and structure of the Financial Report in order to make it less complex and more relevant to users. This included:

- a review of content to eliminate immaterial disclosures that may undermine the usefulness of the Financial Report by obscuring important information
- reorganization of the notes to the financial statements by relevance into separate sections to help users understand the financial performance
- moving the accounting policies and management assumptions and estimates used in preparation of the financial statements to the respective notes in order to increase financial information quality

The purpose of these changes is to provide users with key financial information that is understandable and clearly structured to explain GF's financial performance and financial position.

Accounting policies

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.

Changes in accounting principles

In the year under review the Swiss GAAP FER accounting principles have not been changed.

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.

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.

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.

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.

Other evaluation principles

Significant evaluation principles, which are necessary to understand the respective notes, are reflected in these notes.

Management assumptions and estimates

The preparation of the 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 shown in the table below, if the actual result differ from management’s estimates and assumptions. These management assumptions and estimates are described in the following notes:

Management assumptions and estimates	Notes
Income taxes	1.4
Impairment of non-current assets	2.4
Impairment of intangible assets	2.5
Provisions for warranties and onerous contracts	2.6

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.

1. Performance

This section explains the results and performance and includes the segment results, which are reported on the same basis as GF's internal management structure. It also provides details of selected income and expense items and shows the earnings per share for the period.

1.1 Segment information

	GF Piping Systems		GF Automotive		GF Machining Solutions		Total segments	
CHF million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Order intake[1]	**1'718**	1'488	**1'527**	1'346	**1'030**	917	**4'275**	3'751
Orders on hand at year-end[1]	**107**	73	**439**	353	**227**	189	**773**	615
Sales[2]	**1'678**	1'494	**1'482**	1'335	**992**	916	**4'152**	3'745
Sales by region								
Europe	579	546	1'227	1'120	442	419	2'248	2'085
– Thereof Germany	151	139	749	724	146	134	1'046	997
– Thereof Switzerland	111	107	3	3	59	51	173	161
– Thereof Austria	23	22	52	51	19	17	94	90
– Thereof Rest of Europe	294	278	423	342	218	217	935	837
Americas	363	315	42	38	187	189	592	542
Asia	553	448	197	169	311	271	1'061	888
– Thereof China	436	326	196	168	186	180	818	674
Rest of world	183	185	16	8	52	37	251	230
Sales	**1'678**	1'494	**1'482**	1'335	**992**	916	**4'152**	3'745
EBITDA	**245**	214	**158**	161	**96**	77	**499**	452
Depreciation on tangible fixed assets	–50	–49	–65	–61	–12	–12	–127	–122
Amortization on intangible assets	–6	–3			–2	–3	–8	–6
Operating result (EBIT)	**189**	162	**93**	100	**82**	62	**364**	324
Assets[3]	**1'404**	1'254	**1'304**	1'094	**758**	674	**3'466**	3'022
– Thereof current assets	868	759	465	394	560	498	1'893	1'651
– Thereof non-current assets	536	495	839	700	198	176	1'573	1'371
Investments by region								
Europe	23	28	44	65	14	11	81	104
– Thereof Germany	3	1	22	26		1	25	28
– Thereof Switzerland	13	18			11	8	24	26
– Thereof Austria	5	5	22	39			27	44
– Thereof Rest of Europe	2	4			3	2	5	6
Americas	11	10	48	13	1	1	60	24
Asia	14	7	11	11	2	3	27	21
– Thereof China	10	7	11	11	1	1	22	19
Rest of world	4	6					4	6
Investments	**52**	51	**103**	89	**17**	15	**172**	155
– Thereof capital expenditures	50	49	102	88	16	13	168	150
– Thereof investments in intangible assets	2	2	1	1	1	2	4	5
Liabilities	**759**	712	**910**	766	**502**	435	**2'171**	1'913
– Thereof current liabilities	443	378	459	380	305	258	1'207	1'016
– Thereof non-current liabilities	316	334	451	386	197	177	964	897
Research and development	**43**	38	**19**	18	**50**	48	**112**	104

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	2017	2016
Sales		
Sales of reportable segments	4'152	3'745
Elimination of intercompany sales	–2	–1
Consolidated sales	**4'150**	3'744
Operating result (EBIT)		
Total EBIT for reportable segments	364	324
Total EBIT Corporate Center and Corporate Services	–12	–13
Consolidated operating result (EBIT)	**352**	311
Interest income	2	2
Interest expense	–28	–30
Other financial result	–5	–3
Ordinary result	**321**	280
Non-operating result	1	1
Extraordinary result		
Profit before taxes	**322**	281
Income taxes	–64	–56
Net profit	**258**	225
Assets		
Assets of reportable segments	3'466	3'022
Elimination of intercompany positions	–454	–359
Other assets		
– Current assets (mainly cash and cash equivalents)	413	394
– Non-current assets	186	145
Other unallocated amounts	–1	
Consolidated assets	**3'610**	3'202
Investments		
Investments of reportable segments	172	155
Other investments		
– Germany	4	26
– Switzerland	35	3
Investments of Corporation	**211**	184
Liabilities		
Liabilities of reportable segments	2'171	1'913
Elimination of intercompany positions	–666	–637
Other liabilities		
– Current liabilities	227	57
– Non-current liabilities	481	638
Other unallocated amounts	28	31
Consolidated liabilities	**2'241**	2'002

Geographical information

	Non-current assets		**Sales**	
CHF million	**2017**	2016	**2017**	2016
Total	**1'333**	1'178	**4'150**	3'744
Europe	924	831	2'247	2'084
– Thereof Germany	364	340	1'046	997
– Thereof Switzerland	274	244	173	161
– Thereof Austria	229	207	93	90
– Thereof Rest of Europe	57	40	935	836
Americas	152	91	592	542
Asia	219	212	1'060	888
– Thereof China	207	202	817	674
Rest of world	38	44	251	230

Information about major customers

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

Accounting principles

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 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.

GF Automotive is a technologically pioneering development partner and manufacturer of lightweight casting solutions and systems made of aluminum, magnesium, and iron for the global automotive industry as well as for industrial applications.

GF Machining Solutions is one of the world's leading providers of complete solutions to the tool and mold making industry and to manufacturers of precision components. The portfolio includes milling, wire cutting and EDM machines as well as spindle systems, laser texturing, additive manufacturing, as well as automation and digitalization solutions.

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.

1.2 Sales and other operating income

1.2.1 Products, services and most important revenue sources

	Sales	
CHF million	**2017**	2016
GF Piping Systems	**1'678**	1'494
Utility[1]	667	561
Industry[2]	578	540
Building technology[3]	433	393
GF Automotive	**1'482**	1'335
Passenger cars	948	877
Trucks	450	393
Industrial applications	84	65
GF Machining Solutions	**992**	916
Milling	318	292
EDM (Electric Discharge Machining)	293	276
Customer service	269	253
Automation/Tooling/Laser	112	95

1 Products for the supply of gas and water.
2 Products for the treatment and transport of water and other media for industrial applications.
3 Products for the supply of water und floor-heating systems in buildings.

Accounting principles

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.

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.

1.2.2 Other operating income

CHF million	**2017**	2016
Sales of material, waste, and scrap	11	7
Income from insurance contracts	7	14
Income from services	7	9
Gains on disposals of property, plant, and equipment	2	1
Foreign exchange gains/losses		–2
Other operating income	16	16
Total	**43**	45

1.3 Expenses

1.3.1 Operating expenses

CHF million	**2017**	2016
External services[1]	170	162
Selling costs, commissions	123	125
Repair, maintenance	108	101
Advertisements, communication	98	93
External energy supply	95	93
Rent, leases	50	46
Other expenses[2]	56	54
Total	**700**	674

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 3.1 million.

1.3.2 Personnel expenses

CHF million	**2017**	2016
Salaries and wages	853	793
Employee benefits	24	27
Social security	171	158
Total	**1'048**	978

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 the 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, the expenses related to the long-term incentive plan recognized in the personnel expenses amount to CHF 9.7 million.

1.4 Income taxes

CHF million	2017 Total	2017 Thereof current taxes	2017 Thereof deferred taxes	2016 Total	2016 Thereof current taxes	2016 Thereof deferred taxes
Tax rate reconciliation						
Profit before taxes	322			281		
Expected income tax rate in % (rounded)	20			22		
Expected income tax expense	**66**	**69**	**–3**	61	65	–4
Use of unrecognized tax loss carryforwards	–7	–9	2	–9	–12	3
Effect of non-recognition of tax losses in current year	1	1		1	1	
Recognition of previously unrecognized tax loss carryforwards				–1		–1
Tax charges and credits related to prior periods, net	2	1	1	3	3	
Effect of change in tax rates				–1	–1	
Other effects	2	5	–3	2	3	–1
Effective income tax expense	**64**	**67**	**–3**	56	59	–3
Effective income tax rate in %	20			20		

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

The expected income tax rate of the Corporation amounts to 20% (previous year: 22%) 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 20% (previous year: 22%).

The unrecognized tax loss carryforwards in 2017 totalling CHF 159 million (previous year: CHF 185 million) have a potential tax relief effect of CHF 44 million (previous year: CHF 49 million), whereas CHF 135 million (previous year: CHF 146 million) expiry is unlimited. To expire within one year is CHF 2 million only.

As of 31 December 2017, based on the above mentioned estimates, tax loss carryforwards of CHF 18 million (previous year: CHF 20 million) were activated resulting in a deferred tax asset of CHF 4 million (previous year: CHF 5 million). In doing so, the country-specific tax related regulations and opportunities were respected.

The tax implication of the recently enacted US tax reform on the year-end closing 2017 is considered not to be material.

Management assumptions and estimates

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.

Accounting principles

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.

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.

1.5 Earnings per share

	2017	2016
Earnings per share (CHF)	62	53
Number of shares (Ø)	4'091'237	4'090'412

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

Accounting principles

Earnings per share is calculated by dividing the portion of net profit 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.

2. Operating assets and liabilities

This section describes the short-term assets and liabilities, i.e. the working capital supporting the operating liquidity of the business. This section also describes the core long-term tangible and intangible assets underpinning GF's performance and provides a summary of the theoretical movements in goodwill.

2.1 Accounts receivable

2.1.1 Trade accounts receivable

CHF million	**2017**	2016
Gross values	**784**	696
Individual value adjustments	–6	–8
Overall value adjustments	–24	–22
Net values	**754**	666
Europe	349	293
– Thereof Germany	105	88
– Thereof Switzerland	31	25
– Thereof Austria	14	13
– Thereof Rest of Europe	199	167
Americas	85	90
Asia	271	243
– Thereof China	211	180
Rest of world	49	40
Total	**754**	666

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:

		2017		2016
CHF million	Receivable after individual value adjustments	Overall value adjustment	Receivable after individual value adjustments	Overall value adjustment
Not yet due	624		551	
1 to 30 days overdue	84		66	
31 to 90 days overdue	34		36	
91 to 180 days overdue	17	8	20	9
More than 180 days overdue	19	16	15	13
Total	**778**	**24**	688	22

The individual value adjustments amounted to CHF 6 million (previous year: CHF 8 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 note 3.6 Risk management.

Accounting principles

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.

2.1.2 Income taxes receivable

Of the total income taxes receivable of CHF 9 million, CHF 2 million each relate to Sweden and the USA, and CHF 1 million each to Switzerland, Germany, France, Turkey, and other countries.

2.1.3 Other accounts receivable

CHF million	2017	2016
Tax credits from indirect taxes	31	29
Other current accounts receivable	31	23
Total	**62**	52

2.2 Inventories

CHF million	2017	2016
Finished goods	499	450
Raw materials and components	271	230
Work in progress	163	149
Gross value of inventories on hand	**933**	829
Valuation adjustments	–160	–156
Inventories	**773**	673

Accounting principles
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.

2.3 Liabilities

2.3.1 Other liabilities

CHF million	2017	2016
Social security	18	14
Other non-interest-bearing liabilities	43	36
Derivative financial instruments	17	23
Other tax liabilities (e.g. withholding tax)	29	27
Total	**107**	100
- Thereof current	69	53
- Thereof non-current	38	47

2.3.2 Derivative financial instruments

The following table shows the (gross) market value of the derivative financial instruments as of 31 December 2017 and 2016, broken down by investment category.

	2017			2016		
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)	474	5	–3	367	2	–6
Other underlyings	60		–14	67	2	–17
Total	**534**	**5**	**–17**	434	4	–23

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.

Accounting principles
Derivative financial instruments are stated at market values. Positive market values are reported in the balance sheet under the item "Marketable securities", while negative values are recognized under "Other liabilities". Foreign currency and interest rate risks are hedged by the Corporation using forward exchange contracts 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.

2.3.3 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 3.1 (3.1.1 Interest-bearing financial liabilities).

CHF million	**2017**	2016
Financial instruments (assets)		
Cash and cash equivalents (excluding fixed-term deposits)	**592**	511
Trade accounts receivable	754	666
Fixed-term deposits	32	60
Other accounts receivable[1]	31	23
Accrued income	16	21
Other financial assets[2]	12	8
Loans and receivables stated at amortized cost	**845**	778
Marketable securities	3	3
Funds	1	1
Financial assets recognized in income statement at market value	**4**	4
Derivative financial instruments for hedging purposes	**5**	4
Financial instruments (liabilities)		
Trade accounts payable	593	470
Bonds	524	523
Other financial liabilities	264	241
Accrued liabilities and deferred income[3]	258	218
Other current/non-current liabilities[4]	90	77
Liabilities stated at amortized cost	**1'729**	1'529
Derivative financial instruments	**17**	23

1 The balance sheet item "Other accounts receivable" includes tax credits. For more details, see note 2.1 (2.1.3 Other accounts receivable).
2 Relates to loans to third parties, security deposits, and long-term-invested securities for the settlement of pension liabilities. For more details, see note 5.2.
3 For more details, see note 2.6 (2.6.2 Accrued liabilities and deferred income).
4 The balance sheet item "Other current/non-current liabilities" includes derivative financial instruments. For more details, see note 2.3 (2.3.1 Other liabilities).

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.

2.4 Movements in property, plant, and equipment

CHF million	**Investment properties**	Machinery and production equipment	Buildings	Building components	Other equipment	Assets under construction	Land	Undeveloped property	Assets held under finance leases	**Property, plant, and equipment for own use**
Cost										
As of 31 December 2017	**65**	2'051	667	150	224	155	43	4	18	**3'312**
Additions		41	2	5	8	150			1	207
Disposals	–1	–34	–1	–1	–12					–48
Changes in scope of consolidation		11	9		2	2	4			28
Other changes, reclassifications	–6	60	17	4	6	–83	–1	1		4
Translation adjustment	3	106	26	6	8	2				148
As of 31 December 2016	**69**	1'867	614	136	212	84	40	3	17	**2'973**
Additions		67	7	5	8	83	4		5	179
Disposals		–42	–1	–2	–7				–1	–53
Changes in scope of consolidation		5	2		1					8
Other changes, reclassifications	–2	68	18	3	7	–98	1			–1
Translation adjustment		–21	–9	–1	–2		–1		–1	–35
As of 31 December 2015	**71**	1'790	597	131	205	99	36	3	14	**2'875**
Accumulated depreciation										
As of 31 December 2017	**–29**	–1'473	–389	–99	–171				–10	**–2'142**
Additions	–1	–94	–17	–6	–12				–2	–131
Disposals	1	32	1	1	11					45
Other changes, reclassifications	4	2	–3	–2	1					–2
Translation adjustment	–1	–80	–16	–4	–7					–107
As of 31 December 2016	**–32**	–1'333	–354	–88	–164				–8	**–1'947**
Additions	–1	–91	–16	–5	–12				–2	–126
Disposals		37	1	1	6				1	46
Other changes, reclassifications	1	3	–1							2
Translation adjustment		12	4	1	1					18
As of 31 December 2015	**–32**	–1'294	–342	–85	–159				–7	**–1'887**
Carrying amount										
As of 31 December 2017	**36**	578	278	51	53	155	43	4	8	**1'170**
As of 31 December 2016	**37**	534	260	48	48	84	40	3	9	**1'026**
As of 31 December 2015	**39**	496	255	46	46	99	36	3	7	**988**

The lines “Changes in scope of consolidation” show exclusively the acquisitions, see note 4.1 (4.1.1 Changes in scope of consolidation).

Investments in property, plant, and equipment in 2017 amounted to CHF 207 million (previous year: CHF 179 million). They were made primarily by the GF Automotive division with CHF 102 million (previous year: CHF 88 million) and the GF Piping Systems division with CHF 50 million (previous year: CHF 49 million). Investments in property, plant, and equipment with an effect on liquidity in the 2018–2021 period amount to CHF 94 million. This amount mainly relates to investments for the GF Piping Systems division in the amount of CHF 22 million and the GF Automotive division in the amount of CHF 35 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”.

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

Management assumptions and estimates

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.

Accounting principles

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 note 3.3 “Leasing”. 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.

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) 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.

2.5 Movements in the intangible assets

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

In the period under review, the intangible assets amount to CHF 29 million (previous year: CHF 25 million).

Land use rights, in the amount of CHF 10 million (previous year: CHF 11 million), and Software, in the amount of CHF 10 million (previous year: CHF 12 million), remained almost unchanged compared with the previous year.

Royalties, patents, others increased to CHF 9 million (previous year: CHF 2 million). The main reasons for the increase are the acquired customer relationships in the amount of CHF 4 million and the brand name of CHF 2 million with the acquisition of Urecon Ltd by GF Piping Systems. CHF 2 million relate to an acquired customer list within the GF Piping Systems division and capitalized R&D costs within the GF Automotive division.

Goodwill

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

Theoretical movements in goodwill

CHF million	2017	2016
Cost		
As of 31 December	**608**	545
Additions from acquisitions	64	54
Adjustments	–1	–1
Translation adjustment		–8
As of 1 January	**545**	500
Accumulated amortization		
As of 31 December	**–510**	–475
Additions regular	–33	–38
Translation adjustment	–2	4
As of 1 January	**–475**	–441
Theoretical book values, net		
As of 31 December	**98**	70
As of 1 January	**70**	59

Effect on income statement

CHF million	2017	2016
Operating result (EBIT)	352	311
Return on sales (EBIT margin) %	8.5	8.3
Amortization goodwill	–33	–38
Theoretical operating result (EBIT) incl. amortization of goodwill	319	273
Theoretical return on sales (EBIT margin) %	7.7	7.3
Net profit	258	225
Amortization goodwill	–33	–38
Theoretical net profit incl. amortization of goodwill	225	187

Effect on balance sheet

CHF million	2017	2016
Equity according to balance sheet	1'369	1'200
Theoretical capitalization of net book value of goodwill	98	70
Theoretical equity incl. net book value of goodwill	1'467	1'270
Equity as % of balance sheet total	37.9	37.5
Theoretical equity incl. net book value of goodwill as % of balance sheet total (incl. goodwill)	39.6	38.8

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 –1 million) is due to the reversal of the conditional purchase price of Sterisol from the year 2013 of CHF –1 million, an adjustment of the conditional purchase price of Microlution Inc of CHF –1 million and the reversal of dividend income of Beijing Jingran Lingyun Gas Equipment Co Ltd und Langfang Shuchang Auto Parts Co Ltd that belongs to the period before the acquisition date amounting to CHF 1 million. This adjustment will be amortized together with the goodwill over the remaining period of amortization.

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 and Microlution Inc was tested for impairment in addition. The recoverable amount of both companies equals the value in use, which is determined based on future discounted cash flows.

By applying the capital asset pricing model, a specific rate for the cost of capital was calculated for Georg Fischer Hakan Plastik AS and Microlution Inc. 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 16.1% and for Microlution Inc at 8.1%.

It was confirmed that the theoretical goodwill of both companies retained its recoverable value.

Management assumptions and estimates

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. 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.

Accounting principles: intangible assets and impairment

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 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) 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.

Accounting principles: 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

2.6 Movements in provisions and accrued liabilities and deferred income

2.6.1 Movements in provisions

CHF million	Personnel and social security	Warranties	Legal cases	Onerous contracts	Restruc-turing provisions	Other provisions	**Provisions**	Deferred tax liabilities	**Provisions and deferred tax liabilities**
As of 31 December 2017	75	35	20	12		23	**165**	47	**212**
Reclassifications	–1	1							
Increase	10	18	8	7	1	3	47	5	52
Use	–5	–11	–1	–3	–1	–1	–22		–22
Release	–2	–5	–5	–3		–2	–17	–6	–23
Changes in scope of consolidation	1						1	2	3
Translation adjustment	5	1	1	1			8	1	9
As of 31 December 2016	67	31	17	10		23	**148**	45	**193**
Reclassifications	1						1		1
Increase	9	19	9	6		4	47	5	52
Use	–7	–14	–3	–3		–4	–31		–31
Release	–3	–4	–2	–1		–5	–15	–5	–20
Translation adjustment	–1						–1		–1
As of 31 December 2015	68	30	13	8		28	**147**	45	**192**
Maturity structure of the provisions 2017									
– current	4	22	2	11		6	45		45
– non-current	71	13	18	1		17	120	47	167
Maturity structure of the provisions 2016									
– current	5	21	1	10		6	43		43
– non-current	62	10	16			17	105	45	150

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.

Personnel and social security provision
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 75 million in 2017 (previous year: CHF 67 million).

The non-current provisions in the "Personnel and social security" category in the amount of CHF 71 million (previous year: CHF 62 million) are expected to result in a cash outflow in an average of ten years, the non-current provisions in the other categories are expected to result in a cash outflow within the next two to three years.

Warranty provision
Warranty provisions amount to CHF 35 million (previous year: CHF 31 million). Due to the favorable claims outcome, it was possible to release CHF 5 million. At the same time, new warranty provisions of CHF 18 million had to be set aside, and CHF 11 million were utilized.

34% of the warranty provisions are for GF Machining Solutions and 26% for GF Automotive. They derive from complaints and claims for damages made to the various locations.

Legal cases
Provisions in the "Legal cases" category relate to a number of individual cases involving the divisions. For none of the existing legal cases an estimated cash outflow of more than CHF 6 million is expected.

Other provisions
The "Other provisions" category contains provisions for pension plans in the amount of CHF 11 million and for other operating risks.

Management assumptions and estimates

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.

2.6.2 Accrued liabilities and deferred income

CHF million	**2017**	2016
Overtime, holiday, bonuses, and sales-related premiums	112	89
Accrued expenses/deferred income for commissions and discounts	32	27
Accrued expenses/deferred income for annual audit fees	4	4
Other accrued expenses and deferred income	110	98
Total	**258**	218

3. Capital and financial risk management

This section sets out the policies and procedures applied to manage the capital structure and the financial risks that are exposed to. The total capital is defined as equity and net debt. GF manages its capital structure in order to maximize shareholders' return, maintain optimal cost of capital and provide flexibility for strategic investments.

3.1 Interest-bearing financial liabilities and pledged or assigned assets

3.1.1 Interest-bearing financial liabilities

Interest-bearing financial liabilities consist of the following items:

CHF million	Within 1 year	Up to 5 years	Maturity over 5 years	**2017**	2016
Bonds (at fixed interest rates)	150	149	225	524	523
Other financial liabilities (at fixed interest rates)[1]	31	91	14	136	107
Other financial liabilities (at variable interest rates)	116	6	6	128	134
Loans from pension fund institutions	28			28	29
Total	325	246	245	**816**	793

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

Net debt, which is calculated as the difference between interest-bearing liabilities and cash and cash equivalents and marketable securities, decreased by CHF 31 million to CHF 183 million in the year under review (previous year: CHF 214 million). The reason for this decrease is primarily the high free cash flow, in the amount of CHF 130 million. This was offset by the dividend payment to GF shareholders and minority shareholders amounting to CHF 89 million (previous year: CHF 89 million).

In order to secure non-current liabilities, assets valued at CHF 28 million (previous year: CHF 16 million) were pledged or assigned as collateral. These assets consisted of property, valued at CHF 5 million (previous year: CHF 2 million) and buildings valued at CHF 23 million (previous year: CHF 14 million).

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

CHF million	Issuing currency	Range interest rate %	2017	Issuing currency	Range interest rate %	2016
Bonds (at fixed interest rates)			**524**			523
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	225	CHF	0.9	224
Other financial liabilities (at fixed interest rates)[1]			**136**			107
	CHF	1.1–1.5	21	CHF	1.1–3.5	22
	EUR	2.5–5.0	72	EUR	2.5–5.0	64
	CNY	6.1–7.6	11	CNY	6.1–7.6	13
	Other	5.0–13.3	32	Other	4.3–13.3	8
Other financial liabilities (at variable interest rates)			**128**			134
	EUR	1.0–2.0	28	EUR	1.0–2.0	32
	CNY	3.9–4.6	70	CNY	3.9–5.3	74
	TRY	13.5–13.9	8	TRY	12.6–14.5	23
	Other	0.0–4.6	22	Other	0.0–9.3	5
Loans from pension fund institutions			**28**			29
	EUR	6.0	26	EUR	6.0	25
	CHF	1.0	2	CHF	2.0	4
Total			**816**			793

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

GF has the following syndicated loan:

Debtors	Term	Credit	Thereof utilized
Georg Fischer Ltd/Georg Fischer Finanz AG	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.

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 28 million (previous year: CHF 29 million).

Accounting principles
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.

3.1.2 Pledged or assigned assets
Assets pledged or restricted on title in part or whole amount to CHF 36 million (previous year: CHF 20 million). In the year under review, CHF 28 million (previous year: CHF 16 million) relate to land and buildings. The increase of CHF 12 million mainly results from Urecon Ltd acquired by the GF Piping Systems division.

CHF 3 million relate to machinery and equipment (previous year: CHF 0 million). These are mainly attributable to Eucasting Ro SRL acquired by the GF Automotive division.

CHF 5 million relate to accounts receivable (previous year: CHF 4 million). There are no pledged or assigned inventories.

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

3.2 Financial result

CHF million	**2017**	2016
Interest income	2	2
Financial income	**2**	2
Interest expenses	28	30
Net losses on financial instruments at market value recognized in income statement	3	1
Other financial expenses	2	2
Financial expenses	**33**	33

3.3 Leasing

CHF million	**2017**	2016
Leasing obligations up to 1 year	18	16
Leasing obligations 1 to 5 years	42	37
Leasing obligations over 5 years	10	11
Operating leases (nominal values)	**70**	64

Liabilities relating to financial lease contracts in the amount of CHF 8 million (previous year: CHF 9 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 3.1 (3.1.1 Interest-bearing financial liabilities).

Accounting principles
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.

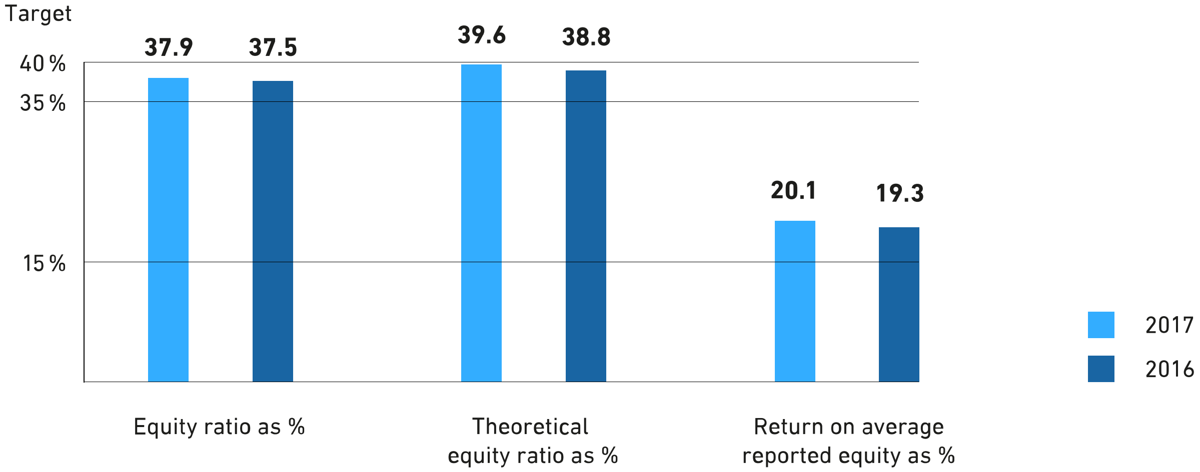
3.4 Share capital/capital management

Share capital

As of 31 December 2017, 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 ratios are shown in the following table:



CHF million	2017	2016
Equity attributable to shareholders of Georg Fischer Ltd	1'317	1'156
Non-controlling interests	52	44
Equity	1'369	1'200
Total assets	3'610	3'202
Equity ratio as %	37.9	37.5
Theoretical equity incl. net value of goodwill	1'467	1'270
Theoretical equity ratio incl. net value of goodwill as %, total assets incl. goodwill	39.6	38.8
Average reported equity	1'284	1'165
Net profit	258	225
Return on average reported equity as %	20.1	19.3

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 significantly, resulting in a slightly increased equity ratio of 38% as of 31 December 2017.

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 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. The payment is distributed out of the retained earnings. The Board of Directors is proposing to the Annual Shareholders' Meeting a dividend payment out of the retained earnings of CHF 23 in total per registered share for the fiscal year 2017 (previous year: CHF 20 in total per registered share). As of 31 December 2017, 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 84 million as of 31 December 2017 (previous year: CHF 85 million).

3.5 Treasury shares

			2017			2016
	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 31 December	**6'984**	**1'114.63**	**8**	12'338	834.00	10
Purchases	19'020	967.68	18	20'467	820.60	17
Disposals	–16'959	908.08	–15	–6'785	811.92	–6
Transfers (share-based compensation)	–7'415	920.16	–7	–9'979	705.24	–7
Changes in share price			2			
As of 1 January	**12'338**	**834.00**	**10**	8'635	652.63	6

As of year-end 2017, GF held 6'984 treasury shares (previous year: 12'338 registered shares) with a par value of CHF 1. In the year under review, 19'020 treasury shares were purchased on the stock market at an average transaction price of CHF 967.68, and 16'959 treasury shares were sold on the stock market at an average transaction price of CHF 908.08.

According to 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 number of Georg Fischer performance shares (PS). The vesting of the performance shares (PS) is based on assumptions of Earnings per Share (EPS) and relative Total Shareholder Return (rTSR) – 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 the Senior Management as long-term financial incentive see Compensation Report.

9'284 registered shares are estimated to be required for share based compensation of Executive Committee and members of the Senior Management.

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 1.3 (1.3.1 Operating expenses) for the Board of Directors and under "Personnel expenses" see note 1.3 (1.3.2 Personnel expenses) for the Executive Committee and the Senior Management. The total expense for the share-based compensation plans is CHF 11 million (previous year: CHF 8 million).

Accounting principles

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.

3.6 Risk management

Enterprise risk management as a fully integrated risk management process was systematically applied in 2017 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 have 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 compliance risks, the findings of a benchmark analysis regarding the enterprise risk management and business continuity management processes 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 December 2017 to analyze the corporate and divisional risk maps as well as to 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.

Similar to the previous year, the key risks were identified as political and economic risks in China and the overcapacity of certain business units in Europe. 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

Financial risks overview	Risk source	Risk management
a) Credit risk	default of a counterparty: from trade accounts receivable or from bank deposits	diversification and credit assessments
b) Market risk		
- Currency risk	sales and purchases as well as financing Corporate Companies in foreign currencies	selling and producing in functional currency ("congruency" rule) and hedging by means of forward exchange contracts
- Interest rate risk	unsignificant	not necessary
- Price risk	unsignificant	not necessary
c) Liquidity risk	not enough liquidity to pay due liabilities	constant monitoring of liquidity, liquidity reserves and unused credit lines

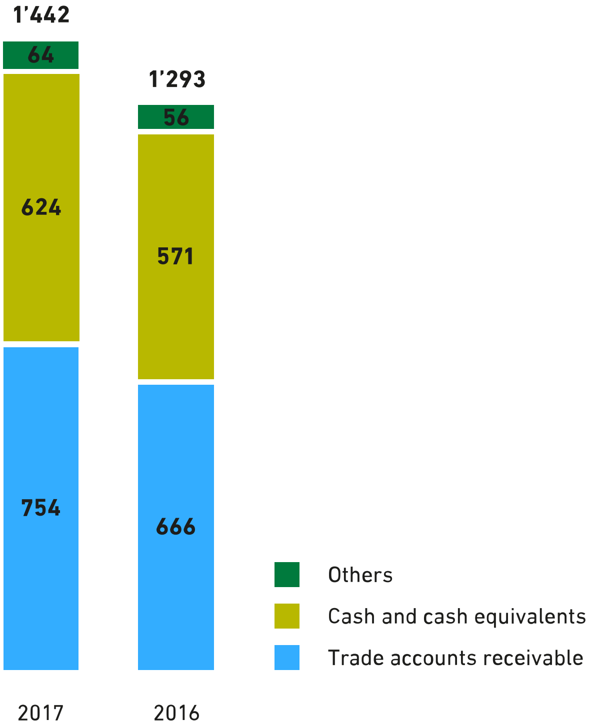
The Board of Directors bears ultimate responsibility for financial risk management. The Board of Directors has tasked the Audit Committee with monitoring the development and implementation of the risk management principles. The Audit Committee reports regularly to the Board of Directors on this matter.

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 maximum credit risk as of the balance sheet date was as follows:



CHF million	**2017**	2016
Trade accounts receivable	754	666
Cash and cash equivalents	624	571
Other accounts receivable[1]	31	23
Accrued income	16	21
Other financial assets[2]	12	8
Derivative financial instruments	5	4
Total	**1'442**	1'293

1 Without tax credits.
2 Relates to loans to third parties, security deposit and long-term invested securities for the settlement of pension liabilities.

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. The maximum amount per bank is defined in relation to the ratings of the respective banks.

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.

Currency risk

Foreign exchange rates

CHF		Average rates 2017	Average rates 2016	Spot rates 2017	Spot rates 2016
1	AED	0.268	0.268	0.265	0.277
1	ARS	0.060	0.067	0.052	0.064
1	AUD	0.755	0.733	0.763	0.736
1	BRL	0.309	0.284	0.295	0.313
1	CAD	0.759	0.743	0.778	0.757
1	CNY	0.146	0.148	0.150	0.147
1	EUR	1.112	1.090	1.170	1.074
1	GBP	1.268	1.335	1.319	1.254
1	HKD	0.126	0.127	0.125	0.131
1	INR	0.015	0.015	0.015	0.015
1	MXN	0.052	0.053	0.050	0.049
1	MYR	0.229	0.238	0.241	0.227
1	NZD	0.700	0.687	0.695	0.708
1	RON	0.251	-	0.251	-
1	SGD	0.713	0.713	0.730	0.705
1	TRY	0.270	0.327	0.257	0.290
1	USD	0.985	0.985	0.976	1.019
100	CZK	4.227	4.032	4.583	3.974
100	DKK	14.944	14.639	15.718	14.445
100	JPY	0.878	0.907	0.867	0.870
100	KRW	0.087	0.085	0.092	0.085
100	NOK	11.920	11.724	11.892	11.819
100	PLN	26.122	24.975	28.015	24.350
100	SEK	11.537	11.518	11.888	11.242
100	THB	2.903	2.791	2.991	2.847
100	TWD	3.236	3.056	3.293	3.143

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

CHF million	Fair value hedges	Cash flow hedges	**2017**	2016
Contract value	362	112	474	367
Replacement value[1]	–3	1	–2	4
Market value	359	113	**472**	371

1 Corresponds to the carrying amount recognized as marketable securities or other liabilities.

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, a higher ratio of the cash flows is hedged, e.g. for certain orders. 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 fair value hedges cover not only US dollar contracts but also contracts for the euro, the Turkish lira, the British pound, and the other currencies. All open foreign exchange contracts fall due and have an effect on liquidity and the income statement within twelve months of the balance sheet date. Assuming unchanged exchange rates, a cash outflow of CHF 472 million (gross) would be offset by a cash inflow of CHF 474 million (gross), giving a positive replacement value of CHF 2 million. Cash flow hedges account for cash outflows of CHF 113 million and cash inflows of CHF 112 million.

Contract values, net by currencies

CHF million	**2017**	2016
USD/CHF	330	299
EUR/CHF	81	2
TRY/USD	10	11
GBP/EUR	10	3
CNY/USD	9	4
USD/SEK	7	8
SEK/CHF	7	7
GBP/CHF	7	2
JPY/CHF	6	7
SGD/CHF	4	12
CNY/CHF		9
Other	3	3
Total	**474**	367

Accounting principles

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.

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 5.0 million (previous year: CHF 4.4 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 following table shows the contractual maturities (including interest rates) of the financial liabilities held by GF:

CHF million	Carrying amount	Contractual cash flows	Up to 1 year	1 to 5 years	More than 5 years
Trade accounts payable	593	593	593		
Bonds	524	564	158	173	233
Other financial liabilities	264	289	157	109	23
Accrued liabilities and deferred income	258	258	258		
Other liabilities current/non-current[1]	107	107	69	32	6
Total	**1'746**	**1'811**	**1'235**	**314**	**262**

1 For more details, see note 2.3 (2.3.1 Other liabilities).

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 2017 was CHF 577 million. The credit lines are spread over several banks so that there is no excessive dependence on any one institution.

4. Corporate structure

This section outlines the Corporation's structure. It provides details of acquisitions and divestitures and includes information about the controlled entities, joint ventures and associated entities. It includes details of changes to these investments and their effect on the financial position and performance during the financial year. It also reports details about the compensation of the related parties.

4.1 Acquisitions and divestitures

4.1.1 Changes in scope of consolidation

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

Additions (foundations) 2017

- As of 29 June 2017, 9362-6877 Québec Inc, Montreal, Canada
  Division: Corporate Management
- As of 9 August 2017, GF Machining Solutions, S.A. de C.V., Monterrey, Mexico
  Division: GF Machining Solutions
- As of 26 September 2017, Chinaust Plastics Ltd, Haining, China
  Division: GF Piping Systems

Additions (acquisitions) 2017

- As of 31 July 2017, Urecon Ltd, Coteau-du-Lac, Quebec, Canada
  Pro rata sales: CHF 10.7 million
  Division: GF Piping Systems
- As of 29 August 2017, PEM Zerspanungstechnik GmbH, Schwarzenberg, Germany
  Pro rata sales: CHF 0.5 million
  Division: GF Automotive
- As of 26 September 2017, Symmedia GmbH, Bielefeld, Germany
  Pro rata sales: CHF 1.8 million
  Division: GF Machining Solutions
- As of 23 November 2017, Eucasting Ro SRL, Pitesti, Romania
  Pro rata sales: CHF 7.1 million
  Division: GF Automotive

During the previous year, 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 Holding 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

4.1.2 Acquisitions and divestitures of Affiliated Companies

CHF million	Urecon Ltd	PEM Zerspanungs-technik GmbH	Symmedia GmbH	Eucasting Ro SRL	**Acquisitions total 2017**	Acquisitions total 2016
Cash and cash equivalents	2		1		3	6
Trade accounts receivable	5	1	1	8	15	11
Inventories	3			7	10	6
Other accounts receivable				2	2	4
Prepayments to creditors						1
Property, plant, and equipment	11	1	1	15	28	8
Intangible assets	7				7	1
Deferred tax assets				1	1	1
Total assets	**28**	**2**	**3**	**33**	**66**	38
Deferred tax liabilities	2				2	
Non-interest bearing liabilities	3		2	16	21	11
Interest-bearing liabilities	9	1		5	15	2
Net assets	**14**	**1**	**1**	**12**	**28**	25

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

Total cash-out for the acquisitions inclusive earn-out payments amounted to CHF 74 million (previous year: CHF 96 million) in the year under review.

Additions (acquisitions) 2017

Acquisition of Urecon Ltd

9362-6877 Québec Inc, Montreal (Canada), acquired 49% of the capital of Urecon Ltd, Quebec (Canada). This acquisition includes an option to acquire the remaining 51% of the shares 24 months after the closing. Urecon is fully consolidated without minority interests as GF takes the commercial and operational lead. The closing date was 31 July 2017.

Urecon, founded in 1969, generated sales of about CHF 20 million with a workforce of approximately 100 employees, in 2016. Urecon Ltd holds a strong market position with a focus on high-quality pre-insulated piping systems for freeze protection, chilled water, and district heating markets. Its two state-of-the-art production sites are located in the provinces of Quebec, Coteau-du-Lac (Canada), and Alberta, Calmar (Canada).

Acquisition of PEM Zerspanungstechnik GmbH

Meco Eckel GmbH & Co KG, Biedenkopf-Wallau (Germany), acquired 51% of the capital of PEM Zerspanungstechnik GmbH, Schwarzenberg (Germany), and obtained full control of the acquired company. The closing date was 29 August 2017.

PEM is a small company with a dedicated, experienced workforce. This specialized engineering and machining company produces state-of-the-art HPDC tools and molds. PEM has been a major supplier of Meco Eckel for years.

Acquisition of Symmedia GmbH

Georg Fischer B.V. & Co KG, Singen (Germany), acquired 100% of the capital of Symmedia GmbH, Bielefeld (Germany). The closing date was 26 September 2017.

Symmedia was founded in 1997 and has a workforce of approximately 60 employees. The company has been specializing in software for secure machine connectivity solutions, commonly described as Industry 4.0, and is a key player in factory digitalization. The Symmedia technology will be used by GF to offer complete solutions for factory connectivity in industrial environments.

Acquisition of Eucasting Ro SRL

Georg Fischer Ltd, Schaffhausen (Switzerland), acquired 100% of the capital of Eucasting Ro SRL, Pitesti (Romania). The closing date was 23 November 2017.

Eucasting, founded in 1960 in Italy, generated sales of about CHF 50 million with a workforce of approximately 500 employees, in 2016. Eucasting is a high pressure aluminum die casting specialist. 60% of the sales are achieved in the automotive segment followed by lighting solutions and further industrial applications. Besides the die casting foundry in Pitesti (Romania) the company has a second plant in Scornicesti (Romania).

Disposals (divestitures) 2017

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

Additions (acquisitions) 2016

The table above shows the assets and liabilities of the previous year’s acquisitions in total. They are assessed at fair value at the time control was acquired. The translation of the original values into Swiss francs was calculated using the exchange rates of the respective transaction date. During the previous year the following Affiliated Companies were acquired:

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.

Acquisition of Microlution Inc
George 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.

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.

Disposals (divestitures) 2016
In the previous year, there were no disposals of Affiliated Companies by divestitures.

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.

4.2 Affiliated companies and related parties
4.2.1 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 Bearbeitung Singen GmbH, Singen	EUR	0,1	100	C	P
	AU	Georg Fischer Automobilguss GmbH, Singen	EUR	12,8	100	C	P
	AU	Georg Fischer GmbH, Mettmann	EUR	0,1	100	C	P
	AU	Georg Fischer GmbH, Leipzig	EUR	0,9	100	C	P
	AU	Georg Fischer GmbH, Werdohl	EUR	0,3	100	C	P
	AU	Georg Fischer Dienstleistungen GmbH, Mettmann	EUR	0,1	100	C	M
	AU	MECO Eckel GmbH & Co KG, Biedenkopf-Wallau	EUR	0,2	51	C	P
	AU	Eckel & Co GmbH, Biedenkopf-Wallau	EUR	0,1	51	C	M
	AU	PEM Zerspanungstechnik GmbH, Schwarzenberg	EUR	0,1	51	C	P
	MS	GF Machining Solutions GmbH, Schorndorf	EUR	2,6	100	C	S
	MS	Symmedia GmbH, Bielefeld	EUR	1,4	100	C	P
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
Romania	AU	Eucasting Ro SRL, Pitesti[1]	RON	6,5	100	C	P
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 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	2,0	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	270,0	100	C	P
	MS	GF Imalat Cözümleri Ticaret Ltd Sti, Istanbul[1]	TRY	2,9	100	E	S
Americas							
Argentina	PS	Georg Fischer Central Plastics Sudamerica SRL, Buenos Aires[1]	ARS	3,9	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	CM	9362-6877 Québec Inc, Montreal[1]	CAD	23,2	100	C	H
	PS	Georg Fischer Piping Systems Ltd, Mississauga[1]	CAD	0,1	100	C	S
	PS	GF Urecon Ltd, Coteau-du-Lac, Québec	CAD	10,9	49	C	P
Mexico	PS	Georg Fischer SA de CV Mexico, Monterrey[1]	MXN	0,1	100	C	S
	MS	GF Machining Solutions S.A. de C.V., 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	15,3	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	66,0	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	P	P
	PS	Langfang Shuchang Auto Parts Co Ltd, Langfang[1]	CNY	10,0	40	P	P
	PS	Chinaust Plastics Ltd, Haining	CNY	100,0	50	P	P
	PS	Chinaust Plastics Ltd, Xian	CNY	73,0	50	P	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	Agie Charmilles China (HK) Ltd, Hongkong	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	81,9	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	18,7	100	C	P
Japan	PS	Georg Fischer Ltd, Osaka[1]	JPY	480,0	81	C	S
	MS	GF Machining Solutions Ltd, Tokyo[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 Ptd Ltd, Singapore[1]	SGD	6,2	100	C	H
	PS	George Fischer Pte Ltd, Singapore	SGD	9,2	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 2017

4.2.2 Related parties

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

CHF 1'000	2017	2016
Compensation	6'812	6'470
Employee benefit payments	857	838
Social security	495	511
Share-based compensation	4'044	3'024
Total compensation	**12'208**	10'843

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 1'390 Georg Fischer registered shares (par value of CHF 1) with a market value of CHF 1.8 million were allocated as share-based compensation (previous year: 1'501 Georg Fischer registered shares, equivalent to a market value of CHF 1.3 million). Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 3.1 million (previous year: CHF 2.5 million). The total compensation of the Board of Directors is recognized in the operating expenses, see note 1.3 (1.3.1 Operating expenses).

The members of the Executive Committee are entitled to a grant of 1'750 Georg Fischer performance shares (par value CHF 1) with a market value of CHF 2.3 million in the year under review (previous year: 2'126 Georg Fischer registered shares with a market value of CHF 1.8 million). In addition, the members of the Executive Committee received a cash compensation and social security and pension contributions of CHF 6.9 million for the year under review (previous year: CHF 6.5 million).The total compensation of the Executive Committee is included in personnel expenses, see note 1.3 (1.3.2 Personnel expenses).

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.

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 2017 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.

5. Other information

This section provides other information and disclosures not included in other sections for example information about the employee benefits obligations. It also includes an overview of the balance-sheet related deferred tax assets and liabilities and finally significant events occuring after reporting date.

5.1 Employee benefit liabilities

Economic benefit/economic obligation and pension benefit expenses

CHF million		**2017**	2016				**2017**	2016
	Surplus/deficit according to FER 26	**Economic part of the Corporation**	Economic part of the Corporation	Translation differences	Change to prior-year period or recognized in the current result of the period, respectively	Contributions concering the business period	**Pension benefit expenses within personnel expenses**	Pension benefit expenses within personnel expenses
Patronage funds	12					1	1	1
Employee benefit plans w/o surplus/deficit						13	13	12
Employee benefit plans with surplus	24					9	9	9
Employee benefit plans with deficit	–24	–20	–20	1	–1	1		4
Employee benefit plans without own assets		–107	–99	8	–1	2	1	1
Loans from pension fund institutions		–28	–29	2				
Total	**12**	**–155**	–148	**11**	**–2**	**26**	**24**	27

The table 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.

The employee benefit plans with surplus in the amount of CHF 24 million (previous year: CHF 5 million) relate to the pension fund of GF Machining Solutions. The performance of the financial assets shows a positive development in the year under review. The employee benefit plans with a deficit in the amount of CHF 24 million (previous year: CHF 25 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 20 million). The economic obligation for employee benefit plans without own assets, i.e. unfunded plans, as recognized in the balance sheet, amounts to CHF 107 million (previous year: CHF 99 million) and relates mainly to employee benefit plans in Germany. The loans from pension fund institutions in the amount of CHF 28 million (previous year: CHF 29 million) are from pension fund institutions in Germany that have invested their funds in Corporate Companies.

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

CHF million	2017	2016
Contributions to employee benefit plans from Corporate Companies	26	24
Contributions to employee benefit plans from employer contribution reserves		1
Total contributions	26	25
+/- Change in ECR from asset developments, value adjustments, etc.		
Contributions and change in employer contribution reserves	**26**	25
Decrease/increase in economic benefit of the Corporation from surplus		
Increase/decrease in economic obligation of the Corporation from deficit	–1	
Increase/decrease in economic obligation of the Corporation (employee benefit plans without own assets)	–1	2
Total change in economic effect of surplus/deficit	–2	2
Pension benefit expenses within personnel expenses in the period under review	**24**	27

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 24 million (previous year: CHF 27 million) and are included in the “Personnel expenses”.

Accounting principles

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.

5.2 Long-term loans and receivables

Other financial assets amount to CHF 13 million and include long-term loans and receivables in the amount of CHF 9 million (previous year: CHF 5 million), long-term-invested securities for the settlement of pension liabilities in the amount of CHF 3 million (previous year: CHF 3 million) as well as investments in associates.

5.3 Deferred tax assets and liabilities

CHF million	Tax assets	Tax liabilities	2017 net	Tax assets	Tax liabilities	2016 net
Investment properties		7	–7		7	–7
Property, plant, and equipment for own use	11	34	–23	11	37	–26
Intangible assets	2	2		3	1	2
Tax loss carryforwards	4		4	5		5
Inventories	24	14	10	26	15	11
Provisions	14	4	10	16	4	12
Other interest-bearing liabilities	2		2	4	2	2
Other non-interest-bearing liabilities	41	9	32	33	8	25
Other balance sheet items	14	4	10	14	3	11
Total	112	74	**38**	112	77	35
Offsetting	–27	–27		–32	–32	
Deferred tax assets/liabilities	85	47	**38**	80	45	35

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 27 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 1.4.

Temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities have been recognized, amounted to CHF 437 million as of 31 December 2017 (previous year: CHF 378 million).

5.4 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 22 February 2018. They must also be approved at the Annual Shareholders' Meeting.

On 31 January 2018, GF announced the acquisition of 100% of Precicast Industrial Holding SA, the Swiss-based precision casting specialist. In order to better reflect its portfolio evolution, the division GF Automotive will, upon closing expected for the first quarter of 2018, be renamed GF Casting Solutions.

Precicast generated in 2017 sales of approximately CHF 120 million with a workforce of 730 employees in Switzerland and Romania. Closing is subject to the approval of the relevant authorities.

There were no events between 31 December 2017 and 22 February 2018 that would require an adjustment to the carrying amounts of assets and liabilities and equity or would need to be disclosed under this heading.

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 income statement for 2017, the consolidated balance sheet as of 31 December 2017 and the consolidated statement of changes in equity and 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 consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 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.

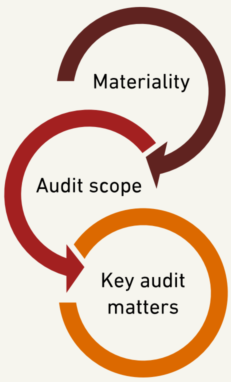
Basis for opinion

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 Group materiality: CHF 15 million

We performed full scope audit work on 45 reporting units in 6 countries. Our audit scope addressed over 71% of the Group's revenue and over 71% of the Group's total assets. In addition, specified procedures were performed on further three reporting units in 1 country representing a further 6% of the Group's revenue and 2% of the Group's total assets.

As key audit matters the following areas of focus have been identified:
- Accounting for business combinations
- Impairment of goodwill

Audit scope

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

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 136 reporting units, each of which, including both the Group's operating businesses and the central service functions, is considered a component.

We identified 45 reporting units that, in our view, required a full scope audit and three reporting units that required specific procedures due to their size and or risk characteristics. These full scope audits addressed over 71% of the Group's revenue and 71% of the Group’s total assets, while the specific procedures addressed 6% of the Group's revenue and 2% of the Group’s total assets.

The remaining 23% of the Group’s revenue and 27% 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 2.5% 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 network, 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.

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 Group materiality	CHF 15 million
How we determined it	5% of profit before taxes
Rationale for the materiality benchmark applied	We chose profit before tax 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.

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.

Accounting for Business Combinations

Key audit matter	How our audit addressed the key audit matter
During the financial year, the Group made 4 acquisitions of which we considered 3 to have a material impact on the group's asset and liabilities and its income statement items. Accounting for business combinations is considered a key audit matter as it involves significant judgement by management. Management needs to determine the date of first consolidation as well as the consolidation method to be applied. Further, management may need to apply judgement when estimating the fair value of the assets and liabilities acquired. Management determined that the fair value of the net identifiable assets acquired is CHF 28 million. The goodwill arising from the acquisitions amounts to CHF 64 million.	To assess the appropriateness of the accounting for business combination, we assessed the procedures performed by management to identify the assets and liabilities acquired and reviewed the relevant legal documents such as the share purchase agreements. In particular, we performed the following audit procedures: • We considered the appropriateness of the acquisition date determined by management by reviewing the relevant clauses of the related share purchase agreements. • We performed various substantive audit procedures to ensure the completeness of the identified assets and liabilities acquired and assessed the reasonableness of the valuation methodologies applied by management. • This included, amongst others audit procedures, reviewing the valuation and accounting for the purchase consideration, the identification and verification of completness of the acquired assets and liabilities as well as assessments on the appropriateness of the valuations performed by management or its experts on the assets and liabilities acquired. • We verified the accuracy of the calculations performed including mathematical correctness. • We assessed whether the transaction was accounted for and disclosed in the consolidated financial statements in accordance with the provisions of Swiss GAAP FER 30. Based on the procedures performed, we consider the valuation of the assets and liabilities acquired and the relating disclosures appropriate.

Impairment of Goodwill

Key audit matter	How our audit addressed the key audit matter
The impairment assessment for goodwill is considered a key audit matter due the size of the balance (goodwill: CHF 98 million) and the significant assumptions management has to apply. The main estimation uncertainty relates to the projection of future free cash flows. In line with the Georg Fischer accounting policy, the goodwill is fully offset against equity. The consequence of a theoretical recognition on the balance sheet and the subsequent amortization is disclosed in the notes to the consolidated financial statements.	We obtained all impairment models prepared by management and performed following audit procedures: • We ensured that the models are based on the latest business plans. Management follows a clearly documented process for estimating future cash flows. The forecast period used for future cash flows covers the years 2018 to 2022. The estimates are based on the latest budgets approved by the Board of Directors. • We assessed the reasonableness of the business plan by comparing the implicit growth rates to past results and we further verified whether the assumptions made by management in their models are internally consistent. • We compared the current year actual results with the forecast figures included in the prior year impairment tests. • We developed our own expectation for the risk adjusted weighted average cost of capital and the long-term growth rate. • We performed our own sensitivity analyses to obtain a better understanding on how strongly supported the current valuation of goodwill is. Overall, based on our review of the impairment models, the supporting evidence obtained as well as the results of our own sensitivity analyses we concluded that the impairment models used are appropriate, that results of the impairment tests are reasonable and that there is no impairment of goodwill.

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 either intends 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

Gian Franco Bieler
Audit expert

Zurich, 22 February 2018

Income statement for the year ended 31 December 2017

CHF 1'000	Notes	2017	2016
Dividend income	2.1	126'581	138'729
Other income from investments			2'490
Income from services provided to Corporate Companies	2.2	62'360	58'072
Financial income	2.3	23'695	9'119
Commission income from Corporate Companies	2.4	12'118	11'454
Other income		2'087	2'305
Income		**226'841**	222'169
Value adjustment on investments	2.5	30'000	59'095
Other expenses for investments		2'207	4'563
Financial expenses	2.6	1'531	6'137
Cost of services provided by Corporate Companies		2'241	2'269
Personnel expenses		20'661	18'367
Other operating expenses	2.7	15'835	15'401
Direct taxes	2.8	9'707	9'030
Expenses		**82'182**	114'862
Net profit for the year		**144'659**	107'307

Balance sheet as of 31 December 2017

CHF 1'000	Notes	2017	2016
Cash and cash equivalents and short-term investments with a quoted market price	3.1	181'508	252'694
Other current receivables due from third parties		3'605	4'987
Other current receivables due from Corporate Companies	3.2	24'697	25'292
Accrued income and prepaid expenses		5'257	3'930
Current assets		**215'067**	286'903
Loans to Corporate Companies	3.3	129'823	146'690
Other financial assets		1'899	1'743
Investments	3.4	1'111'485	1'025'639
Non-current assets		**1'243'207**	1'174'072
Assets		**1'458'274**	1'460'975
Current liabilities with third parties		12'066	10'210
Short-term interest-bearing liabilities due to Corporate Companies	3.5	124'386	200'362
Accrued expenses and deferred income	3.6	27'196	11'106
Current liabilities		**163'648**	221'678
Long-term interest-bearing liabilities		3'790	5'586
Long-term provisions	3.7	24'114	22'098
Non-current liabilities		**27'904**	27'684
Liabilities		**191'552**	249'362
Share capital	3.8	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	3.9		10'355
Statutory retained earnings			
– Available earnings carried forward		977'007	941'110
– Net profit for the year		144'659	107'307
Treasury shares	3.9	–7'785	
Equity		**1'266'722**	1'211'613
Liabilities and equity		**1'458'274**	1'460'975

Statement of changes in equity for the year ended 31 December 2017

CHF 1'000	Share capital	General reserves[1]	Treasury shares[2]	Retained earnings	Equity
Balance as of 31 December 2017	**4'101**	**148'740**	**–7'785**	**1'121'666**	**1'266'722**
Net profit for the year				144'659	144'659
Dividend payment				–82'018	–82'018
Reversal of reserve for treasury shares[2]			–10'355	10'355	
Acquisition of treasury shares[2]			–11'293		–11'293
Disposal of treasury shares[2]			3'508	253	3'761
Balance as of 31 December 2016	**4'101**	**148'740**	**10'355**	**1'048'417**	**1'211'613**
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 2015	**4'101**	**148'740**	**5'634**	**1'019'647**	**1'178'122**

1 Legal reserves.
2 For more details, see note 1.8 and note 3.9.

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 a report on the business situation.

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.

1.7 Long-term interest-bearing liabilities

Interest-bearing liabilities are recognized at nominal value.

1.8 Treasury shares

Treasury shares are recognized at cost and deducted from shareholder's equity. The gain or loss from the sale of treasury shares is recognized in shareholder's equity as increase or reduction of retained earnings.

2 Information on the income statement

2.1 Dividend income

The dividend income for the year under review was CHF 127 million (previous year: CHF 139 million).

2.2 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.

2.3 Financial income

The financial income comes from interest income on the loans granted to Corporate Companies and currency gains.

2.4 Commission income from Corporate Companies
This position contains commission income from Corporate Companies for issued guarantees.

2.5 Value adjustment on investments
Some investments of Georg Fischer Ltd had to be value adjusted due to the application of the principle of individual evaluation. The principles for the valuation of investments are found in note 1.4.

2.6 Financial expenses
In the previous year, this position included interest expense for a debenture loan which was repaid in 2016 as well as currency losses.

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

2.8 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.

3 Information on balance sheet positions

3.1 Cash and cash equivalents and short-term investments with a quoted market price
This balance sheet position contains securities in the amount of CHF 3.6 million (previous year: CHF 3.3 million).

3.2 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 to Corporate Companies”.

3.3 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.

3.4 Investments
Direct and indirect investments in Corporate Companies of Georg Fischer Ltd include the companies listed in note 4.2 (4.2.1 Affiliated companies) in the consolidated financial statements.

3.5 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”.

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

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

3.8 Share capital
As of 31 December 2017, the share capital amounted to 4’100’898 registered shares at a par value of CHF 1.

Conditional capital: As of 31 December 2017, 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.

3.9 Treasury shares

As of 31 December 2017, treasury shares were directly held by Georg Fischer Ltd. The principles for the valuation of treasury shares are found in note 1.8.

In the previous year, treasury shares were held by a fully consolidated subsidiary of Georg Fischer Ltd and accordingly, a reserve for treasury shares was set up at Georg Fischer Ltd. As of 31 December 2017, this reserve was reversed to retained earnings.

4 Additional information

4.1 Full-time equivalents

As of 31 December 2017, Georg Fischer Ltd employed 65 people including trainees.

4.2 Contingent liabilities

CHF 1'000	**2017**	2016
Guarantees and pledges in favor of third parties:		
Guaranteed maximum amount	**1'831'005**	1'787'263
Thereof utilized	961'328	940'168

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 2017, pension fund obligations amounted to CHF 2.2 million (previous year: CHF 4 million).

4.4 Significant shareholders

An overview can be found in the chapter Share price (Investor information).

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 4.2 (4.2.2 Related parties) in the consolidated financial statements.

5 Events after the balance sheet date

On 31 January 2018, GF announced the acquisition of 100% of Precicast Industrial Holding SA, the Swiss-based precision casting specialist. In order to better reflect its portfolio evolution, the division GF Automotive will, upon closing expected for the first quarter of 2018, be renamed GF Casting Solutions. Precicast generated in 2017 sales of approximately CHF 120 million with a workforce of 730 employees in Switzerland and Romania. Closing is subject to the approval of the relevant authorities.

There were no other events between 31 December 2017 and 22 February 2018 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 1'390 GF registered shares with a total market value of CHF 1.79 million were allocated as share-related compensation. In the previous year, the allocation had been 1'501 GF registered shares, equivalent to a total market value of CHF 1.251million. Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 3.085 million (previous year: CHF 2.523 million).

According to the compensation model for the Board of Directors, the Board of Directors would have been entitled to 1'500 GF registered shares with a total market value of CHF 1.932 million leading to a total compensation of the Board of Directors amounting to CHF 3.23 million. This total compensation would have been above the maximum sum of CHF 3.093 million approved by the Annual Shareholders' Meeting of 19 April 2017 for remuneration of the members of the Board; according to the Articles of Association Art. 22.2b, the number of registered shares to be allocated have been reduced proportionally.

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

Compensation of the members of the Board of Directors 2017

	Compensation					
	Cash compensation[1]	Number of shares	Share-based compensation[2]	Social insurance funds[3]	**Total compen-sation 2017[4]**	Total compen-sation 2016[4]
Andreas Koopmann	270	278	358	27	**655**	543
Chairman Board of Directors Chairman Nomination Committee						
Hubert Achermann	150	139	179	14	**343**	287
Chairman Audit Committee						
Gerold Bührer	123	139	179	12	**314**	258
Vice Chairman Board of Directors Member Audit Committee						
Roman Boutellier[5]	96	139	179	11	**286**	239
Member Nomination Committee Member Compensation Committee						
Riet Cadonau[6]	84	139	179	13	**276**	159
Member Compensation Committee						
Roger Michaelis	123	139	179	15	**317**	261
Member Audit Committee						
Eveline Saupper	110	139	179	15	**304**	243
Chairwoman Compensation Committee						
Jasmin Staiblin	90	139	179	14	**283**	226
Member Compensation Committee						
Zhiqiang Zhang	113	139	179	15	**307**	251
Member Nomination Committee						
Total	**1'159**	**1'390**	**1'790**	**136**	**3'085**	2'467*

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

* The total compensation in 2016 amounted to CHF 2.523 million, including a compensation for Ulrich Graf (Chairman Compensation Committee until 23 March 2016) of CHF 56'000.

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 1'288 on 29 December 2017.

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 until 19 April 2017.

6 Member of the Compensation Committee since 19 April 2017.

The compensation paid to the Board of Directors for the year 2017 was above that of the previous year. The increase is explained solely by the increased value of the shares from CHF 834 in 2016 to CHF 1'288 in 2017. The compensation system for the Board of Directors remained unchanged.

In the year under review, 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 9.123 million for the year under review (previous year: CHF 8.320 million). Under the new long-term incentive plan, 1'750 performance shares with a total value at grant of CHF 2.254 million, based on a share price of CHF 1'288 at year-end 2017, were granted to members of the Executive Committee for the year under review (previous year: 1'063 restricted shares and 1'063 performance shares with a total value of CHF 1.773 million).

At the Annual Shareholders' Meeting of 19 April 2017, a maximum sum of CHF 10.177 million for remuneration of the members of the Executive Committee for the business year 2017 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 of the members of the Executive Committee 2017

	Fixed salary in cash	Short-term incentive in cash[1]	EPS dependent performance shares PS(EPS)	rTSR dependent performance shares PS(rTSR)	Share-based remune-ration[2]	Social insu-rance funds[3]	Pension funds[4]	**Total com-pen-sation 2017[5]**	Total compen-sation 2016
Executive Committee	2'978	2'675	875	875	2'254	359	857	**9'123**	8'320
Of whom Yves Serra, CEO (highest individual compensation)	942	1'163	375	375	966	127	273	**3'471**	2'976

(all in CHF 1'000, except rows "EPS dependent performance shares" and "rTSR dependent performance shares")

1 The short-term incentive is based on the short-term incentive plan. The amount is determined by the fulfillment of personal performance objectives and by the financial results of the divisions and the Corporation. The short-term incentive for the 2017 financial year was approved by the Board of Directors on 22 February 2018. Payment will be made in March 2018.
2 The share-based remuneration is based on the long-term incentive plan: Each year, fixed numbers of performance shares (PS) are allocated. 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 1'288 on 29 December 2017. The number of PS vesting after the vesting period of three years depends on meeting the respective performance criteria.
3 The social insurance funds expenses represent employer contributions to social security.
4 The pension funds expenses represent employer contributions to pension funds.
5 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 2017 was higher than in 2016. The increase is explained by the following factors:

- The value of the shares increased from CHF 834 in 2016 to CHF 1'288 in 2017.
- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was higher than in 2016, based on the excellent results achieved. Consequently, the overall short-term incentive percentage ranges from 62% to 80.7% of the base salary for the Executive Committee members and amounts to 123.5% of the base salary for the Chief Executive Officer.
- The fixed salaries were adjusted, due to the reduction of number of shares granted compared to the long-term incentive plan 2016. For the CEO the number of shares granted has been reduced from 850 to 750, for the Executive Committee members from 300 to 250; the value of the reduced shares has been calculated with a share value of CHF 810 and has been embedded within the other elements of compensation (fixed salary in cash and short-term incentive).
- 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.

Achievement of the corporate business objectives

The achievement of the corporate business objectives for the year 2017 is as follows:

Business objectives	Hurdle[1]	Strategy targets 2016–2020	Result 2017
Organic sales growth (at constant currencies)	1%	3–5%	9.8%
EBIT margin	6%	8–9%	8.5%
ROIC	14%	18–22%	20.3%

1 Achievements below the hurdle result in zero payout for the respective business objective; for the objectives EBIT margin and ROIC, hurdle achievements result in 50% payout for the respective target

Starting 1 January 2017 until the end of October 2017, Pietro Lori continued his employment with GF as non-Executive Committee member and the compensation package for this period amounted to CHF 101'684. Roland Abt continued his employment with GF as non-Executive Committee member from 1 January 2017 until the end of August 2017; his compensation package for the year 2017 amounted to CHF 342'899.

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. 2017	Number of Georg Fischer registered shares as of 31 Dec. 2016
Andreas Koopmann	Chairman Board of Directors Chairman Nomination Committee	2'459	2'181
Hubert Achermann	Chairman Audit Committee	556	417
Gerold Bührer	Vice Chairman Board of Directors Member Audit Committee	3'011	2'872
Roman Boutellier	Member Nomination Committee	3'088	2'949
Riet Cadonau[1]	Member Compensation Committee	255	116
Roger Michaelis	Member Audit Committee	856	717
Eveline Saupper	Chairwoman Compensation Committee	917	778
Jasmin Staiblin	Member Compensation Committee	1'034	895
Zhiqiang Zhang	Member Nomination Committee	2'076	1'937
Total Directors		**14'252**	12'862

1 Member of the Compensation Committee since the Annual Shareholders' Meeting 2017 (19 April 2017).

Shareholdings Executive Committee

		Number of Georg Fischer registered shares as of 31 Dec. 2017	Number of Georg Fischer registered shares as of 31 Dec. 2016*
Yves Serra	President and CEO	5'003	5'478
Andreas Müller[1]	CFO, Head of Corporate Finance & Controlling	410	
Joost Geginat	Head of GF Piping Systems	100	
Josef Edbauer	Head of GF Automotive	2'182	2'032
Pascal Boillat	Head of GF Machining Solutions	1'070	1'005
Total Executive Committee		**8'765**	8'515

* The number of Georg Fischer registered shares amounted to 10'879 in 2016 and included the number of registered shares of Roland Abt (Member Excutive Committee until 31 December 2016) of 2'364.

1 Member Excutive Committee since 1 January 2017.

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 2017, members of the Senior Management registered a total of 18'700 shares of Georg Fischer Ltd. A total of 41'717 Georg Fischer shares were held by the Board of Directors, the Executive Committee, and the Senior Management as of 31 December 2017, corresponding to 1.02% 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 2017, the members of the Executive Committee held no option rights for Georg Fischer registered shares.

In 2017, 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 2017

Proposal by the Board of Directors for the appropriation of the retained earnings 2017

CHF 1'000	**2017**	2016
Net profit for the year	144'659	107'307
Earnings carried forward	966'399	945'831
Allocation to/reduction in reserves for treasury shares[1]	10'355	–4'721
Profit from treasury shares[1]	253	
Retained earnings	**1'121'666**	1'048'417
Dividend payment CHF 23 per registered share[2]	–94'321	–82'018
To be carried forward	**1'027'345**	966'399

1 For more details, see note 1.8 and note 3.9.
2 The dividend payment is based on the issued share capital as of 31 December 2017. No distribution will be made for treasury shares held by Georg Fischer Ltd.

The Board of Directors will propose to the Annual Shareholders' Meeting of 18 April 2018 to pay out a dividend of CHF 23 per registered share out of retained earnings.

In the previous year, a dividend of CHF 20 per registered share out of retained earnings was paid out according to the decision of the Annual Shareholders' Meeting of 19 April 2017.

Schaffhausen, 22 February 2018

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 (the Company), which comprise the income statement for 2017, balance sheet as of 31 December 2017, 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 2017 comply with Swiss law and the company's articles of incorporation.

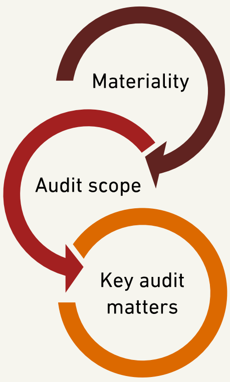
Basis for opinion

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 2.9 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 key audit matter the following area of focus has been 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 2.9 million
How we determined it	0.2% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which a holding company can be assessed, and it is a generally accepted benchmark.

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 2017, the Company had investments in subsidiaries in the amount of CHF 1,111 million (prior year: CHF 1,026 million). Of the 136 subsidiaries in 34 different countries, 77 were held directly and 59 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. We consider the impairment assessment of investments in subsidiaries as a key audit matter due to its 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). To verify the appropriateness of the assessment we performed the following: • We compared the book value of the investments in subsidiaries as at year-end 2017 to the companies' valuations as calculated by Management. • We compared the underlying value of the net assets with the value of the shareholder's 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. • We verified the capitalisation rate used against country-specific long-term interest rate forecasts and a company-specific risk premium. As a result of our audit procedures, we obtained adequate assurance with regard to the impairment assessment 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

Gian Franco Bieler
Audit expert

Zurich, 22 February 2018

Share information

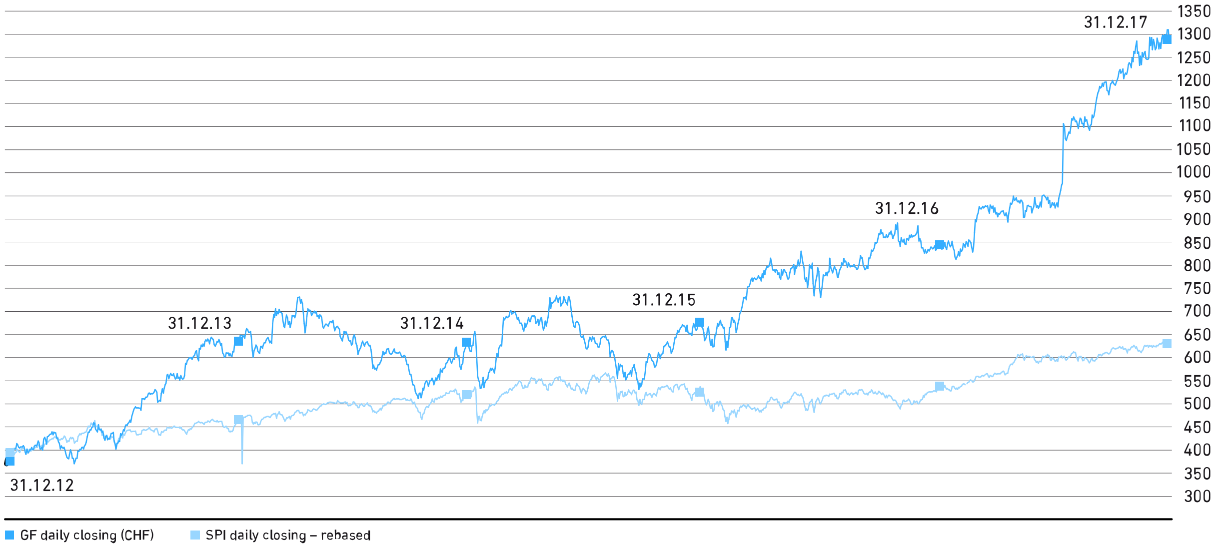
	2017	2016	2015	2014	2013
Share capital					
Number of shares as of 31 December					
Registered shares	4'100'898	4'100'898	4'100'898	4'100'898	4'100'898
Thereof entitled to dividend	4'100'898	4'100'898	4'100'898	4'100'898	4'100'898
Number of registered shareholders	**12'562**	12'651	14'005	13'446	12'269
Share prices in CHF					
Registered share					
Highest (intraday)	1'317	901	739	738	648
Lowest (intraday)	811	601	524	494.75	363
Closing as of 31 December	1'288	834	679	629	628
Earnings in CHF					
Per registered share	62	53	46	45	34
Price-earnings ratio	**21**	16	15	14	18
Market capitalization as of 31 December					
CHF million	5'282	3'420	2'785	2'579	2'573
As % of sales	127	91	76	68	68
As % of equity attributable to shareholders of Georg Fischer Ltd	401	296	258	244	275
Cash flow from operating activities in CHF					
Per registered share	100	98	80	61	76
Equity attributable to shareholders of Georg Fischer Ltd in CHF					
Per registered share	322	283	264	259	229
Dividend paid (proposed) in CHF million[1]	**94**	82	74	70	66
Dividend paid (proposed) in CHF					
Per registered share[1]	23	20	18	17	16
Pay-out ratio in %	**37**	38	39	38	47

1 In 2017, 2016 and 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.

Ticker symbols
Telekurs, Dow Jones (DJT): FI-N
Reuters: FGEZn

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

Share price 2013–2017



Market capitalization, earnings per share

The market capitalization stood at CHF 5'282 million on 31 December 2017. Earnings per share is CHF 62 (previous year: CHF 53).

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 23 per registered share.

Significant shareholders

As of 31 December 2017, the BlackRock Group, held directly or indirectly by BlackRock, Inc., New York (USA), had shareholdings in excess of 5%. In addition, Norges Bank (the Central Bank of Norway), Oslo (Norway), the UBS Fund Management (Switzerland) AG, Basel (Switzerland), and JP Morgan Chase & Co., New York (USA), had shareholdings between 3% and 5%.

In the year under review, 21 disclosure notifications were filed; of these, 20 were published in the year under review and one was published on 4 January 2018. 20 of the filings related to the BlackRock Group, held directly or indirectly by BlackRock Inc., New York (USA), while one related to JP Morgan Chase & Co., New York (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 2017

Number of shares	Number of shareholders	Number of shares %
1–100	10'769	7.8%
101–1'000	1'596	10.4%
1'001–10'000	176	9.2%
10'001–100'000	18	13.4%
> 100'000	3	16.1%
Shares not registered in share register	-	43.1%
Total	**12'562**	**100.0%**

Five-year overview of the Corporation

CHF million	**2017**	2016	2015	2014	2013
Order intake	4'274	3'749	3'662	3'836	3'795
Orders on hand at year-end	773	614	612	634	577
Income statement					
Sales	4'150	3'744	3'640	3'795	3'766
EBITDA	491	443	422	399	380
Operating result (EBIT)	352	311	296	274	251
Net profit/loss	258	225	198	195	145
Cash flow					
Cash flow from operating activities	410	400	328	248	309
Depreciation on tangible fixed assets	131	126	122	122	126
Amortization on intangible assets	8	6	4	3	3
Additions to property, plant, and equipment	–207	–174	–167	–152	–130
Cash flow from acquisitions and divestitures	–74	–96	–2	–20	–66
Free cash flow before acquisitions/divestitures	204	231	190	110	174
Free cash flow	130	135	188	90	108
Balance sheet					
Current assets	2'277	2'024	1'934	1'801	1'989
Non-current assets	1'333	1'178	1'149	1'188	1'137
Assets	3'610	3'202	3'083	2'989	3'126
Current liabilities	1'418	1'067	1'221	981	1'282
Non-current liabilities	823	935	732	904	866
Equity	1'369	1'200	1'130	1'104	978
Net working capital	899	838	819	864	764
Invested capital (IC)	1'466	1'333	1'279	1'354	1'224
Net debt	183	214	238	354	352
Asset structure					
– Current assets %	63	63	63	60	64
– Non-current assets %	37	37	37	40	36
Capital structure					
– Current liabilities %	39	34	39	33	41
– Non-current liabilities %	23	29	24	30	28
– Equity %	38	37	37	37	31
Key figures					
Return on equity (ROE) %	20.1	19.3	17.7	18.7	14.8
Return on invested capital (ROIC) %	20.3	19.3	18.9	17.9	16.7
Return on sales (EBIT margin) %	8.5	8.3	8.1	7.2	6.7
Asset turnover	3.0	2.9	2.8	2.9	3.0
Cash flow from operating activities in % of sales	9.9	10.7	9.0	6.5	8.2
Employees					
Employees at year-end	15'835	14'808	14'424	14'140	14'066
Europe	9'658	8'845	8'783	8'676	8'548
– Thereof Germany	3'392	3'312	3'382	3'383	3'220
– Thereof Switzerland	2'783	2'700	2'642	2'686	2'539
– Thereof Austria	1'936	1'885	1'830	1'719	1'926
– Thereof Rest of Europe	1'547	948	929	888	863
Asia	3'807	3'713	3'502	3'455	3'468
– Thereof China	3'287	3'216	3'131	3'085	3'073
Americas	1'503	1'348	1'262	1'259	1'290
Rest of world	867	902	877	750	760

Online Annual Report 2017
Find out more about financial figures, information on GF's strategy and business segments on www.annualreport.georgfischer.com/2017/en

Important dates

2018 **18 April** Shareholders' Meeting for fiscal year 2017	**2018** **18 July** Publication of Mid-Year Report 2018

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Imprint
Published by: Georg Fischer Ltd
Edited by: Georg Fischer Ltd, Corporate Development
Editorial assistance: Signum communication GmbH
Designed by: NeidhartSchön AG
Photos by: Nik Hunger, Anna Schroll, Christoph Papsch, Scott Gable, Audi Media Center, Cambridge Assessment
All other photos: Georg Fischer Ltd
Printed by: Neidhart + Schön Group AG

Cover: GF employee, GF Machining Solutions Schorndorf (Germany)

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The Financial Report 2017 of GF is also available in German. In the event of any discrepancy, the English version shall prevail.

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