

Passion for Innovation

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Business Report

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Key figures 2019

Sales

in CHF million

3'720

2019



2018



2017



EBIT

in CHF million

235

2019



2018



2017



EBIT margin

in %

6.3

2019



2018



2017



**EBIT
before one-offs**
in CHF million

281

2019



2018



2017



**EBIT margin
before one-offs**
in %

7.6

2019



2018



2017



**Net profit after
minorities**
in CHF million

173

2019



2018



2017



ROIC

in %

12.4

2019



2018



2017

**Earnings per share**

in CHF

42

2019



2018



2017

**Free cash flow****before acquisitions/ divestments**

in CHF million

137

2019



2018



2017

**Number of employees****14'678**

2019



2018



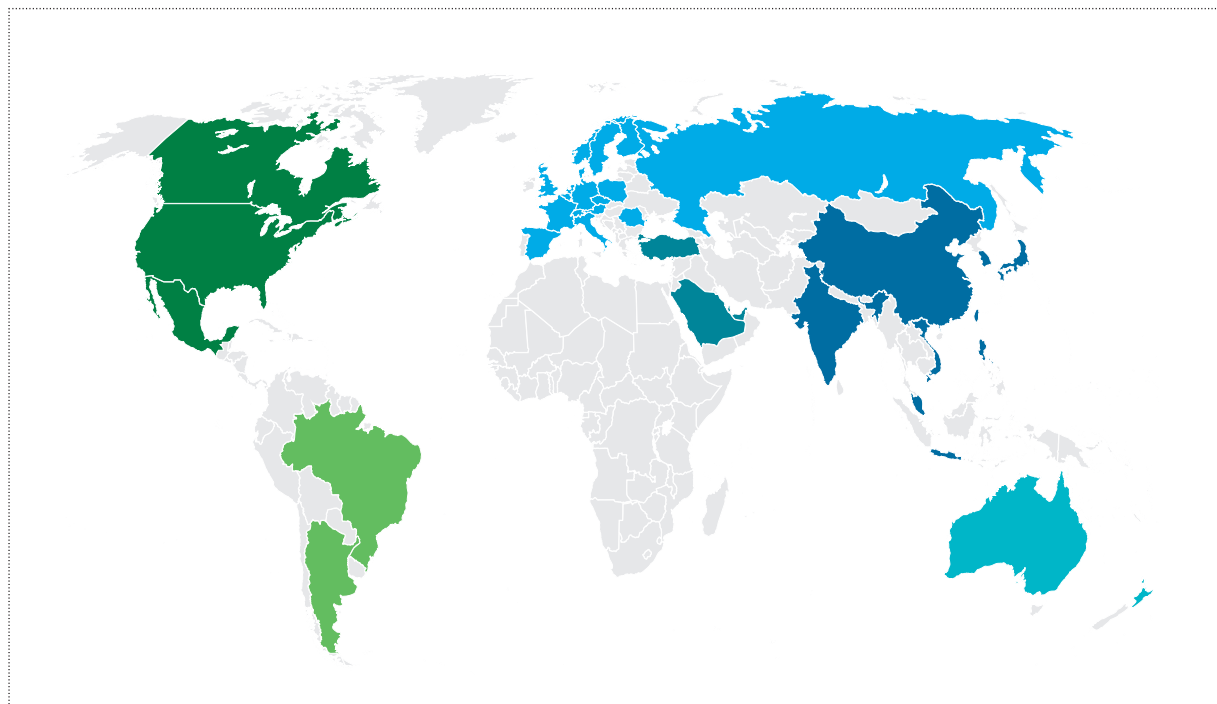
2017



	Corporation		GF Piping Systems		GF Casting Solutions		GF Machining Solutions	
CHF million	2019	2018	2019	2018	2019	2018	2019	2018
Order intake	3'692	4'521	1'788	1'865	953	1'617	954	1'042
Orders on hand at year-end	563	623	119	134	267	289	177	200
Sales	3'720	4'572	1'802	1'821	949	1'687	972	1'066
Sales growth %	-18.6	10.2	-1.0	8.5	-43.7	13.8	-8.8	7.5
Organic growth %	-4.1	6.5	1.3	8.2	-9.7	5.2	-7.5	5.4
EBITDA	374	529	264	269	48	160	71	102
EBIT before one-offs	281	382	214	217	22	86	57	88
One-offs	46				46			
EBIT	235	382	214	217	-24	86	57	88
Net profit after minorities	173	281						
Free cash flow before acquisitions/divestments	137	147						
Return on sales before one-offs (EBIT margin before one-offs) %	7.6	8.4	11.9	11.9	2.3	5.1	5.9	8.3
Return on sales (EBIT margin) %	6.3	8.4	11.9	11.9	-2.5	5.1	5.9	8.3
Invested capital (IC)	1'473	1'494	676	688	477	531	256	262
Return on invested capital (ROIC) %	12.4	22.4	26.1	27.2	-4.4	16.1	18.4	27.5
Number of employees	14'678	15'027	6'892	6'852	4'336	4'693	3'358	3'394

Our Corporation

GF comprises three divisions: GF Piping Systems, GF Casting Solutions, and GF Machining Solutions. Founded in 1802, the Corporation is headquartered in Switzerland and present in 33 countries with 142 companies, 56 of them production facilities. Its 14'678 employees generated sales of CHF 3'720 million in 2019. GF is the preferred partner of its customers for the safe transport of liquids and gases, lightweight casting components, and high-precision manufacturing technologies.



North America 20 Locations

South America 3 Locations

Asia 68 Locations

Europe 79 Locations

Middle East 13 Locations

Oceania 6 Locations

Find all places of GF at:

annual-report.georgfischer.com/19/en/our-corporation-2019/



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 and high-quality components for the safe transport of water, chemicals and gases, as well as corresponding services. The product portfolio of fittings, valves, pipes, automation and jointing technologies covers all applications of the water cycle.

Global 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 more than 30 production sites in Europe, Asia, and the Americas.

Key figures

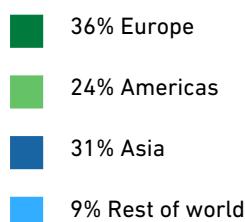
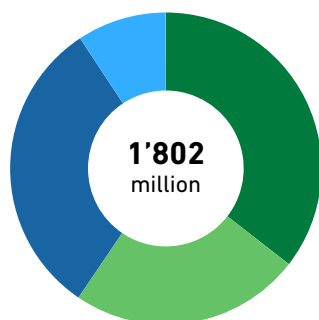
CHF million	2019	2018
Order intake	1'788	1'865
Orders on hand at year-end	119	134
Sales	1'802	1'821
Sales growth %	-1.0	8.5
Organic growth %	1.3	8.2
EBITDA	264	269
EBIT	214	217
Return on sales (EBIT margin) %	11.9	11.9
Invested capital (IC)	676	688
Return on invested capital (ROIC) %	26.1	27.2
Number of employees	6'892	6'852

Employees

6'892

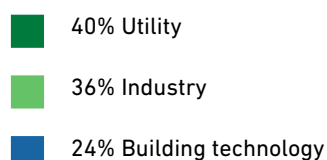
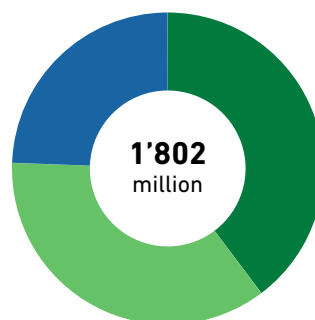
Sales per region

in CHF



Sales per segment

in CHF





Groundbreaking customer solutions

GF Piping Systems sees digitalization as a key pillar in developing innovative products and solutions for its customers. The Hycleen Automation System is an excellent example of this and the drive to accelerate the development of pioneering technologies.



The showcase solution

The Hycleen Automation System prevents harmful bacteria from multiplying in the piping installation, and ensures perfect drinking water quality. This is a revolution for water installations in hotels, hospitals, and residential buildings, as well in the marine segment. Hycleen ensures safe water supply and the automated operation of drinking water installations. The state-of-the-art circulation control system is quick to install and operate. It allows all customer data to be logged, evaluated, and displayed. Hycleen offers GF Piping Systems exciting growth opportunities worldwide.



Strategy 2020 recap

The key pillars of GF Piping Systems' strategy are strengthening the existing market segment organization, linking the innovation process to identified customer needs, expanding the global presence and adapting the footprint, as well as shifting portfolio towards higher margin businesses and services. GF Piping Systems is well on track in the implementation of these thrusts.



Innovation strategy

Customer centric innovation is essential for the future differentiation of GF Piping Systems. To further increase its competitive advantages, the division's innovation initiatives depend on listening to and quickly acting upon customer needs. The innovation strategy is built on four core elements:

- Empower all regions to innovate
- Open organization for internal and external collaboration
- Focus on strategic innovation fields
- Improve learning culture and decision making velocity



GF Casting Solutions at a glance

GF Casting Solutions is one of the leading solution providers of lightweight components in the mobility and energy industry. As a future-oriented company, GF Casting Solutions acts as a driving force for innovation in the foundry and additive manufacturing world and wants to take the lead in shaping the development of sustainable mobility.

Global presence

GF Casting Solutions manufactures at 13 production sites in Germany, Austria, Romania, Switzerland, China, and the USA. The division supplies the global automotive industry, aerospace and energy markets, and provides components for off-highway vehicles as well as for industrial applications.

Key figures

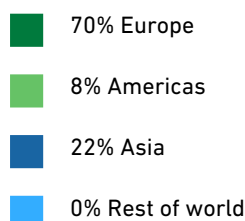
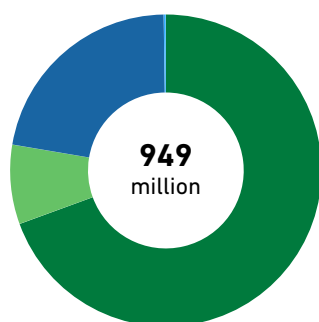
CHF million	2019	2018
Order intake	953	1'617
Orders on hand at year-end	267	289
Sales	949	1'687
Sales growth %	-43.7	13.8
Organic growth %	-9.7	5.2
EBITDA	48	160
EBIT before one-offs	22	86
One-offs	46	
EBIT	-24	86
Return on sales before one-offs (EBIT margin before one-offs) %	2.3	5.1
Return on sales (EBIT margin) %	-2.5	5.1
Invested capital (IC)	477	531
Return on invested capital (ROIC) %	-4.4	16.1
Number of employees	4'336	4'693

Employees

4'336

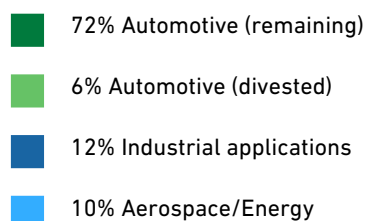
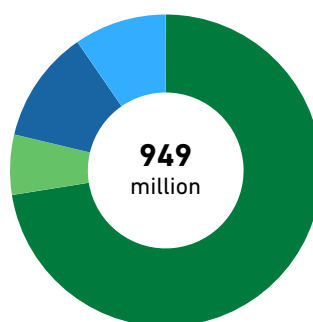
Sales per region

in CHF



Sales per segment

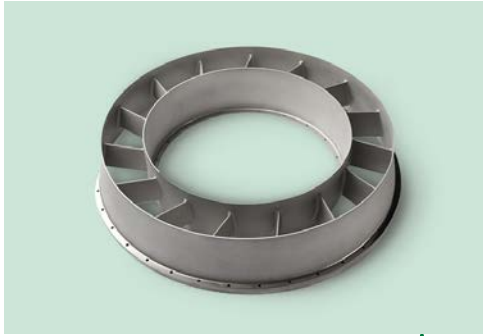
in CHF





Driving future technologies

GF Casting Solutions is a leading manufacturer of cast and additive manufactured components. With innovative products like the Turbine Rear Vane for aero engines, which is manufactured using an additive process, the division makes revolutionary steps in the aerospace industry.



The showcase product

It is about saving time, gaining design freedom, and reaching all quality standards: The new Turbine Rear Vane (TRV) represents the Additive Manufacturing portfolio of GF. This complex part – one of the largest additive components ever manufactured for an aircraft turbine – is printed within only 48 hours. The TRV is manufactured in a combination of GF technologies in the new “**AMotion Center**” in Stabio (Switzerland), led by GF Casting Solutions and GF Machining Solutions. The combination of 3D printing and the new horizontal EDM technology – provided by GF Machining Solutions – is unique in the additive manufacturing world.



Innovation strategy

GF Casting Solutions keeps the focus on operational excellence and innovation for the mobility of the future in mind – in its strategic segments automotive, aerospace, off-highway, and energy. The division strives for making mobility more sustainable through innovative lightweight design, the use of new materials and new processes for lighter and consequently more fuel-efficient components. Key customer pains are the reduction of CO₂-emissions and fuel consumption. Through GF's lightweight design and cast solutions, customers can be continuously supported from the first concept to ready-to-mount components, systems, and modules.



Strategy 2020 recap

Key pillars of GF Casting Solutions' strategy are the expansion into higher margin businesses, provide global solutions, and ensure profitability in Europe. In these fields, the division has taken important steps: The promising aerospace and energy segments have been expanded successively. In line with the trend towards lighter vehicles, the division focussed on its competences in lightweight components made of aluminum and magnesium. The divestment of the sites in Singen and Mettmann (Germany) and Herzogenburg (Austria) completed the withdrawal from the automotive iron casting business in Europe.



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 die-sinking EDM machines. Moreover, the division offers Spindles, Laser texturing, Laser micromachining, Additive Manufacturing, Tooling and Automation, as well as digitalization solutions.

Global presence

GF Machining Solutions is present in more than 50 countries with its own sales companies. The key customer segments are the aerospace, Information and Communication Technology (ICT), electronic, medical, and automotive industries.

Key figures

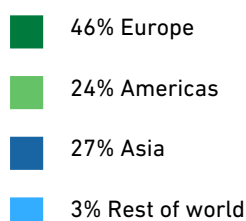
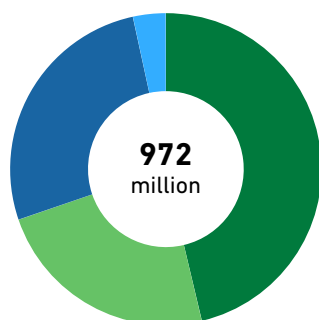
CHF million	2019	2018
Order intake	954	1'042
Orders on hand at year-end	177	200
Sales	972	1'066
Sales growth %	-8.8	7.5
Organic growth %	-7.5	5.4
EBITDA	71	102
EBIT	57	88
Return on sales (EBIT margin) %	5.9	8.3
Invested capital (IC)	256	262
Return on invested capital (ROIC) %	18.4	27.5
Number of employees	3'358	3'394

Employees

3'358

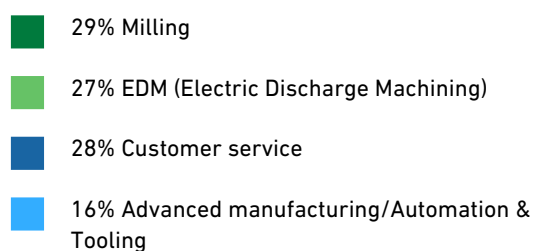
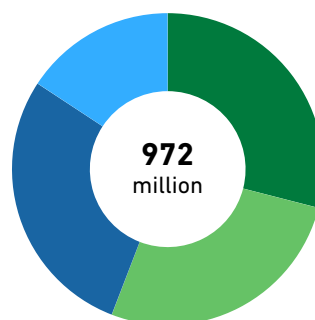
Sales per region

in CHF



Sales per segment

in CHF





Focus on digitalization

GF Machining Solutions develops new digital solutions and highly precise machines. The EDM, Milling, Laser and advanced manufacturing technologies strengthen the division's role as innovation partner.



The showcase product

One of the innovative solutions shown by GF Machining Solutions at the world-leading machine tool fair “EMO” 2019 was the new AgieCharmilles CUT P 550 Pro. This new wire Electrical Discharge Machine (EDM), to be officially launched in 2020, offers a new human-machine interface, which ensures a higher flexibility and simplifies tasks such as programming or changing the machining strategy. Moreover, it also features GF Machining Solutions’ revolutionary Spark Track technology. Thanks to that, the Fir Tree Disk, a part of an aero engine, can be manufactured more precisely.



Innovation Strategy

GF Machining Solutions continued to be strongly focused on technologies and services that are currently gaining momentum: Additive Manufacturing (AM) and Intelligent Manufacturing. Together with its partner 3D Systems, GF Machining Solutions offers an optimized and integrated metal AM workflow, easier factory Automation, as well as dedicated post-processing solutions such as Milling and EDM. In terms of Intelligent Manufacturing – which adds great value to customers – the division is already deploying the infrastructure for the future using edge computing and digital hubs while building up its service platform at the same time. Software solutions like rConnect offer customers a fast, digital overview of their production and provide them with access to expert service, wherever they are.



Strategy 2020 recap

By 2020, GF Machining Solutions will be the trusted partner of the global precision machining industry during all phases of the lifecycle. Key pillars of GF Machining Solutions' strategy are ensuring professional and efficient organization, providing complete solutions, and keeping its innovation leadership characterized by Swiss quality.



Our employees

Motivated employees are crucial to the success of a company. GF relies on the commitment of its employees. To promote their engagement, GF offers various perspectives and opportunities for their development.

Company Culture

Cultivating shared values

As an internationally operating company, GF employs 14'678 staff worldwide in 33 different countries from several cultures and ethnic groups. GF welcomes employee diversity as a valuable source of creativity and innovation. In order to create a common basis for global cooperation, GF has defined five corporate values (see box below). They form the foundation of the corporate culture and are taught to employees in training courses. In this way, GF creates a culture of mutual respect and cultivates an atmosphere of openness, trust and team spirit.

Five values of corporate culture

- We put customers first
- We act fast
- We do what we say
- We reward performance
- We respect people

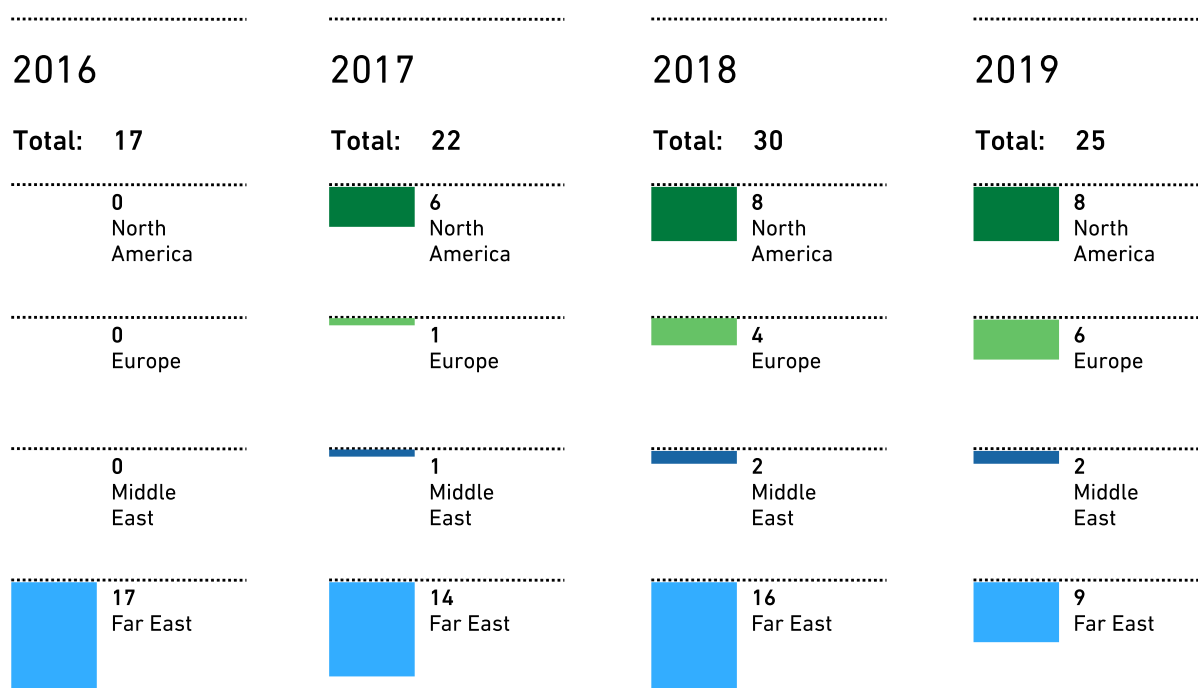


<https://www.georgfischer.com/en/about-gf/sustainability-at-gf/values.html>

Beyond borders

At GF, employees have the opportunity to acquire professional and life experience in different cultural environments over the course of their careers. GF encourages the exchange of exceptionally talented employees across national and cultural borders. Expats and inpats are able to gain the skills necessary to assume global responsibilities within the company and acquire an understanding of other cultures, customs and traditions.

Long-term international assignments per year and region



Modern working environment

Attractive employer

Promoting employees and job satisfaction is a high priority throughout GF. In addition to offering modern employment conditions, GF focuses on providing an innovative working environment that strengthen open communication and efficient cooperation, while still making it possible for employees to withdraw on their own to do concentrated work. Last year, GF invested in modern workplaces in Romania, Japan, and at its Swiss sites in Biel and Schaffhausen.

Compensation & Talent Management

Fair compensation models

GF applies the same four principles of compensation to the Board of Directors, Executive Committee and all employees. Compensation should be fair and transparent, performance-related, long-term oriented and in line with the market. To this end, GF works with modern function evaluation models that permit internal and external comparisons. These models take into account factors such as experience, responsibility and competences. GF attaches great importance to avoiding any form of salary discrimination.

Promoting skills and expertise

For employees at management level, GF follows the Management by Objectives (MbO) approach. Annual targets are set in a target agreement at the beginning of the year, and target achievement is monitored over the course of the year by both the employee and its manager. This process is designed to promote employees' skills and competencies and strengthen their sense of personal responsibility.

Finding highly qualified talents

GF attaches great importance to the search for up-and-coming talents. GF participates in professional and student fairs around the world to introduce itself to students and graduates of universities and applied science universities as a modern employer offering attractive career prospects. Students also have the chance to get to know GF better as a potential employer at a number of different events.

GF works with universities and technical colleges around the world, including China. Students have the opportunity to do internships or to write their bachelor's or master's theses (BA or MA) within the framework of challenging GF projects or case studies. GF maintains partnerships with top technical universities in Switzerland, Germany, Austria, and Australia. New cooperations have been established with the Harvey Mudd University in Southern California (USA) and the University of Lugano (Switzerland).

Education at GF

Training our own specialists

GF employs 446 apprentices worldwide, giving them the opportunity to launch their careers within a global company. A good example is the trainee program especially developed in 2017 for technical customer service at GF Machining Solutions in Lincolnshire, Illinois (USA). This initiative has met with a strong positive response, as the USA does not have an officially recognized apprenticeship system like in Switzerland and other European countries.



Design Thinking training in Schaffhausen for employees from all over the world.

GF supports and promotes its employees throughout their careers through targeted development and training programs. The GF Academy formulates the company-wide range of training measures and programs and is responsible for their implementation. The offerings address employees from all divisions and regions and are aimed at supporting them in acquiring and further developing professional and social skills. For 15 years now, all new employees have been introduced to Stephen Covey's "Seven habits of highly effective people" (nicknamed the "7 habits") in a training course. The 4DX method (4 Disciplines of Execution) teaches employees important skills that help them successfully implement the corporate strategy. The topic of innovation is to be promoted through regular training sessions on "Design Thinking."

Employee trainings at GF 2019

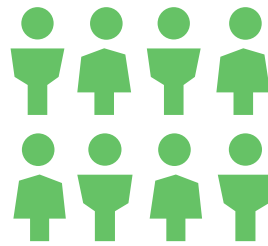
7 Habits
(46 trainings
worldwide)

806 Total
participants
2019



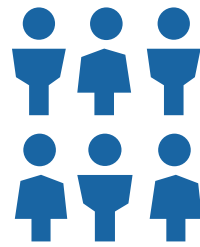
Design Thinking
(21 trainings
worldwide)

266 Total
participants
2019



4DX
(23 trainings
worldwide)

193 Total
participants
2019



Women at GF

GF wants to increase the proportion of women in management positions. Two women hold appointments to the Board of Directors, the company's highest management level. When filling vacant management positions, where internal candidates are usually preferred, attention is paid to include at least one woman on the shortlist. Women are also increasingly occupying line management functions. To help enable female employees to continue their careers, for several years now, GF in Switzerland has voluntarily granted all expectant mothers a job guarantee of twelve months from the date of birth in a comparable position, which exceeds the requirements of the collective employment agreement. In other countries, GF is also endeavoring to find economically viable and sensible solutions along these lines, taking legal frameworks into account.



Company strategy

GF is a worldwide business player operating in an environment of global competition. All three divisions of GF are among the market and technology leaders in their segments and main markets.

Vision & Strategy

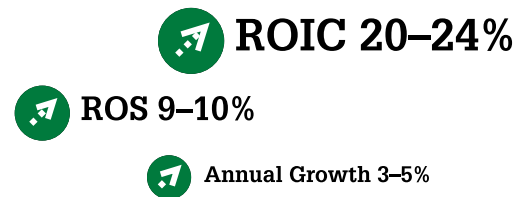
GF is a global industrial company and leading solution provider. It generates value throughout the economic cycle. All three divisions GF Piping Systems, GF Casting Solutions, and GF Machining Solutions are among the market and technology leaders in their segments and main markets.



The Strategy 2020 focuses on profitable growth.

The strategic objectives are

- + ROIC 20–24%
- + ROS 9–10%
- + Annual Growth 3–5%



In order to achieve these objectives, the strategy is implemented on the basis of three main strategic thrusts:

- + Widen presence in growth markets, adapt portfolio & footprint in Europe
- + Shift divisions' portfolio to higher margin businesses
- + Drive sales proficiency and innovation excellence

GF addresses the challenges of global megatrends and offers dedicated solutions in all three divisions – in line with Strategy 2020.

Global trends 1 – Growing and aging world population, urbanization

GF's solutions in the segments Utility, Industry and Building technology:

- + Leak-free and safe delivery of water and gas outside buildings (Utility)
- + Energy efficient process water solutions for various industries (Industry)
- + Hygienic water for private homes and commercial buildings (Building technology)

Global trends 2 – Climate change and CO₂-reduction, urbanization, mobility

GF's solutions in the segments automotive and aerospace:

- + Planning, development, and digital production know-how for the production of lightweight components
- + Precision casting and Additive Manufacturing know-how for the aerospace and energy segment

Global trends 3 – Digitalization & miniaturization, increased need for precision

GF's solutions for making high-precision machines more energy efficient:

- + Additive Manufacturing (more complex, lighter products, reduced scraps)
- + Intelligent Manufacturing (full traceability, better and faster maintenance)
- + Laser texturing and Laser drilling (more aesthetic and functional texturing)



Letter to the shareholders

GF Piping Systems with strong performance – economic headwinds affect overall results

Dear shareholders,

The geopolitical uncertainties affected the global economy in the first half of 2019 and have become even more evident in the second semester of the year. The trade tensions between USA and China, the lengthy Brexit discussions, ongoing confrontations in the Middle East region and in particular, the transformational change in the automotive business led to economic headwinds. As a consequence, the business sentiment in key industries and markets was affected by these uncertainties, creating a more challenging environment for GF.

GF sales amounted to CHF 3'720 million (2018: CHF 4'572 million), a decline of 18.6%. The development was primarily due to the proactive withdrawal of GF Casting Solutions from the iron casting activities in the European automotive industry and negative currency effects of CHF 88 million. Organically, sales decreased by 4.1%. The organic decline in the second half of the year decelerated to 2.5% versus a 5.5% decrease in the first semester 2019. Whilst GF Piping Systems grew organically by 1.3%, sales of GF Casting Solutions and GF Machining Solutions organically decreased by 9.7% and 7.5% respectively. GF increased the top line in the Americas, whereas markets in Europe and Asia recorded a lower sales volume.

The operating result (EBIT) amounted to CHF 281 million before one-off items compared to CHF 382 million in 2018, equal to an EBIT margin (ROS) of 7.6% (2018: 8.4%). Including one-off items amounting to CHF 46 million in connection with initiated structural adjustments of GF Casting Solutions, the EBIT was CHF 235 million (EBIT margin 6.3%).

The return on invested capital (ROIC) reached 12.4%. GF Piping Systems achieved a remarkable ROIC figure of 26.1%. As a result of the divestment at GF Casting Solutions, the number of employees at year-end fell to 14'678 (2018: 15'027).

GF's net profit after minorities amounted to CHF 173 million (2018: CHF 281 million). The free cash flow before acquisitions reached CHF 137 million, which is CHF 10 million below previous year's level. Earnings per share reached CHF 42 compared to CHF 69 in 2018. The Board of Directors will propose at the upcoming Annual Shareholders' Meeting a dividend per share of CHF 25 on strong previous year's level. GF is well positioned in its markets and the focus on less cyclical market segments has increased the resilience of GF to economic slowdowns. These efforts will be pursued in the years to come.

GF Piping Systems

GF Piping Systems grew by 1.3% organically and was able to keep its sales at CHF 1'802 million on previous year's level. Headwinds from currency movements affected sales negatively by CHF 45 million. All three business segments Utility, Industry and Building Technology showed a strong performance in Europe, whereas the Asian and the US markets suffered from the ongoing trade tensions. China was slightly below previous year's level, since major infrastructure projects such as the "coal to gas program" continue to remain on hold.

The operating result stood at CHF 214 million (2018: CHF 217 million), for a strong 11.9% ROS, at the level of previous year. The continuous shift to higher value businesses with more digitalized solutions bears its fruits. The demand for clean water solutions remains on a high level, the pre-insulated Cool-Fit product line, developed for the transport of cooling media, experienced high growth and strong demand for datacenter projects and from other industrial customers.

**The continuous shift
to higher value
businesses with more
digitalized solutions
bears its fruits.**

The new high-pressure die casting facility from GF Linamar in the US is well positioned with its manufacturing capabilities for lightweight structural components.

GF Casting Solutions

In 2019, the performance of GF Casting Solutions was impacted mainly by the structural changes and market turmoil in the European automotive industry. In order to ensure the competitiveness in this new environment, the division has been swiftly implementing comprehensive structural and operating measures. The iron foundry divestment in Herzogenburg (Austria) with negative one-time costs of CHF 9 million and the partial relocation of the site in Werdohl (Germany) with costs of CHF 37 million led to overall one-off costs of CHF 46 million for 2019.

The new high-pressure die casting facility from GF Linamar in the US is well positioned with its manufacturing capabilities for lightweight structural components. The company was awarded with several large orders. The high order book required already an expansion of the operations, which was accomplished in June 2019. Consequently, the ramp-up costs for the new orders had a considerable impact on the result and amounted to CHF 16 million for the full year 2019. Adjusted for divestments (CHF 633 million), sales fell organically by 9.7% to CHF 949 million. The significant drop of the automotive production in Germany (–7%) and China (–8%) is the main driver for the organic decline. The operating result before one-off items dropped as a consequence to CHF 22 million (2018: CHF 86 million), resulting in a ROS of 2.3%. Including one-off items amounting to CHF 46 million in connection with initiated structural adjustments, the EBIT was CHF –24 million (EBIT margin –2.5%).

The strategic transformation, including the optimization of the footprint in Europe and the shift in new market segments such as aerospace and energy, is on track. The completion of this transformation is expected in 2021.

GF Machining Solutions

In the second half-year 2019, the demand for capital goods in Europe, spearheaded by Germany, but also in the US dropped. The Chinese markets for machine tools remained on previous year's low level.

GF Machining Solutions generated sales of CHF 972 million, an organic decline of 7.5% compared to the previous year. Businesses in China and Western Europe have been impacted the most, whereas the division was even able to grow in the US, based on the division's strong position in aerospace and medical technology. Innovations and a strong focus on the defined strategic market segments allowed the division to clearly outperform the North American market.

The reduction in sales and the lower utilization of production capacities affected the operating result. It fell from CHF 88 million to CHF 57 million, resulting in a ROS of 5.9% compared to a strong 8.3% in 2018.

Innovations in the field of new technologies such as laser texturing or additive manufacturing continued to see a high demand from our customers, growing 41% in 2019.

The ramp-up of the new milling innovation and production center in Biel/Bienne (Switzerland) has been successfully accomplished. The focus on operational excellence and innovation will remain the main driver for the development of the division.

Innovations and a strong focus on the defined strategic market segments allowed the division to clearly outperform the North American market.

Last year of strategy 2020 cycle / outlook

In the last year of its strategy cycle 2016–2020, GF will continue to focus on the implementation of its strategic thrusts and the acceleration of the strategic transformation at GF Casting Solutions. The structural shift within the automotive industry from traditional powertrain systems to hybrid and e-mobility concepts shows that the focus on lightweight structural components and parts for the energy and aerospace sector are the right moves. However, the transformation of the division is an ongoing part of the strategy and is anticipated to be finished in the year 2021. GF Piping Systems will continue to shift its portfolio to higher value businesses. The broad global customer base and the focus on sustainable solutions resulted in a strong performance despite difficult market conditions. Innovations and solutions for the safe transport of liquids and gases will remain the key focus of the division. At the world-leading machine tool fair EMO, GF Machining Solutions launched new digitalized solutions preparing the ground for further growth. The division's passion for customer-centric innovations remains the key driver for growth and profitability.

The economic and political uncertainties in the markets, including the operational and financial implications of the coronavirus, have grown and will most probably continue in the upcoming months. In 2020, GF will therefore strengthen its focus on innovation, speed and operational excellence and has proactively launched an agility program addressing these topics. These initiatives in the transition year 2020 will set a solid base for the new GF strategy cycle 2025. They will complement the initiated structural measures with the ambition to sustainably improve future results and thereby bring GF's performance back towards its strategic targets (EBIT margin 9–10%, ROIC 20–24%).

Changes to the Board of Directors

Yves Serra will be proposed to the shareholders at the Annual Shareholders' Meeting on 15 April 2020 for election as Chairman of the Board of Directors. From 2008 to 2019, Yves Serra has been President and CEO of GF. Upon his retirement as CEO, he was elected to the Board of Directors and nominated as Vice Chairman.

Roman Boutellier has reached the age limit and will retire as a Board Member at the next Annual Shareholders' Meeting. With his broad industrial, technological and scientific background, Roman Boutellier has contributed significantly to the successful development of GF over many years. We would like to thank him for his countless, very valuable and inspiring contributions he made to our company. The Board of Directors proposes Peter Hackel, CFO and Member of the Group Executive Management Board of Straumann Ltd, Basel (Switzerland) as new Board Member.

Mutual trust as key success factor

Our heartfelt thanks goes to all GF employees worldwide for their customer-centric efforts, team spirit and passion for GF. They will become even more an important key success factor for GF in the future.

Our customers are an ongoing source for inspiration and for generating new ideas. We are grateful for their support, their appreciation but also their constructive criticism. We also thank all our shareholders whose number has been increasing significantly over the last years, for their trust, as well as our banks for supporting GF over many years in all financial matters.



Andreas Koopmann
Chairman of the Board of Directors



Andreas Müller
CEO

After ten years of service on the Board of Directors, of which eight years as Chairman, Andreas Koopmann has decided not to stand for re-election at the 2020 Annual Shareholders' Meeting. Andreas Koopmann has always led our Board in an open, competent and farsighted manner and has been a highly appreciated sparring partner for the CEO and the Executive Committee. Throughout his tenure, GF has benefited from his wealth of operational experience as well as from his valuable insights as Board Member in major listed companies. The Board of Directors and the Executive Committee of GF address their heartfelt thanks to Andreas Koopmann for his outstanding services on behalf of the Corporation.



Yves Serra
Vice Chairman of the Board of Directors

Highlights 2019

2019 was an active year for GF, characterized by successfully completed projects, site openings, as well as major events organized by highly motivated employees.



<https://youtu.be/7DNHvCAeEMc>

1/2019

Shared competencies

GF pools its expertise in additive manufacturing in order to leverage its unique position on the market. A competence center established for this purpose has been operating since January under the name “**AMotion Center**” in Stabio (Switzerland) and is managed by GF Casting Solutions and GF Machining Solutions. The center has been successfully audited to obtain the NADCAP certificate, the highest possible level of certification in the aerospace industry. With the additive manufacturing process, highly complex components can be produced using metallic 3D printing.



4/2019

Newly formed GF Executive Committee

At the Annual Shareholders' Meeting on 17 April 2019, two changes took place in the **GF Executive Committee** (from left to right: Pascal Boillat, Carlos Vasto, Andreas Müller, Joost Geginat, Mads Joergensen): CFO Andreas Müller took over the position of CEO from Yves Serra, who has reached retirement age. Mads Joergensen, who served as CFO of GF Piping Systems for many years, became the new CFO of GF. Yves Serra was elected to the Board of Directors at the Meeting.



5/2019

A significant anniversary

GF's own “Iron Library” (Eisenbibliothek) celebrated its **70th anniversary** in spring this year. It was founded on 31 December 1948 on the initiative of Ernst Müller, Director of GF at that time. The Iron Library in Klostersgut Paradies, near Schaffhausen (Switzerland), is dedicated to preserving the cultural and historical heritage of GF, together with the Corporate Archives. It is one of the world's largest specialist libraries for the history of iron and steel as well as the history of technology in general.



7/2019

For the mobility of the future

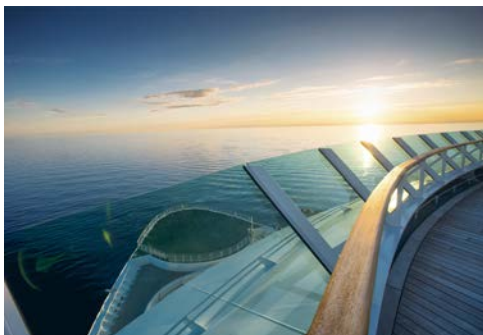
If Tesla and SpaceX founder Elon Musk has his way, in future people will be transported around the globe at breathtaking speed. At the Hyperloop competition in Los Angeles (USA), among the many participants the **Swissloop team of the ETH Zurich** (Switzerland) showed how this vision could be realized with a transport capsule. GF, as a main sponsor of the Swissloop team, supplied the team with a casting component, developed by GF Casting Solutions, to cool the pod's drive system. During the competition in July, the transport capsule reached an impressive top-speed of 252 km/h in the vacuum tube - rushing straight to the 2nd place.



7/2019

Strengthen competitiveness in Europe

In 2019, GF has swiftly undertaken actions to ensure its competitiveness in Europe and decided in July to shift approximately 300 jobs from the location in Werdohl (Germany) to Romania and Austria. The light metal casting plant in Werdohl has suffered from the changing market conditions and the shift by customers in their range of products. As part of the strategic focusing of its portfolio, in October, GF Casting Solutions divested its iron foundry in Herzogenburg (Austria) to the company MRB FerCon GmbH which was founded by former GF managers. GF thus completed its withdrawal from the automotive iron casting business in Europe, which had already been announced in December 2018, in line with GF's strategy.



8/2019

Expand presence in the marine business

In August, GF Piping Systems acquired Global Supply Co. Inc. in Hallandale (USA), a company specialized in services for the shipping industry, for example retrofitting cruise ships. This acquisition will allow the division to expand its presence in the promising US marine sector.



9/2019

Investments at several sites

GF invested around CHF 100 million in the new innovation and production center of GF Machining Solutions in Biel (Switzerland). The divisional headquarters, opened in September, offers space for around 450 workplaces and has more than 13'000 m² available for production and assembly (pictures 1 and 2). After about two years, in October, GF Casting Solutions opened a new administration building in Pitești (Romania) for about 40 employees. GF Piping Systems inaugurated its modernized headquarters and the new customer training center in Schaffhausen (Switzerland) in November (picture 3). Within the same month, GF Casting Solutions celebrated the inauguration of the new **Tool Technology and Manufacturing Center** (picture 4) in Souzhou (China).



9/2019

Half a million Swiss francs for clean drinking water

More than 1'000 GF employees and business partners from the USA (pictures 1 and 4), Germany, Indonesia, and Switzerland (pictures 2 and 3) took part in GF's "Walk for Water" in September. The charity run brought in donations of around CHF 350'000, which GF topped up to CHF 500'000. This amount was donated to the "Water Mission" aid organization, a long-standing partner of GF. The money will be used for projects in Indonesia and Malawi.



<https://youtu.be/GRMuJVzRI2U>

9/2019

Capital Market Day well visited

With the motto "Innovations for today and tomorrow", GF gave about 50 analysts and journalists in Biel (Switzerland) an in-depth insight into current innovative projects geared to sustainability and efficiency on the **Capital Market Day** in September. With various exhibits, the three divisions presented their latest applications in the areas of water hygiene, lightweight vehicle and engine components, as well as the additive production of complex and lighter products.



<https://youtu.be/m58vDOxdKy4>

11/2019

Joint venture in the Middle East

In November, GF established a joint venture with Corys Investments LLC in Dubai (UAE) and Egypt Gas, Cairo (Egypt). The new company Egypt Gas GF Corys Piping Systems will invest in a new production facility for plastic pipes and fittings near Cairo. It aims to participate in the rapidly growing market for gas and water distribution in Egypt. The start of commercial production is planned for 2021.



Sustainability at GF

In an increasingly complex and uncertain world, it is becoming more critical for companies to focus on broad stakeholder value to achieve business success. Therefore, it is the aim of GF to ensure that its business positively contributes to society's progress toward being future-fit.

GF regards ethical business conduct, resource-efficient and environmentally friendly production, eco-design in products and solutions, as well as respect for its employees and all other GF stakeholders as part of the Corporation's responsibility in society.

Our stakeholders

GF maintains a continuous dialogue with its internal and external stakeholders, enabling key issues to be proactively recognized and addressed. This exchange is promoted through a wide range of activities and measures.



Employees

At the end of 2019, GF proudly employed 14'678 people at locations in 33 countries around the world.

Investors

GF is in regular contact with its investors via roadshows, events, meetings (including the Annual Shareholders' Meeting of the Corporation), or through active participation in annual assessments of the company by sustainability analysts.



Customers

Lasting customer loyalty is built by GF's product and solutions specialists maintaining ongoing contact with customers and by GF taking part in a variety of trade fairs, organizing in-house events, as well as customized training sessions for GF's customers.

In addition, targeted workshops on sustainability are held with customers from key market segments in order to jointly develop future-oriented products, solutions, and services.

Suppliers

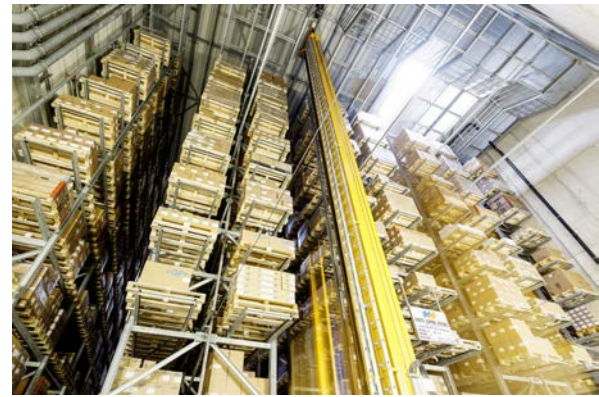
Long-term successful partnerships with GF's procurement and logistics partners are essential for the continuity of the business. Ensuring that they represent and follow the standards that GF applies to itself is of the highest importance to GF.

GF also sees suppliers as crucial collaboration partners to ensure increased environmental efficiency of GF's own operations (e.g. in the case of production equipment) as well as reducing possible social or environmental risks for GF's value chain.



Regulators

For GF as an international company, it is crucial to stay abreast of and follow the relevant rules and regulations of each country in which it operates. To facilitate this, GF is a member of a number of chambers of commerce.



Universities and research institutes

GF maintains close contact with universities and research institutes. Cooperation takes place on a number of levels, both in specific projects and in the provision by GF of internship and diploma work opportunities to students of technical colleges and universities.



Local communities

GF supports and promotes cultural and social programs at its various locations, as well as aims to create an overall positive impact on the local communities where it operates.

Media and general public

GF regularly publishes media releases on relevant topics and maintains a continuous exchange of information with journalists. Traditional media conferences are supplemented by the active presence of GF on the social media channels [Twitter](#), [Facebook](#), [YouTube](#), [LinkedIn](#) and [Xing](#).



Industry associations and NGOs

As an international company with Swiss roots, GF cultivates an ongoing exchange with international and national associations and organizations. From Swiss trade associations to organizations active on the international level to global networks such as the UN Global Compact – GF is involved in many ways.

GF is committed to sustainable corporate development. The Corporation takes economic, ecological, and social responsibility for its activities at all levels. To focus the necessary efforts, GF conducts a periodic materiality assessment of topics within the area of its influence to identify those that carry highest relevance for GF and its key stakeholders. Based on this process, GF puts in place measures necessary to continuously advance its standing on these topics.

Sustainability program management

Responsibility for continuous integration of sustainability aspects into the daily operations of GF lie with each department and division. The topic is coordinated at the Corporate level by the Corporate Sustainability unit¹ in close contact with the dedicated sustainability teams within the three divisions to ensure tracking of the progress of individual locations, business units, and divisions towards achieving the set targets.

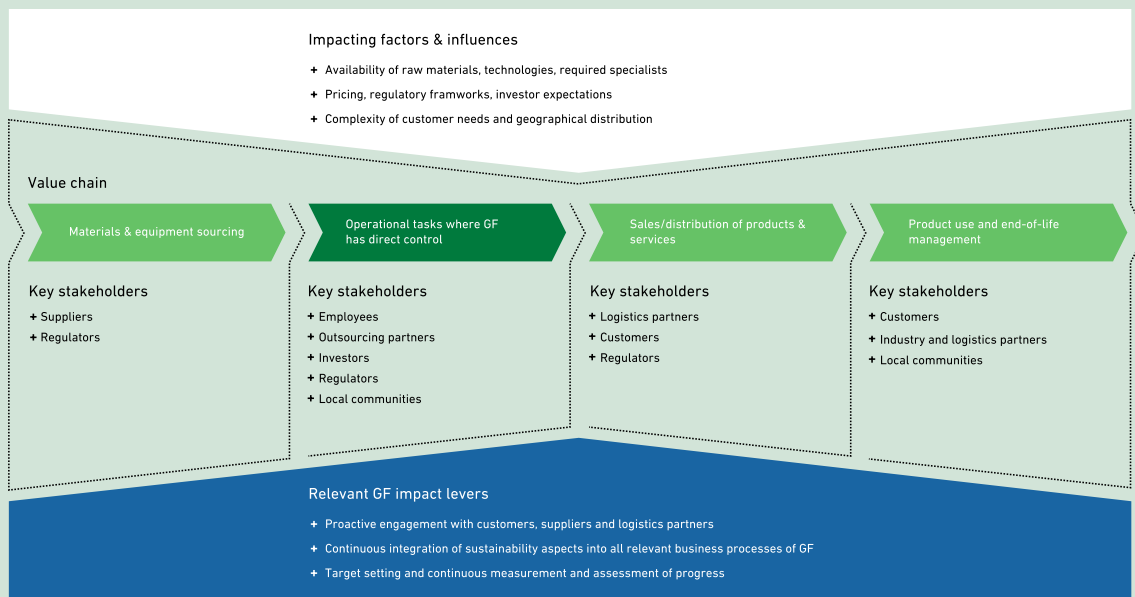
Evaluation of **sustainability risks**, including possible climate-related exposure, forms part of GF's Risk Enterprise Process, with assessment by the business units conducted on a half-annual basis.

The Executive Committee bears the ultimate responsibility for the topic of sustainability and for ensuring that the defined targets are met with progress discussed every six months. The annual performance objectives of the Executive Committee Members include at least one related to sustainability. The specific points match and support the strategic efforts of each division and are being cascaded into the organization.

-----> MBO process at GF

Specific sustainability-relevant measures that the Corporation and its three divisions are currently working on are based on the set of **Sustainability Targets 2020** defined in 2015 along the entire value chain of GF. These targets are closely linked with GF's Strategy 2020, and the respective activities contribute to the key strategic thrusts of the Corporation. Being now almost at the end of the current 5-year strategy period, GF could show progress on all of the set sustainability goals. Detailed information will be published at mid-year in the Sustainability Report 2019.

Value chain of GF at a glance



GF brings sustainability to its customers

In GF's core business, sustainability efforts are directly linked to the Corporation's understanding of its purpose – to add value to and improve the quality of lives through all of GF's business endeavors. Thus, GF aims to ensure that the components or full-system solutions that it designs and produces address the megatrends facing today's society, contribute to the UN Sustainable Development Goals, and provide best value-added from both quality, safety, and sustainability angles for the customers of its divisions.



Pressurized piping system for the transport of water, gas and multiple industrial pressure applications.

For **GF Casting Solutions**, considerations for sustainability in its product portfolio mean developing the solutions for the future of mobility, both in automotive and aerospace segments. The core expertise of the division is in applying innovative design solutions and production technologies to create components with weight reduction of up to over 50%² – thus helping its customers to reduce fuel consumption and respective CO₂-emissions during the vehicle's usage.

For **GF Piping Systems**, sustainability means, amongst others, leak-free and safe delivery of water, gas, and chemicals to the utility sector, energy-efficient process water solutions for industrial applications, as well as hygienic water for private homes and commercial buildings. As one of the many projects implemented in 2019, GF Piping Systems could win a contract to install 760 km of water pipes in Brazil to help the local municipality to reduce water loss in the network – expected annual savings of 75 billion liters of water.



E-Engine housing for alternative drive solutions.



GF's Microlution machines can be used to produce high-precision components, for example for engines with gasoline direct injection.

For **GF Machining Solutions**, sustainability means providing customers with modern, high-precision machines and solutions that significantly improve the energy efficiency of product manufacturing, and offering new technologies. An example thereof is the production of nozzles for gasoline direct injection (GDI) engines – high-precision parts manufactured on GF's Microlution machines. The nozzles produced using the Femto Laser technology, enable savings of over 15% of gasoline during vehicle usage and assure compliance to ever-tighter car emission regulations.

Communication about Sustainability

As a fundamental step to further anchor the topic into daily activities of GF, the internal policy on sustainability management at GF was brought up-to-date and published in the summer of 2019. A variety of channels were added for communication to and with the GF employees on the topic of sustainability – through a global quarterly sustainability newsletter, in-person thematic events, and an online collaboration group. In the fall of this year, continuing an annual tradition, GF conducted a regional sustainability conference, bringing together over 30 environmental and Health & Safety specialists from GF's Asian locations.

Planning for the future

Preparing for the new business strategy cycle, a project was launched in the summer of 2019 to define the sustainability framework for the years 2021–2025 and a longer-term ambition level (2030+) on sustainability. Dialogue with GF's key stakeholder groups formed part of this process, and input of customers and suppliers of the three divisions, as well as of GF's investors and employees was collected in a series of interviews.

Anchored in the social environment

In accordance with 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 2019, around CHF 2 million were spent at the Corporation level on social involvement activities. The biggest contributions in 2019 went to the Corporation-owned foundations Klostergut Paradies, Iron Library, and Clean Water. In addition to this, several GF companies supported local activities by making substantial contributions.

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

70 years of the Iron Library Foundation

The Iron Library in Schlatt (Switzerland) is owned by GF since 1918. The Iron Library Foundation was established in December 1948. Today, GF proudly owns one of the world's largest private collections of books on the subject of iron and industrialization. In 2019, the Foundation celebrated its 70th birthday with a special exhibition "From Convent to Cloud" and further activities.

Improved access to clean drinking water

Through its Clean Water Foundation, GF has supported a total of 151 drinking water projects worldwide since 2002. To date, GF has invested more than CHF 10 million and has improved the lives of more than 300'000 people with better access to safe drinking water. In the context of this Corporate commitment, more than 1'000 GF employees and business partners in four countries took part in the GF "Walk for Water" at the end of September 2019. The event attracted donations of CHF 350'000. GF rounded up this amount to CHF 500'000 and donated it to the non-profit organization "Water Mission" in Charleston (USA), a trusted partner of GF's Foundation for the past 10 years. The funds mainly support selected clean water projects in Indonesia and Malawi.

¹ Positioned within the CFO organization and reports to the Head of Corporate Controlling and Investor Relations

² As compared to applying sheet metal technology



Organization of GF

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

Board of Directors

The seven to nine members of the Board of Directors are elected individually by the Annual 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. Also it 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, eight are also considered independent based on the Swiss Code of Best Practice for Corporate Governance of Economiesuisse.

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 Casting Solutions, GF Machining Solutions, and the two Corporate Staff Units Finance & Controlling and Corporate Development. The Presidents 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 management of the Corporate Center, which is closely involved in management, planning, IT, communications, finance, management development and corporate culture. The Corporate Center ensures also that risk management, transparency, 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

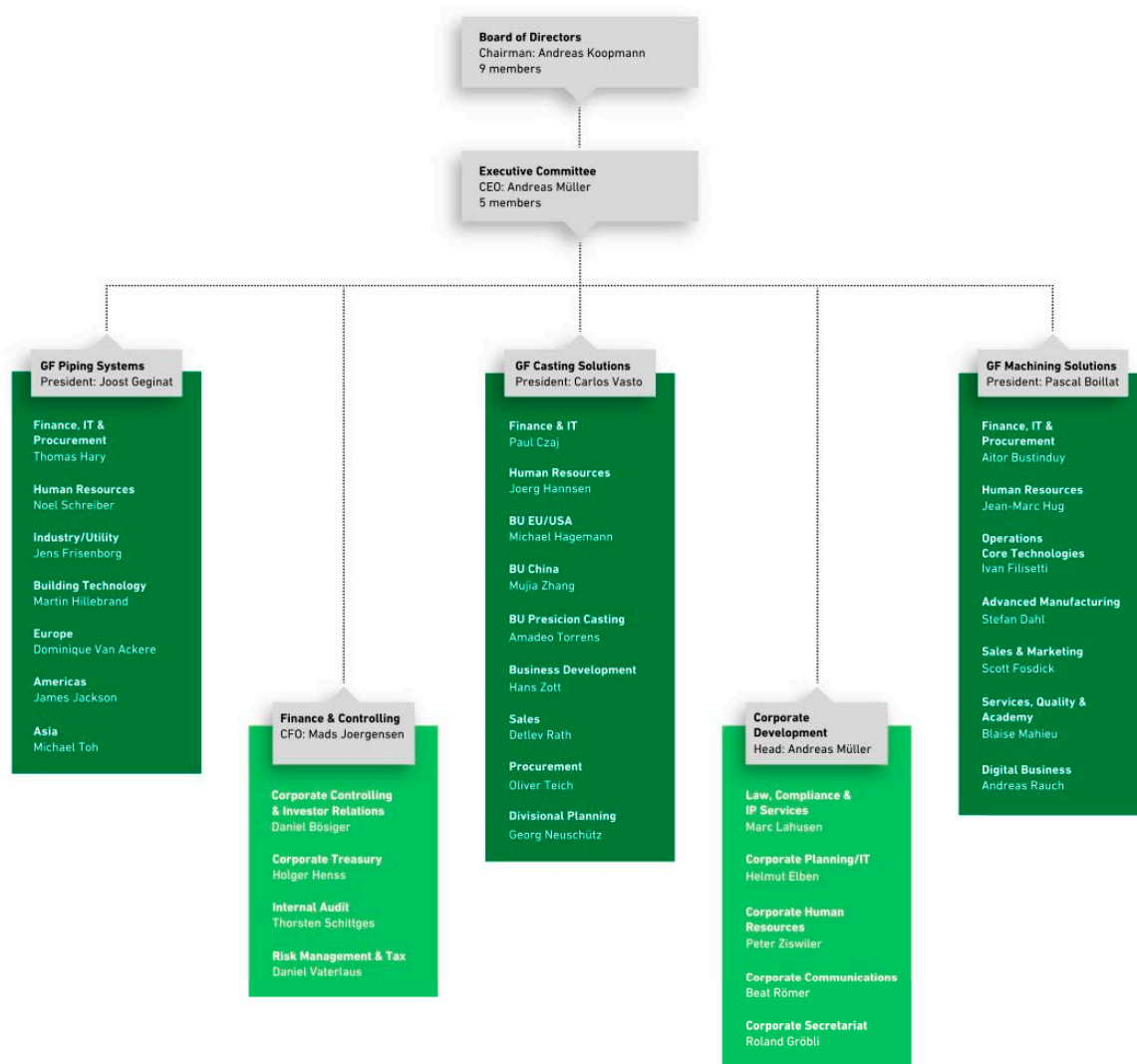
The sustainable development of the Corporation is supported by shared corporate values. They are put down in writing in the Code of Conduct and are becoming increasingly important with the spread of globalization.

Corporate Governance

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

GF organization structure

As of 31 December 2019





Sustainable support for California

In many regions of this world, water is a luxury, although it shouldn't be. For around 50 years, the British company Biwater has been working to provide clean water and wastewater treatment with over 25'000 projects in more than 90 countries. GF Piping Systems cooperated with the Californian Biwater subsidiary in the construction of a modern water treatment plant in Pico Rivera (USA).

It's only a 60 kilometer drive from Los Angeles to Rancho Cucamonga, California (USA). The 175'000-inhabitant city is well known as an important industrial site in steel production and it is home of the North American headquarters of Biwater Inc, a subsidiary of the British company Biwater International.

The company works for industrial and municipal clients and delivers advanced treatment systems that provide safe, reliable and energy efficient water desalination or reuse systems with low life cycle costs. Treated water is an important topic – especially for California, where severe droughts are a recurring problem. Therefore, more than a decade ago, the Water Replenishment District of Southern California (WRD) – the largest groundwater agency in the State of California, managing and protecting local groundwater resources for four million residents – announced a program for Southern California to become 100% independent of imported water in the future. Therefore, a new advanced water treatment facility was needed. The plant in Pico Rivera has been built with the expert support of GF Piping Systems. It is one of many projects by WRD to manage the replenishment of groundwater in the Los Angeles central basin. The plant helps to reduce reliance on imported water from the environmentally sensitive mountain lakes and rivers in Northern California and the drought-stricken Colorado River.

A strong partner nearby

"We chose to work with GF Piping Systems because we were looking for a partner with a proven track record, a well-known company with proven products," says Aaron O'Donnell, Senior Vice President Engineering of Biwater Inc. The geographical proximity was also an important factor for close and easy collaboration: GF has a site in Irvine, only about 60 kilometers from Biwater's headquarters in Rancho Cucamonga. From Irvine, the GF Piping Systems team supplies hundreds of different customers in different markets like microelectronics, life science, food and beverage and water treatment – an ideal starting point also for the Biwater project. The Irvine location has expertise in the production of high-density polyethylene (HDPE) pipe and fittings used for the conveyance of liquids needed for the Biwater construction in Pico Rivera.



<https://youtu.be/e00YXPd6IRw>

From theory to practice

Biwater started with the first plans as early as 2013, with GF Piping Systems joining in May 2017 during the early design and concept phase. "Our products and expertise played a central role until the plant was completed," says Scott Stringfellow, Area Sales Manager of GF Piping Systems in Irvine. "As we are specialists in HDPE components, we were responsible for the design, manufacture and pre-fabrication of custom components including the unique manifolds critical to the system's successful operation. Our engineering team analyzed the plant requirements and created custom components to be utilized in the water treatment system in CAD, later to be assembled in our fabrication facilities in Irvine." He added: "The offsite fabrication allowed Biwater to take delivery of pre-assembled components, which saved labor and time during construction." The order from Biwater included custom-made pipe and manifolds that form the heart of the ultrafiltration and reverse osmosis system at the Pico Rivera plant. But of course, in such a big project, things don't always go smoothly – and "especially then speed and flexibility are of utmost importance. Our teams went the extra mile to ensure immediate supply of the newly fabricated assemblies. Biwater recognized this customer service and ability to act fast," Scott Stringfellow says. The hard work was worth it.

Aaron O'Donnell and Scott Stringfellow are already planning further joint projects. The focus will be on water treatment and groundwater replenishment again. "All interactions with Biwater and Aaron have evolved from a business relationship to a very close working relationship, which helps projects go smoothly for all involved," says Scott Stringfellow describing the atmosphere between the two companies. Good prospects for the joint projects!



What is reverse osmosis (RO)?

RO is a water purification process that uses a partially permeable membrane to remove ions, unwanted molecules, and larger particles from drinking water.

“We chose GF Piping Systems because we were looking for a partner with a proven track record.”

Aaron O'Donnell, Senior Vice President Engineering Biwater Inc



The plant in Pico Rivera

The plant forms a cornerstone of a suite of projects by the client Water Replenishment District to manage the replenishment of groundwater in the Los Angeles central basin. It helps to reduce reliance on imported water from the environmentally-sensitive mountain lakes and rivers in Northern California and the drought-stricken Colorado River. Treated wastewater that would otherwise be wasted to the ocean, to the concern of biologists and environmentalists, is purified to an extremely high standard and then delivered to nearby spreading fields where it percolates into the local aquifer. This water migrates over weeks to local ground water wells used to extract water as the feed source for the areas water treatment plants. This process replaces potable water resources that would otherwise require importation from outside the region. As the external resources are plagued with occasional droughts and demand is surpassing natural replenishment, this water is not always sufficiently available, and costs rocket. Thereby, indirect potable reuse from wastewater resources, is a locally sustainable alternative to imported water in Southern California.

“We really appreciated the efforts of the GF team throughout the design, delivery, and commissioning.”

How would you describe your experience with GF Piping Systems?

The communication with our partners at GF Piping Systems was excellent. They always responded quickly and professionally – especially when it came to solving emerging problems promptly.

What challenging moments do you remember, where GF could support you?

Because of the complex construction of the system, we needed innovative ways to customize the design to reduce the installation time of the various header components. Both the product range and the material expertise of GF Piping Systems proved invaluable. Our contacts at GF suggested a solution with the reliable electrofusion joint, which worked very well.

What do you appreciate about GF products?

The products' quality and durability are extremely high, as the product is an essential component of the systems we manufacture and bears our name. The products provided by GF meet our expectations in terms of function and reliability. It is clear that they are manufactured to a very high-quality standard.



Interview with Aaron O'Donnell

Aaron O'Donnell is Senior Vice President Engineering at Biwater Inc



Taking the fast lane

Electric car manufacturers in China need suppliers with strong Research & Development capabilities and great operational efficiency. GF Casting Solutions has both. Through its successful partnership with emerging carmaker Aiyas, the division demonstrated that a global company can be a great partner for a startup in the Chinese market.

China's auto sector has been cooling down, but it is still one of the fastest growing markets for electric cars. In the first half of 2019, about 490'000 electric cars were sold in China, a 56.6% increase from last year, according to the China Association of Automobile Manufacturers.

Aiways is one of the emerging carmakers trying to tap into the growing pie. The startup recently launched its first electric SUV called U5, with a reach of up to 503 kilometers. The SUV is equipped with six lightweight structural parts (two front shock towers and four torque boxes) produced by GF Casting Solutions. The aluminum components were developed and produced in less than 12 months.

“Global player with extensive experience”

The GF parts are crucial for Aiways due to their light weight and consequently because they make the electric car more energy efficient. That's why the carmaker looked precisely into potential suppliers, one of them GF Casting Solutions. Aiways' chief casting expert, Wang Xuefeng, says: "GF Casting Solutions won the contract after a six-month evaluation period for its wholesome capabilities to help design these innovative products." That was the start of a profitable partnership with Aiways.

The even more important reason for choosing GF Casting Solutions was that the team demonstrated great efficiency in working with startups. An example: Both sides had started exploring manufacturing methods together, even before the designs were frozen. Together they were able to complete the trial production of five dies within five months, which was a strong support to the debugging process of Aiways' production lines. "GF is a global player with extensive experience working with carmakers around the world. It meets our requirements entirely and has done quite a few prospective researches, which has proved to be very helpful to us," says Wang Dongchen, Chief Technology Officer of Aiways.

Daniel Hu, Sales Director China of GF Casting Solutions, agrees: "The partnership is successful because both sides put great value on commitment and efficiency. The GF team was passionate to meet Aiways' tight schedule. A close and professional collaboration between the Aiways and GF team was a prerequisite to succeed."



<https://youtu.be/22X3C9picnA>

Many growth opportunities

In past years, government subsidies played an important role in promoting the growth of China's electric mobility market. Today, as politicians start to tighten monetary support, the industry is entering a phase of consolidation.

Despite taking a more cautious stance, China will continue to encourage the development of new electric cars because of environmental challenges predominantly in large cities. According to a guidance policy issued by China's top politicians in 2017, by 2025, new electric cars will account for 20% of new car sales in the country, which translates to at least 4 million cars every year – more than twice the number in 2018. Whereas the share of electric vehicles in Europe is expected to be at 9%, according to a recent projection by JP Morgan.

Compared with established automotive brands, electric car manufacturers need much more development support from suppliers, says Steffen Dekoj, Head of R&D Asia of GF Casting Solutions. "If you have enough resources and R&D capabilities, you definitely have a bigger advantage over low-cost, pure casting suppliers." For example, Dekoj says, GF Casting Solutions is using a unique design approach called Bionic Design during the R&D process, which, compared to traditional sheet metal design, contributes to a weight reduction of up to 45% of car body components, successfully meeting clients' goals to reduce emissions and create more sustainable cars.

"GF is a global player with extensive experience working with carmakers around the world."

Wang Dongchen, Aiways' Chief Technology Officer

"There are currently 18 employees working in GF Casting Solutions' Asia R&D center, which collaborates closely with the colleagues at the R&D headquarters in Schaffhausen," says Dekoj. "We do most of the work locally in China, and we can always consult with headquarters and receive great support. So we have both the speed and the knowledge, which are very beneficial for us," he adds.

"GF Casting Solutions is well positioned to capture the opportunities in this market, thanks to our comprehensive capabilities across R&D, manufacturing and product validations," says Daniel Hu. "Our unique advantage is that we are able to provide customers with not only reliable products but also wholesome solutions to new problems and challenges."

"GF accumulated enough experience to meet our requirements"

How does GF Casting Solutions support you in meeting the requirements for producing innovative, competitive cars in China for the world market?

Firstly, GF is a global player with extensive experience working with carmakers around the world. It has accumulated enough experience to meet our requirements and it has done quite a few prospective researches, which has proved to be very helpful to us. Secondly, we chose GF because of its high efficiency in sales support and honesty when proposing solutions.

Why do you appreciate the collaboration with GF Casting Solutions?

Although there are many technological challenges, our collaboration with GF has gone rather smoothly. Compared with traditional carmakers, electric car manufacturers have a much shorter development cycle. I'm glad that GF and Aiways were able to work together to complete tasks in a very timely manner.

What do you expect regarding future collaboration with GF Casting Solutions?

Aiways will continue to invest in R&D and technological innovation. I hope that GF could further support us in developing new materials and manufacturing techniques, while further lowering the cost and shortening development time. I also hope that GF's China team will continue to enhance its capabilities in prospective research, giving greater support to Aiways' innovation in future.



Interview with Wang Dongchen

An industry veteran, Wang Dongchen used to run the R&D department of FAW, one of China's largest carmakers. In his 27-year long career, Wang Dongchen was responsible for the development of many popular car models in China. He joined Aiways in December 2016 as Chief Technology Officer.



Growing further in the medtech sector

GF Machining Solutions is developing tailor-made solutions for its customers in the booming medical technology market. The implant manufacturer Zimmer Biomet particularly relies on the precision of GF machines.

Medical implants improve the quality of life for many people. Given the high demand and rapid technological progress, for example in artificial joints, the medtech sector is flourishing: global revenue increased from USD 339 billion to USD 468 billion between 2014 and 2019. According to forecasts, it will grow to as much as USD 522 billion by 2022.¹

It's all about precision

GF Machining Solutions is well positioned with various technologies—from Laser to Milling—in automated manufacturing machines for implant production technology. The division works with its customers across the entire machine life cycle, from the initial design to the maintenance. Thomas Brauen, Head of Sales at GF Machining Solutions International in Biel (Switzerland), looks after seven customers in the Swiss medtech sector. Zimmer Biomet is one of them. The US company operates in 24 countries worldwide and has more than 1'000 employees in Switzerland. About two million shoulder, hip, knee, trauma, and back implants leave the factory in Winterthur each year.

Five new Milling machines from GF Machining Solutions have been in use at Zimmer Biomet since 2019—three MILL S 600 U machines to produce knee and hip implants, plus one MILL S 400 and one MILL E 700 U for mold construction. Zimmer Biomet has already had two further machines in its 2'000 square meter production hall since 2006. "Our expectations for the new GF machines are very high, and automation plays a key role for us," says Pascal Meier, Manufacturing Engineer at Zimmer Biomet with joint responsibility for procurement of the five GF machines. "The GF machines perfectly meet our needs."

Pascal Meier worked closely with GF Machining Solutions from the order to delivery and testing of the new machines—both with Thomas Brauen, Head of Sales, and Andreas Signer, Project Manager and Key Account Manager. "Depending on the intensity of the project, we were in contact on an almost daily basis. This was necessary to discuss the customer's special requirements," remembers Andreas Signer. "For Zimmer Biomet, for example, we put the Milling machines' chip ejection on the opposite side of the machine due to space requirements," he explains. "Whenever possible, we are happy to meet our customers' special wishes, whether these are specific clamping solutions or requirements for the chip or tool management system."

¹ Source: Statista

“Our requirements are high. The machines from GF offer us exactly the right quality.”

Pascal Meier, Manufacturing Engineer at Zimmer Biomet



<https://youtu.be/tXNKAzHc8G4>

GF wants to increase medical market revenue

GF Machining Solutions has been developing solutions for the medtech sector for decades, starting with Milling machines and subsequently adding Laser texturing, Laser drilling and Additive Manufacturing machines. They are embedded in an automated concept. These solutions enable clients to produce flawless hip and knee joints, dental implants, plates for bone fractures, and instruments for surgeons. GF Machining Solutions is taking advantage of these great market opportunities in the medtech sector to expand its range and technological profile. This means a wider customer portfolio and solutions that are more advanced. GF Machining Solutions has its sights set on the global medical market, where it plans to significantly increase its sales volume in the coming years. The division is broadly based for this, offering a short time to market, highly precise machines with repeat accuracy, and decades of experience.

The medtech sector is developing fast, and requirements are becoming more and more demanding, which means that producers must always be up to date. Pascal Meier believes that "the degree of automation and digitalization in the production process will rise, also at Zimmer Biomet." The medtech specialist has already shown interest in solutions for surface processing with laser systems and other machining centers. GF Machining Solutions will solve with passion these future needs.



Pascal Meier (center) from Zimmer Biomet worked closely with Thomas Brauen (left) and Andreas Signer (right) from the order to testing of the five new GF machines.

Services of GF Machining Solutions in the medtech field

- + Additive Manufacturing for orthopedic implants and surgical instruments
- + Milling for injection molds of medical consumables, die casting molds for implantable devices, orthopedic implants or surgical instruments
- + EDM for minimally invasive surgical instruments and complex micro molding applications
- + Laser texturing: engraving molds for medical consumables and packaging—and for connective tissue growth in the future
- + Automation cells for reliable production quality and better cost control
- + Precision Tooling for the entire production process across several technologies

“GF Machining Solutions reacts fast”

What does Zimmer Biomet produce in Switzerland?

At Zimmer Biomet in Winterthur, we mainly produce shoulder, hip, knee, trauma, and spinal implants. We use the GF Machining Solutions equipment to make hip and knee implants. The quality requirements are high.

How does GF Machining Solutions support you?

We require a very precise procedure and high repeat accuracy. The machines from GF Machining Solutions offer us exactly the quality that we need.

What do you particularly like about working with GF Machining Solutions?

I particularly appreciate the fast response time to our inquiries and the support in solving problems. It's a very good working relationship.



Interview with Andreas Kläui

Andreas Kläui is
Manufacturing Associate
Director at Zimmer Biomet
and responsible for
mechanical processing at the
Winterthur site.

Corporate Governance

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Dear shareholders,

The Board of Directors and the Executive Committee of GF attach great importance to good Corporate Governance in the interest of shareholders and all other stakeholders. In the year under review, we held many fruitful discussions and deepened our understanding of our shareholders' expectations. In 2019 the focus of these meetings was on Environmental, Social and Governance (ESG) as well as on strategy. You can review the results of these exchanges in our report and in the comments below.

Trust-based collaboration

GF has a strong and independent, non-executive Board of Directors. A transparent and trust-based collaboration between the Board of Directors, Chairman, CEO and Executive Committee is a prerequisite for the success of a company. This is nurtured and put into practice in exemplary fashion at GF with mutual respect as well as regular and open information of the Board of Directors by the Executive Committee. Joint visits to companies and markets allow us to understand the needs of our customers but also to increase the mutual understanding.

Business conduct and corporate culture

As an international industrial company, GF is at home in a variety of activities and countries. Wherever we operate, we fully comply with all applicable laws and regulations. We firmly believe that sustainable and long-term success is always based on excellent Corporate Governance practices and ethically impeccable conduct.

GF's business conduct and corporate strategy are based on the foundation and the implementation of our five GF values. They shape and embody the philosophy and spirit of GF in its daily work for the benefit of our key stakeholders and the whole company. The values are translated into a set of standards for ethical conduct and integrity, which define GF's corporate culture and are summarized in the Code of Conduct. This document is published in 18 languages and is binding for all employees of all three divisions and at all locations. For the daily operations in the GF entities, it is complemented by internal policies and regulations implemented at the Corporate and local levels.

Changes to the Board of Directors and the Executive Committee

Early 2020, the Board of Directors of GF has finalized several aspects of its long-term personnel planning which includes a rejuvenation of both the Board of Directors and Executive Committee. Andreas Koopmann, Chairman of the Board of Directors of Georg Fischer Ltd., will not stand for re-election at the next Annual Shareholders' Meeting and Roman Boutellier will step down as Member of the Board of Directors on reaching the age-restriction defined in the GF organization and business rules. The Board of Directors will propose Yves Serra for election as new Chairman and Peter Hackel as new Member of the Board of Directors. In addition, the Board of Directors appointed Ivan Filisetti as new President of GF Machining Solutions and Member of the Executive Committee of GF effective 1 July 2020. He will succeed Pascal Boillat, who will reach the retirement age in September.

Hubert Achermann, Member of the Board of Directors since 2014 and currently Chairman of the Audit Committee, will be, subject to re-election at the Annual Shareholders' Meeting, nominated as Vice Chairman and Independent Lead Director. As such, with his experience and seniority, Hubert Achermann, together with the other independent Members of the Board of Directors, will ensure efficient control and supervision in compliance with best Corporate Governance practices due to the fact, that Yves Serra served as CEO and Member of the Executive Committee of GF until 2019.

We are very pleased about these long-planned succession solutions at the helm of GF. With his in-depth knowledge, Yves Serra will contribute to secure continuity on GF's strategic orientation and successful growth path. By creating a strong position of Independent Lead Director (www.georgfischer.com/en/investors/corporate-governance.html) with Hubert Achermann, we will ensure strict compliance with broadly accepted Corporate Governance guidelines. With these changes, GF is strategically well positioned to meet the upcoming future challenges.

We propose Zhiqiang Zhang (Member of the Board of Directors since 2005) for re-election, although he already serves 14 years. Zhiqiang Zhang is a Chinese citizen and has held key positions in leading European corporations in

China for many years. As GF generates more than 20% of the Corporation's revenue in China, his expertise in China and in-depth knowledge of European culture and its economy are extremely valuable. Therefore, the Board of Directors is proposing his re-election.

At the end of 2019, one third of the Board of Directors has been on the Board for less than five years and two of the nine Members are female. This means that we have a well balanced ratio of continuity and newer input, and benefit from the widely spread experience and in-depth knowledge of all Members of the Board of Directors.

Focus on strategy implementation

In the last year of its strategy cycle 2016-2020, GF will continue to focus on the implementation of its strategic thrusts and the acceleration of the strategic transformation in all divisions, especially at GF Casting Solutions. The structural shift within the automotive industry from traditional powertrain systems to hybrid and e-mobility concepts, shows that the focus on lightweight structural components and parts for the energy and aerospace sector were the right moves. GF Piping Systems will continue to shift its portfolio to higher value business. The broad global customer base and the focus on sustainable solutions resulted in a strong performance despite difficult market conditions. The focus on sustainable innovations and solutions for the safe transport of liquids and gases will remain the key focus of the division. GF Machining Solutions' passion for customer-centric innovations, especially for innovative, digitalized solutions, remains the key driver for growth and profitability.

Engagement with shareholders

GF puts high attention to a positive and trustful collaboration with our shareholders. For the Board of Directors, the high level of approval of all agenda items at the 2019 Annual Shareholders' Meeting was a great satisfaction. However, we are not resting on our laurels. In the year under review, we once again attached great importance to good and trusting cooperation with our shareholders, and visited many shareholders as well as proxy advisors to explain our positions and to receive their expectations. We very much appreciate this close and open dialogue.

2019 was a significant and successful year, but there is still a great deal to do. The fast changing economic conditions and high uncertainties require a high level of commitment and flexibility from everyone. We are very confident that GF will continue to make significant further progress with your continued support.



Andreas Koopmann

Chairman of the Board of Directors

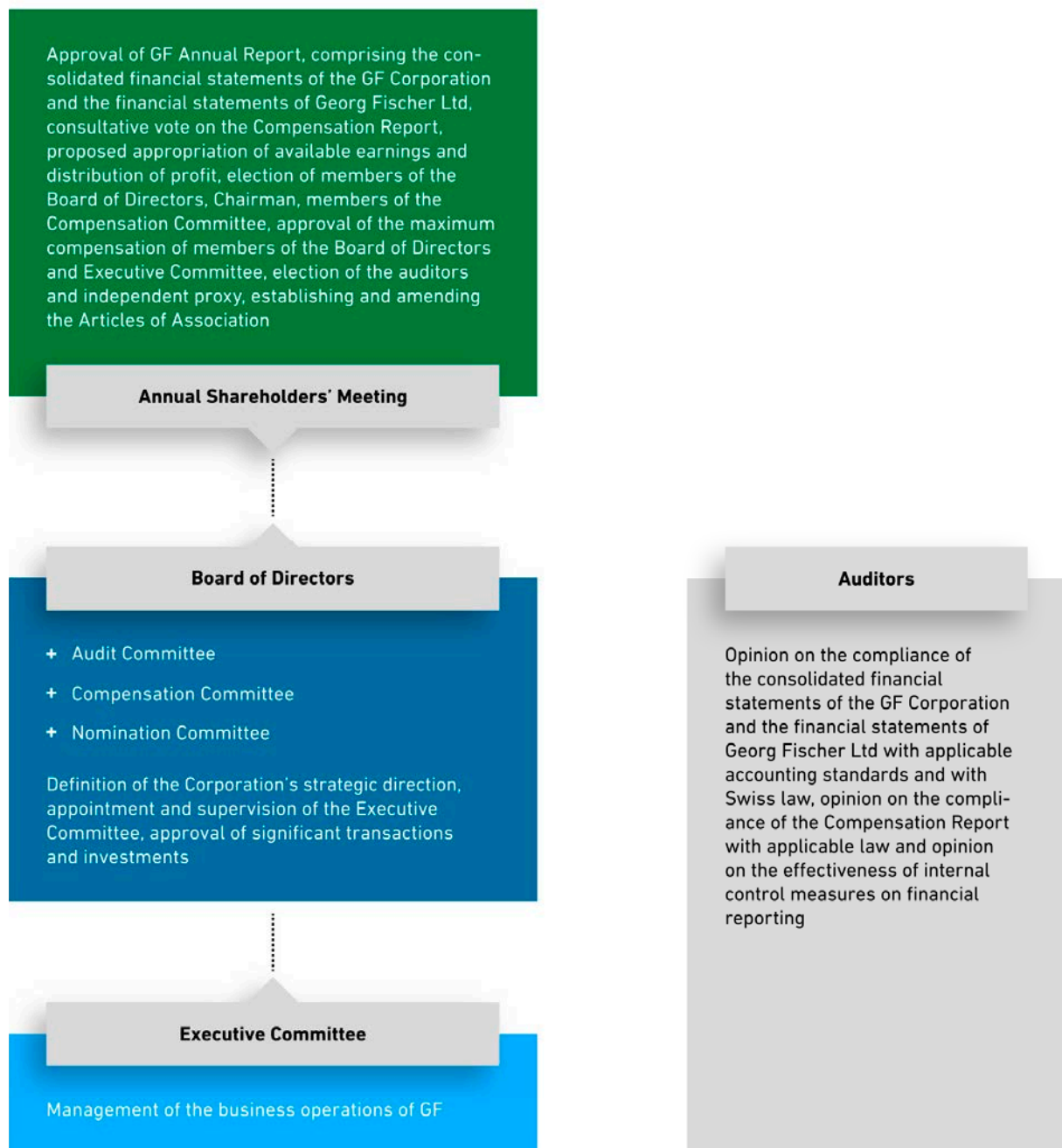
Content of the report

The present publication fulfills all obligations of the SIX Exchange Regulation directive on information relating to Corporate Governance 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 reporting date as of 31 December 2019, unless otherwise noted. Any changes occurring before the editorial deadline on 20 February 2020 are listed at the end of this chapter. Any changes occurring after the editorial deadline can be found on our website.

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. GF also publishes the Articles of Association of Georg Fischer Ltd, the internal Organization and Business Rules, the Code of Conduct, and more information on the website.

-----> www.georgfischer.com/en/investors/corporate-governance.html

Governance bodies



Board of Directors

Based on the Swiss Code of Best Practice for Corporate Governance from Economiesuisse all Members of the Board of Directors are non-executive. Eight Members of the Board of Directors are independent and one Member of the Board of Directors has been a Member of the Executive Committee less than three years ago. Moreover, the Chairman of the Board of Directors does not simultaneously act as the CEO. The Board of Directors assigns the preparation of businesses to the following three committees:

- + Audit Committee
- + Compensation Committee
- + Nomination Committee

The Board of Directors is composed of nine (9) Members, with diversity of background, experience, nationalities, skills and knowledge. 22% of the Members of the Board of Directors are female.

The three committees each consist of three Members, with every Member belonging to one committee. The Members of the Board of Directors have different nationalities, professional experience and skills. More information on the Members of the Board of Directors' backgrounds can be found in chapter [Members of the Board of Directors](#).

Management structure

The Board of Directors appoints the persons entrusted with the management. 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.

Compensation, shareholdings and loans

Information regarding the compensation paid to and shareholdings of the Members of the Board of Directors and Executive Committee, as well as loans granted to those individuals can be found in the [Compensation Report](#) and in the [note 6 Compensation and shareholdings](#) of the financial statements of Georg Fischer Ltd.

Corporate structure and affiliated companies

The parent company of all Corporate Companies is Georg Fischer Ltd. It is incorporated under Swiss law and 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 4'031 million as of 31 December 2019 (previous year: CHF 3'225 million).

The Corporation has the operational divisions: GF Piping Systems, GF Casting Solutions and GF Machining Solutions, plus the Corporate Staff Units Finance & Controlling and Corporate Development. The GF organization structure is displayed in the chapter [Organization of GF](#) in the Business Report.

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

Memberships

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

GF share and shareholders

Share

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 17 April 2020, 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, each with a nominal value of CHF 1, 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 2019, 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 § 4.4a) of the Articles of Association of Georg Fischer Ltd and those of conditional capital in § 4.4b) of the Articles of Association of Georg Fischer Ltd.

-----> www.georgfischer.com/en/investors/corporate-governance.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.

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 nominees declare 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.

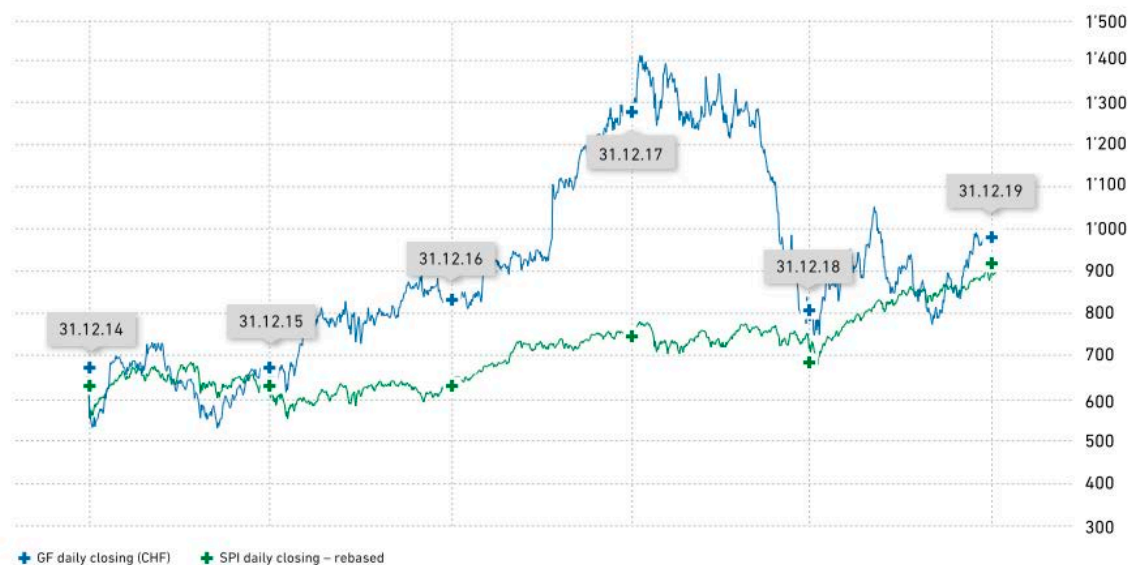
Share information

As of 31 December	2019	2018	2017	2016	2015
Share capital					
Number of 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	19'767	15'521	12'562	12'651	14'005
Share prices of registered share in CHF					
Highest (intraday)	1'059	1'420	1'317	901	739
Lowest (intraday)	734	730	811	601	524
Closing	983	787	1'288	834	679
Earnings per registered share in CHF	42	69	62	53	46
Price-earnings ratio	23	11	21	16	15
Market capitalization					
CHF million	4'031	3'225	5'282	3'420	2'785
As % of sales	108	71	127	91	76
As % of equity attributable to shareholders of Georg Fischer Ltd	289	233	401	296	258
Cash flow from operating activities per registered share in CHF	77	97	100	98	80
Equity attributable to shareholders of Georg Fischer Ltd per registered share in CHF	341	337	322	283	264
Dividend paid (proposed) in CHF million	103	103	94	82	74
Dividend paid (proposed) per registered share in CHF	25	25	23	20	18
Pay-out ratio in %	60	36	37	38	39

Ticker symbols

- + Telekurs, Dow Jones (DJT): FI-N
- + Bloomberg: FI/N SW
- + Reuters: FIN.S
- + Security number: 175230
- + ISIN: CH0001752309

Share price 2015–2019



Market capitalization and earnings per share

On 31 December 2019 the market capitalization stood at CHF 4'031 million and earnings per share at CHF 42 (previous year: CHF 69).

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 25 per registered share.

Shareholders

Significant shareholders and shareholder groups

As of 31 December 2019, two shareholders had shareholdings between 3% and 5%. The BlackRock Group, held directly or indirectly by BlackRock, Inc., New York (USA), had shareholdings of 4.92% according to the last notification received on 12 December 2018. Impax Asset Management Limited, London (Great Britain), had shareholdings of 3.02% according to the last notification received on 20 November 2018.

In the year under review, 11 disclosure notifications were filed. 6 of the filings related to Norges Bank (the Central Bank of Norway), Oslo (Norway) and 5 to Credit Suisse Funds AG, Zurich (Switzerland).

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

Cross-shareholdings

There are no cross-shareholdings or shareholder pooling agreements with other companies.

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

A total of 44'992 Georg Fischer shares were held by Members of the Board of Directors, the Executive Committee, and the Senior Management as of 31 December 2019 (previous year: 43'504 Georg Fischer shares):

	Number of Georg Fischer registered shares as of 31 Dec. 2019	Number of Georg Fischer registered shares as of 31 Dec. 2018
Members of the Board of Directors	22'429	15'752
Members of the Executive Committee	1'782	8'758
Members of the Senior Management	20'781	18'994
Total	44'992	43'504
In % of issued shares	1.10%	1.06%

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

Number of registered shareholders as of 31 December 2019

Number of shares	Number of registered shareholders	Shares in %
1–100	17'468	11.8%
101–1'000	2'065	13.3%
1'001–10'000	218	12.1%
10'001–100'000	14	11.6%
> 100'000	2	6.8%
Total registered shareholder / shares	19'767	55.6%
Unregistered shares		44.4%
Total		100.0%

Registered shareholders per type as of 31 December 2019

	Shareholders in %	Shares in %
Individual shareholders	93.8%	45.9%
Legal entities	6.2%	54.1%
Total	100.0%	100.0%

Registered shareholders per country as of 31 December 2019

	Shareholders in %	Shares %
Germany	6.9%	5.4%
Great Britain	0.5%	9.6%
Switzerland	88.8%	76.1%
USA	0.3%	3.2%
Other countries	3.5%	5.7%
Total	100.0%	100.0%

Shareholders' rights

As of 31 December 2019, Georg Fischer Ltd had 19'716 shareholders with voting rights (previous year: 15'468), 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

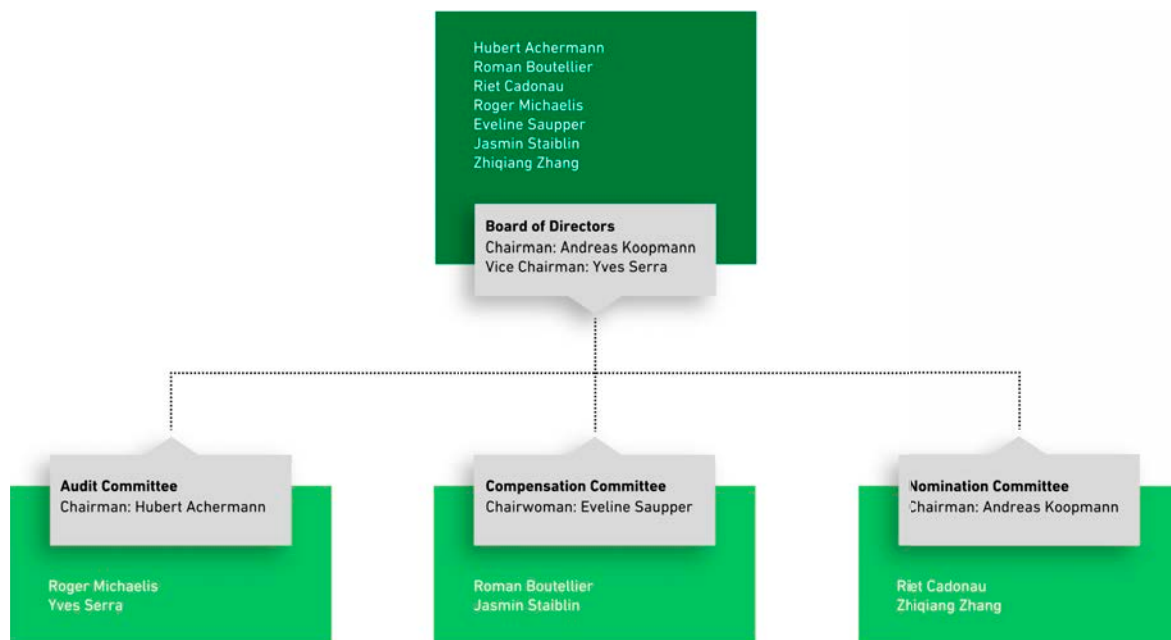
The deadline for entering shareholders in the share register with regard to attendance at the Annual Shareholders' Meeting is around ten days before the date of the Annual Shareholders' Meeting. The deadline is mentioned in the invitation to the Annual Shareholders' Meeting.

Change of control

The Articles of Association of Georg Fischer Ltd do not contain any regulations governing "opting-out" or "opting-up". Since 1 January 2014, the contractually agreed notice period 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.

Board of Directors

As of 31 December 2019



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 of Directors and the Executive Committee are defined by the Organization and Business Rules.

-----> www.georgfischer.com/en/investors/corporate-governance.html

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.

The average term of office of Members of the Board of Directors is eight years. Seven of the nine Members of the Board of Directors (78%) have a term of office of less than ten years. Members of the Board must resign their mandate at the Annual Shareholders' Meeting following their 70th birthday.

2019

At the 123rd Annual Shareholders' Meeting on 17 April 2019, Yves Serra was elected as new Member of the Board of Directors. Gerold Bühner did not stand for re-election due to the age-restriction defined in the GF organization and business rules.

Changes to the Board of Directors 2020

On 20 January 2020 GF announced changes to the Board of Directors. Andreas Koopmann, Chairman of the Board of Directors of Georg Fischer Ltd., will not stand for re-election at the next Annual Shareholders' Meeting on 15 April 2020. In addition Roman Boutellier will step down as Member of the Board of Directors due to the age-restriction defined in the GF organization and business rules. The GF Board of Directors will propose Yves Serra for election as new Chairman and Peter Hackel as new Member of the Board of Directors. After the Annual Shareholders' Meeting, the Board of Directors is composed of eight Members.

-----> www.georgfischer.com/en/investors/ad-hoc-media-releases.html

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, Yves Serra was elected by the Board of Directors as its Vice Chairman on the day of the Annual Shareholders' Meeting on 17 April 2019.

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.

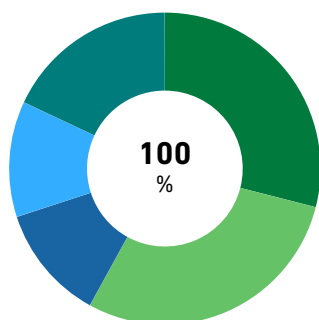
Diversity and independence

The Board of Directors consists of six to nine Members. Each Member normally belongs to one of the three standing committees. When Members are elected, the focus is not only on experience in executive and management functions, industry and technology markets, innovation, finance and accounting, risk management and law, but also on specific international relationships and regional market knowledge. 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. The Board of Directors broadly covers the required competence and knowledge. Expert knowledge in innovation and digitalization is being gradually expanded. The Board of Directors consists of members from five different countries. Two of the nine Members of the Board of Directors are female.

As announced on 20 January 2020 the Board of Directors will recommend at the upcoming Annual Shareholders' Meeting on 15 April 2020 the election of Peter Hackel. With his election the expertise in finance and accounting will further be strengthened within the Board of Directors.

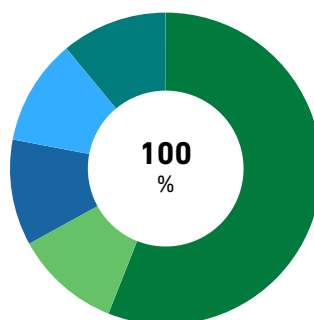
-----> <https://www.georgfischer.com/en/investors/ad-hoc-media-releases.html>

Expertise/Experience



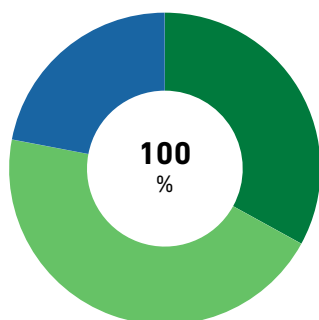
- 29% Industry/ Technology/ Innovation
- 29% Leadership/ Management
- 12% Finance/Accounting
- 12% Legal
- 18% International relationships/ Markets

Nationality



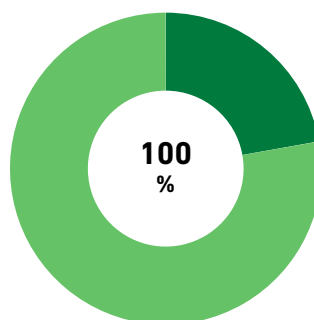
- 56% Swiss
- 11% German
- 11% Brazilian
- 11% Chinese
- 11% French

Tenure



- 33% <5 years
- 45% 5 to 10 years
- 22% >10 years

Gender



- 22% Women
- 78% Men

Based on the Swiss Code of Best Practice for Corporate Governance from Economiesuisse all Members of the Board of Directors are non-executive. Eight Members of the Board of Directors are independent and one Member of the Board of Directors has been a Member of the Executive Committee less than three years ago. There are no significant business relationships between Members of the Board of Directors or the companies or organizations they represent and Georg Fischer Ltd or a Corporate Company.

Independent Lead Director

On 20 January 2020 GF announced that Yves Serra will be proposed to the shareholders at the Annual Shareholders' Meeting on 15 April 2020 for election as Chairman of the Board of Directors. From 2008 to 2019, Yves Serra has been President and CEO of GF. Upon his retirement as CEO in 2019, he was elected to the Board of Directors and nominated Vice Chairman. Hubert Achermann, currently Chairman of the Audit Committee, will be, subject to re-election at the Annual Shareholders' Meeting nominated as Vice Chairman and Independent Lead Director. The Independent Lead Director, together with the other independent Members of the Board of Directors, will ensure efficient control and supervision in compliance with best Corporate Governance practices. By creating a strong position of Independent Lead Director with Hubert Achermann, GF will ensure strict compliance with broadly accepted Corporate Governance guidelines. The brief description of the role and responsibilities of the Independent Lead Director is available on the GF Website.

.....> www.georgfischer.com/en/investors/corporate-governance.html

Mandate

Pursuant to § 21 of the Articles of Association of Georg Fischer Ltd, a Member of the Board of Directors may at one and the same time hold no more than four additional mandates as a Member of the supreme managerial or governing body of listed legal entities and no more than ten additional mandates as a Member of the supreme managerial or governing body of unlisted legal entities.

In addition, a Member of the Board of Directors may not hold more than ten mandates that he or she exercises by order of the company, in legal entities belonging to the Member's own family, in a professional or industry association or in a charitable institution.

Mandates of associated companies or institutions, which are exercised in the function as a Member of the supreme managerial or governing body of a legal entity, together count as one mandate.

Succession planning

For new nominations, a requirement profile is drawn up based on a competence matrix, and suitable candidates are sought and contacted with the help of an external executive recruiter. The Nomination Committee is responsible for preparing and drawing up the requirement profile as well as for pre-selection. Candidates also meet the Chairman and other Members of the Board of Directors personally before any nominations are proposed.

All Members of the Board of Directors are non-executive. Eight Members of the Board of Directors are independent and one Member of the Board of Directors has been a Member of the Executive Committee until the Annual Shareholders' Meeting 2019. However, two Members have been on the Board of Directors for more than twelve years. Roman Botueller (Member of the Board of Directors since 1999) will step down from the Board at the Annual Shareholders' Meeting 2020. Meanwhile, Zhiqiang Zhang (Member of the Board of Directors since 2005) will be proposed for re-election at the Annual Shareholders' Meeting 2020. Zhiqiang Zhang is a Chinese citizen and has held key positions in leading European corporations in China for many years. Since GF generates more than 20% of the Corporation's revenue in China, his expertise in China and in-depth knowledge of European culture and its economy are extremely valuable. Therefore, the Board of Directors is proposing his re-election.

Areas of responsibility

The Members of the three standing Board Committees are listed at the beginning of this chapter and 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.

Working 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 China trip in 2019 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 96% as one Member of the Board of Directors was unable to take part in the trip to China due to sickness. The three standing Board Committees met a total of 14 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 2019 the Board of Directors worked on the implementation of the findings out of the self-assessment which took place in 2018. Another assessment is planned for 2020.

Audit Committee

The Audit Committee consists of three Members of the Board of Directors (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 of Directors, 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 four ordinary and one extraordinary meeting, four of which lasted half a day, and one lasted two hours. All Members of the Audit Committee attended all five meetings.

Compensation Committee

The Compensation Committee consists of three Members of the Board of Directors (see separate section [Members of the Board of Directors](#)), who 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. Furthermore, based on internal and external sources, common market practices and expectations of stakeholders are continuously evaluated by the Compensation Committee. Adaptations to the long-term incentive plan (LTI) decided in 2018, based on requirements expressed by the shareholders of GF, were implemented in 2019. These adaptations are disclosed in the [Compensation Report](#). 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 meetings during the past fiscal year, each of which lasted one to two hours. All five Compensation Committee meetings were consistently attended by all of the Compensation Committee Members.

Nomination Committee

The Nomination Committee consists of three Members of the Board of Directors (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 within 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 and one extraordinary meetings, which lasted one to two hours on average. All Members of the Nomination Committee attended all four meetings.

Information and control instruments

The Board of Directors is informed in depth about business performance every month. The Members of the Board of Directors 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. Once a year, it discusses the Corporate Risk Officer's report, the Corporation's risk profile and is updated about the measures taken to minimize and control risk.

The Chairman of the Board of Directors attends the Corporate Convention of the Senior Management and the Executive Committee's strategy 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 of Directors 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 2019, he visited Corporate Companies in Europe, in the USA and in Asia.

Internal Audit

Internal Audit reports to the Chairman of the Audit Committee operationally and to the CFO administratively. Based on the audit plan approved by the Audit Committee, Corporate Companies are audited either annually or every two to five years, depending on the risk assessment and based on a comprehensive audit program. In the year under review, 39 internal audits were conducted. The audit reports are reconciled with the management of the audited Corporate Companies or responsible functions and distributed to the line managers, the external auditor, the Executive Committee, the Chairman of the Board of Directors as well as the Chairman 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. The CCO helps Corporate Companies comply with the law, internal directives, and the Corporation's principles of business ethics in their business activities, in particular through preventive measures and training in the divisions along with information and advice to the Corporate Companies. The Executive Committee, in consultation with the CCO, defines priority issues. Furthermore, all GF employees have the possibility to report compliance violations anonymously through a special compliance e-mail address to the CCO.

A number of compliance measures were implemented in 2019:

- + 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 2'900 internal e-learning courses 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 (e.g. ongoing checks regarding the appropriateness of the engagement of and the 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 labor law

- + further implementation of the function “Compliance Agents” (carried out by the Business Unit Controllers) for risk assessment and internal control
- + updating the data protection measures in view of the changed legislation in the EU and preparatory activities with respect to the forthcoming revised Swiss data protection law

.....> www.georgfischer.com/en/about-gf/sustainability-at-gf/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 gets support from a non-executive risk officer from 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 that 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, discuss measures to mitigate the risks, and define the actual top risks of each unit. Based on the results of the workshops, a risk report has been prepared which will be reviewed by the Board of Directors in February 2020.

The handling of financial and operational risks is explained in the 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 31 December 2019

Committees

Audit Committee

Hubert Achermann, Chairman
Roger Michaelis
Yves Serra

Compensation Committee

Eveline Saupper, Chairwoman
Roman Boutellier
Jasmin Staiblin

Nomination Committee

Andreas Koopmann, Chairman
Riet Cadonau
Zhiqiang Zhang



Andreas Koopmann

Chairman of the Board of Directors

1951 (Switzerland)

Dipl. Masch.-Ing. ETH Zurich (Switzerland), MBA from IMD Lausanne (Switzerland)

Board Member since 2010, Chairman 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), ultimately as CEO (1995–2009); Chairman of Alstom (Switzerland) AG (2010–2012)

Other activities of governing bodies in listed corporations

Member of the Board of Directors of Credit Suisse Group AG (until April 2019) (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 and of Credit Suisse (Schweiz) AG; Chairman of the Board of Directors of Polygena AG (since September 2019); Member of the Board of Economiesuisse (all Switzerland)



Yves Serra

Vice Chairman of the Board of Directors

1953 (France and Switzerland)

Engineering degree from École Centrale de Paris (France) and MSc in Civil Engineering from the University of Wisconsin-Madison (USA)

Board Member since 2019, Vice Chairman since 2019

Committees

Member of the Audit Committee

Corporate Governance

Non-executive Member

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 (1992–2019), 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 (2008–2019)

Other activities of governing bodies in listed corporations

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Further professional activities and functions

Chairman of the Board of Directors of Stäubli Holding AG; Member of the Board of BNP Paribas Switzerland and of Swiss Chinese Chamber of Commerce, Member of the Chapter Board “Doing Business in USA” of the Swiss American Chamber of Commerce (all Switzerland)

**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

Member of the Foundation Board of Ernst von Siemens Musikstiftung (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 Compensation Committee

Corporate Governance

Independent Member

Professional background, career

Kern AG (1981–1987); Member of the Executive Management of Leica AG (1987–1993); Professor at the University of St. Gallen (1993–1998); CEO and Delegate to the Board of Directors of SIG Holding AG (1999–2004); Professor of Innovation and Technology Management at the ETH in Zurich (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, of Rychiger AG Steffisburg and of Swiss Association Balgrist (all Switzerland)



Riet Cadonau

Member of the Board of Directors

1961 (Switzerland)

Bachelor of Arts in Business and Economics at the University of Basel (Switzerland); Master of Arts in Economics and Business Administration at the University of Zurich (Switzerland); INSEAD Advanced Management Program AMP (France)

Board Member since 2016

Committees

Member of the Nomination Committee

Corporate Governance

Independent Member

Professional background, career

Various positions at IBM Switzerland (1990–2001), ultimately Member of the Executive Board and Director of Global Services; various positions as Member of the Executive Board of Ascom Group (2001–2005 and from 2007–2011 as a CEO); in between due to an Ascom divestment, Managing Director and Senior Vice President at ACS Inc. (later Xerox); CEO of Kaba Group, today dormakaba Group (2011–2018); Chairman & CEO of dormakaba Group (since 2018)

Other activities of governing bodies in listed corporations

Member of the Board of Directors at Zehnder Group (Switzerland)

Further professional activities and functions

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Roger Michaelis

Member of the Board of Directors

1959 (Brazil and Germany)

Studies of 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 of Osram 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

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Further professional activities and functions

Managing Director and owner of Verocap Consulting; Corporate CFO and Head of Corporate HR of Bentonit Uniao Group Ltd. São Paulo; Chairman of the Advisory Board of Mast Group Ltd. Sao Paulo (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 Flughafen Zurich AG and Clariant AG (both Switzerland)

Further professional activities and functions

Member of the Board of Directors of Stäubli Holding AG (Switzerland) and of the Hoval Group (Principality of Liechtenstein); Member of the Board of Trustees of UZH Foundation (Switzerland)

**Jasmin Staiblin****Member of the Board of Directors**

1970 (Germany)

Double degree in Electrical Engineering and Physics from the Technical University Karlsruhe (Germany) and 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 (2013–2018)

Other activities of governing bodies in listed corporations

Board Member of Rolls-Royce Holdings Plc (Great Britain), Zurich Insurance Group (Switzerland) and NXP Semiconductors N. V. (Netherlands)

Further professional activities and functions

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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 of Sandvik Group (2012–2016), Head of APAC and President of Greater China Region (2016–2018); Senior Vice President of ABB Group and Country Managing Director of ABB China (since 2018)

Other activities of governing bodies in listed corporations

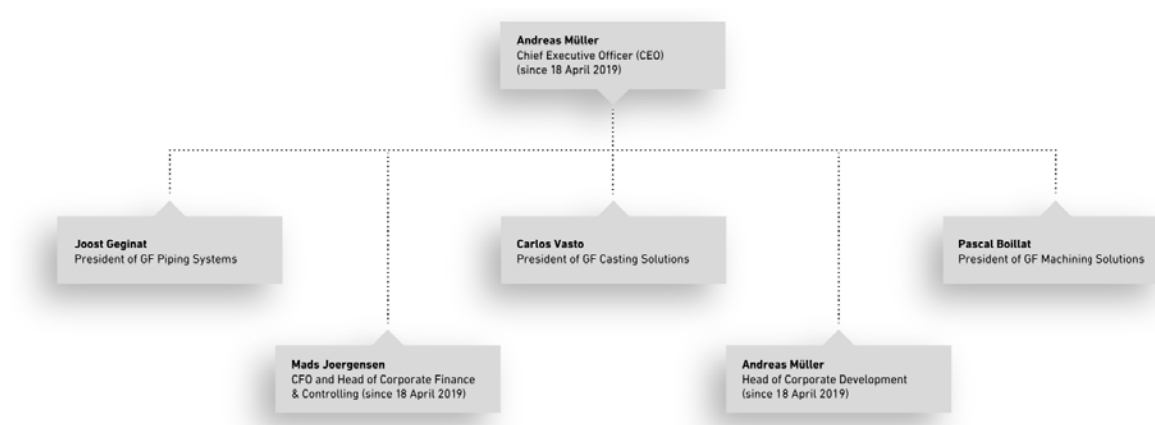
Member of the Board of Directors of Dätwyler Holding AG (Switzerland)

Further professional activities and functions

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Executive Committee

As of 31 December 2019



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

On 18 April 2019, GF's CFO Andreas Müller succeeded Yves Serra as CEO and President of GF. Mads Joergensen succeeded Andreas Müller as new CFO and Member of the Executive Committee of GF, also effective 18 April 2019. As of 31 December 2019, the Executive Committee is composed of the following Members: Andreas Müller, CEO and at the same time Head of Corporate Development; Joost Geginat, President of GF Piping Systems; Carlos Vasto, President of GF Casting Solutions; Pascal Boillat, President of GF Machining Solutions; Mads Joergensen, CFO and Head of Corporate Finance & Controlling.

On 20 January 2020 the Board of Directors appointed Ivan Filisetti as new President of GF Machining Solutions and Member of the Executive Committee of GF effective 1 July 2020. He will succeed Pascal Boillat, who will reach the retirement age of 65 years in September 2020.

Mandate

Pursuant to § 23a of the Articles of Association of Georg Fischer Ltd, a Member of the Executive Committee may at one and the same time hold no more than one additional mandate as a Member of the supreme managerial or governing body of listed legal entities and no more than five additional mandates as a Member of the supreme managerial or governing body of unlisted legal entities. These mandates must be approved by the Board of Directors.

In addition, a Member of the Executive Committee may not hold more than ten mandates that he or she exercises by order of the company, in legal entities belonging to the Member's own family, in a professional or industry association or in a charitable institution.

Mandates of associated companies or institutions and involvement in professional or industry associations, which are exercised in the function as a Member of the supreme managerial or governing body of a legal entity, shall together count as one mandate.

Members of the Executive Committee

As of 31 December 2019



Andreas Müller

Chief Executive Officer, CEO

1970 (Germany)

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

Member of the Executive Committee since 2017, CEO since 2019

Professional background, career

Various positions for GF (since 1995), including Head of Controlling of GF Piping Systems Schaffhausen (1998–2000), Head of Operations for GF Piping Systems companies in Australia (2000–2002), Head of Controlling Business Unit Industry & Utility of GF Piping Systems Schaffhausen (2002–2008); CFO of GF Automotive (2008–2016); CFO of Georg Fischer Ltd (2017–2019), CEO of Georg Fischer Ltd (since 2019)

Other activities of governing bodies in listed corporations

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Further professional activities and functions

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Mads Joergensen

Chief Financial Officer, CFO

1969 (Denmark and Switzerland)

Bachelor in Economics and Business Administration Aarhus Business School, Aarhus [Denmark]; MBA University of Washington, Seattle [USA]; Master in Economics & Business Administration Copenhagen Business School, Copenhagen [Denmark]; Studies in Risk & Restructuring/Advanced Corporate Finance London Business School, London (UK)

Member of the Executive Committee since 2019

Professional background, career

Project Manager of Perot Systems Consulting (Icarus Consulting AG), Zurich (1995–1998); Manager Corporate Finance of Gate Gourmet International, Zurich (1998–2000); Strategic Investments Manager/Director Strategic Investments of TFC – The Fantastic Corporation, Zug (2000–2001); Associate Director (M&A) of Ernst & Young AG Corporate Finance Zurich (2001–2003); Head of Strategic Planning of GF Piping Systems, Schaffhausen (2003–2009); CFO of GF Piping Systems (2009–2019); CFO of Georg Fischer Ltd (since 2019)

Other activities of governing bodies in listed corporations

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Further professional activities and functions

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**Joost Geginat****President of GF Piping Systems**

1966 (Germany and Switzerland)

Studies of Business Management at the University of Cologne (Germany) and International Management at École des Hautes Études Commerciales (HEC) 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 (Germany, Switzerland and Asia) (1995–2014); Senior Managing Director and Partner at AlixPartners (Switzerland) (2014–2016); President of GF Piping Systems (since 2016)

Other activities of governing bodies in listed corporations

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Further professional activities and functions

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**Carlos Vasto****President of GF Casting Solutions**

1963 (Brazil and Italy)

University Degree Metallurgical Engineer Mackenzie University, São Paulo (Brazil); Bachelor of Business Administration GSBA Graduate School of Business Administration, Zurich (Switzerland)

Member of the Executive Committee since 2018

Professional background, career

Various positions at GF Casting Solutions (1987–2000); Head of Production former site of GF Casting Solutions, Lincoln (Great Britain) (2000–2003); Managing Director GF Casting Solutions, Lincoln (Great Britain) (2003–2005); Executive Vice President Acotecnica SA (Brazil) (2005–2010), Managing Director Intra do Brazil (2011–2015); General Manager GF Linamar (USA) (2015–2018); President of GF Casting Solutions (since 2018)

Other activities of governing bodies in listed corporations

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Further professional activities and functions

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Pascal Boillat

President of GF Machining Solutions

1955 (Switzerland)

Studies of Electrical Engineering at Engineering School in Bienne (Switzerland); Dipl.-El.-Ing. ETS

Member of the Executive Committee since 2013

Professional background, career

Electrical Engineer and responsible for the software department at Wahli Frères in Bévillard (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); Head of Operations at GF Agie Charmilles (2010–2012); President of GF Machining Solutions (since 2013)

Other activities of governing bodies in listed corporations

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Further professional activities and functions

Member of the working group Machine Tools and Machining of Swissmem (Switzerland); Delegate of Swissmem to CECIMO

Auditors

Mandate

In 2012, PricewaterhouseCoopers, Zurich (Switzerland), was elected as external auditor. Beat Inauen is the auditor in charge since the Annual Shareholders' Meeting 2019. He will assume the responsibility of the audit for no longer than seven years. The statutory auditor is elected at the Annual Shareholders' Meeting for a term of one year.

Audit fees

In 2019, the Corporation spent about CHF 2.68 million (previous year: CHF 2.76 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 2019 fees of approximately CHF 0.53 million (previous year: CHF 1.26 million), thereof CHF 0.02 million (previous year: CHF 0.19 million) for consulting mandates in connection with accounting, CHF 0.38 million (previous year: CHF 0.21 million) for services related to tax advice and CHF 0.13 million (previous year: CHF 0.86 million) for transaction services.

Supervisory and control instruments

The external auditor informs the Audit Committee in writing about relevant auditing activities and findings as well as other important information regarding the audit of the Corporation. The auditor in charge of the external auditor attended the four ordinary meetings of the Audit Committee.

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.

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 all 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.

In April 2019, Corporate Communication launched the completely revised GF Corporate Website, which will be followed by the likewise refreshed divisions websites. The Corporate Website content focuses primarily on general information about GF the company's image and career opportunities, the divisions pay high attention also on products, sales and customers.

While the stories on the website focuses more on background information, the content on other digital channels like LinkedIn or Facebook is mostly news oriented. It will support GF's brand image and reputation. Also in the year 2019, GF was able to significantly increase the number of followers on its Social Media Channels.

A lot of attention from the public and Media was given to several big events in 2019, for example the Capital Market Day, but also to the official inauguration of the new respectively rebuilt headquarters of GF Machining Solutions and GF Piping Systems.

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

Subscription to an e-mail service for GF news is free of charge. All media releases, Annual Reports, and Mid-Year Reports plus important publications go online at www.georgfischer.com 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 can order them.

-----> www.georgfischer.com/en/investors/ad-hoc-media-releases.html

-----> www.georgfischer.com/subscriptionservice

Investor Relations

Daniel Bösiger

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Corporate Communications

Beat Römer

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Changes after the balance sheet date

Between 1 January 2020 and the editorial deadline on 20 February 2020, the following changes occurred.

On 20 January 2020 GF announced the following changes to the Board of Directors:

- + Andreas Koopmann, Chairman of the Board of Directors of Georg Fischer Ltd., has decided not to stand for re-election at the next Annual Shareholders' Meeting on 15 April 2020.
- + Roman Boutellier will step down as Member of the Board of Directors due to the age-restriction defined in the GF organization and business rules.
- + The GF Board of Directors will propose to the shareholders at Annual Shareholders' Meeting on 15 April 2020 Yves Serra for election as new Chairman of the Board of Directors.
- + The GF Board of Directors will recommend to the shareholders at the Annual Shareholders' Meeting on 15 April 2020 the election of Dr. Peter Hackel as new Member of the Board of Directors.

On 20 January 2020 GF announced the following changes to the Executive Committee:

- + Ivan Filisetti as new President of GF Machining Solutions and Member of the Executive Committee of GF effective 1 July 2020.
- + Pascal Boillat will step down as President of GF Machining Solutions and Member of the Executive Committee as of 30 June 2020, reaching the retirement age of 65 years in September 2020.

.....> www.georgfischer.com/en/investors/ad-hoc-media-releases.html

Compensation Report

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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 2019 Compensation Report.

As in previous years, the Board of Directors continued the dialogue with shareholders and proxy advisors regarding our compensation policy and programs also in 2019. We have listened to the proposals and evaluated options. Potential adjustments will be considered in the context of the new business strategy cycle, starting in 2021.

As already announced in our last report, the changes about target setting for the long-term incentive plan have been implemented for 2019. In addition, the Board of Directors has decided to introduce clawback and malus provisions to the Long-term incentive plan, which will be implemented in 2020. Further details can be found in the chapter [Long-term incentive \(share-based compensation\)](#).

The Compensation Report has been modified in order to further improve readability. It includes all relevant information concerning the compensation policy and programs, the governance around compensation decisions and the compensation awarded in the reporting year. While the level of transparency has been preserved, the structure of the Compensation Report has been streamlined for ease of reading.

In 2019, we were honored with the first price from the Swiss Institute of Directors for our remuneration system for the Board of Directors and the Executive Committee. We value this as a sign that efforts in changing the compensation system have been well received from an outside perspective.

At the upcoming Annual Shareholders' Meeting, you will be asked to approve the maximum compensation amount for the Board of Directors for the period until the next Annual Shareholders' Meeting and the maximum compensation amount for the Executive Committee for the next business year (prospective binding votes). Further, you will have the opportunity to express your opinion on the Compensation Report in a consultative retrospective vote.

Looking ahead, we will continue to assess and review our compensation structure to ensure that it continues to fulfill its purpose in the evolving context in which GF operates and is aligned with the interests of our shareholders.

We trust that you will find this report interesting and informative.

Sincerely



Eveline Saupper

Chairwoman of the Compensation Committee

Compensation at a glance

Compensation for the Board of Directors

Compensation model

In order to ensure independence in their supervisory function, the Members of the Board of Directors receive fixed compensation only, delivered in cash and shares blocked for five years.

Responsibility	Fee	Shares
Board Membership	CHF 70'000	150 shares
Board Chairmanship	CHF 200'000	150 shares
Board Vice-Chairmanship ¹	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	

¹ As of 18 April 2019, the additional fee for Board Vice-Chairmanship was discontinued

Compensation awarded in 2019

The compensation awarded to the Board of Directors for the period from the Annual Shareholders' Meeting 2018 to the Annual Shareholders' Meeting 2019 is within the limits approved by the shareholders:

Compensation period	Amount approved	Effective amount
2018-2019	CHF 3'750'000 ¹	CHF 2'540'000 ²
2019-2020	CHF 3'750'000 ¹	n/a ³

¹ Based on a share value of CHF 1'600.00

² Based on a share value of CHF 786.50 for the period in 2018 and CHF 983.00 for the period in 2019

³ Compensation period not yet completed; a conclusive assessment will be provided in the Compensation Report 2020

The compensation system for the Board of Directors does not contain any performance-related components.

Compensation for the Executive Committee

Compensation elements	Purpose	Vehicle	Period	Performance measure
Fixed compensation				
Fixed base salary	Pay for the function	Cash	Monthly	Skills, experience and individual performance
Benefits	Ensure protection against risks such as death, disability and old age			
Variable compensation				
Short-term incentive (STI)	Pay for annual performance based on GF strategic targets	Cash	Annual	Organic sales growth EBIT margin ROIC Individual objectives
Long-term incentive (LTI)	Pay for long-term performance	Performance shares	3-year vesting + additional 2-year blocking	EPS rTSR
	Align with shareholders' interests and GF's strategy			
	Participate in long-term success of the company			

Performance in 2019

Increased targets and a lower financial performance of the Corporation and the divisions in 2019 compared to 2018 resulted in a lower STI payout:

2019 STI payout

CEO	89% of target; 59% of maximum
EC	64% - 130% of target; 43% - 86% of maximum

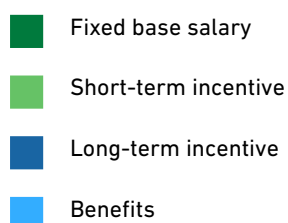
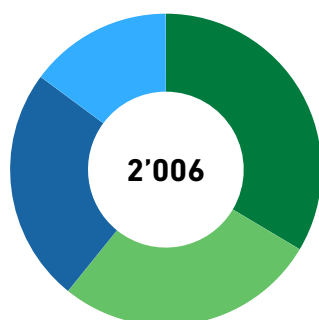
Compensation awarded for 2019

The compensation awarded to the Executive Committee (including CEO) for 2019 is within the limits approved by the shareholders at the 2018 Annual Shareholders' Meeting:

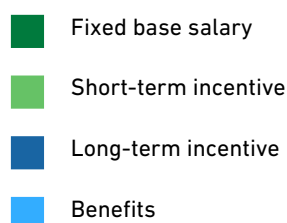
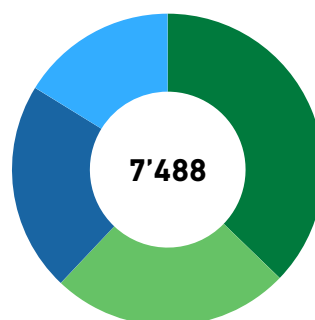
Compensation period	Amount approved	Effective amount
2019	CHF 10'531'000	CHF 7'488'000

CEO Compensation for 2019

Amounts in CHF 1'000

**Executive Committee Compensation for 2019**

Amounts in CHF 1'000



Compensation principles

The compensation policy applicable to the Executive Committee 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 governance

- + Authority for decisions related to compensation are governed by GF's Articles of Association;
- + The Board of Directors is supported by the Compensation Committee in preparing all compensation-related decisions regarding the Board of Directors and the Executive Committee;
- + The maximum aggregate amounts of compensation of the Members of the Board of Directors and of the Executive Committee are subject to binding prospective shareholders' votes at the Annual Shareholders' Meeting;
- + In addition, the Compensation Report is subject to a retrospective consultative vote at the Annual Shareholders' Meeting.

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 the 2019 business year.

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.

The Compensation Report is structured as follows:

Compensation Governance

- Rules relating to compensation in the Articles of Association
- Compensation Committee
- Levels of authority
- Method of determination of compensation

Compensation Structure

- Compensation of the Board of Directors
 - Compensation principles
 - Compensation model
 - Shareholding ownership guideline
- Compensation of the Executive Committee
 - Compensation principles
 - Compensation model
 - Compensation mix and caps
 - Fixed base salary
 - Short-term incentive
 - Long-term incentive (share-based compensation)
 - Clawback and malus provisions
 - Benefits
 - Contractual terms
 - Shareholding ownership guideline

Compensation for the business year 2019

- Board of Directors
- Executive Committee
- Performance in 2019

Shareholdings of the Members of the Board of Directors and of the Executive Committee

Loans to members of the governing bodies

Report of the statutory auditor to the Annual Shareholders' Meeting

Compensation Governance

Rules relating to compensation in the Articles of Association

The Articles of Association of GF contain provisions regarding the compensation principles applicable to the Board of Directors and to the Executive Committee. Those provisions are available on [GF's website](#) and include:

- + Principles of compensation of the Board of Directors (Article 22);
- + Principles of compensation of the Executive Committee (Article 23c);
- + Additional amount for new Members of the Executive Committee (Article 23c.9);
- + Provisions on the employment contracts for Members of the Executive Committee (Article 23b);
- + Credits and loans (Article 23d.1);
- + Provisions on early retirement for Members of the Executive Committee (Article 23d.2).

According to Articles 22 and 23 of the Articles of Association, the Annual Shareholders' Meeting approves annually the maximum aggregate compensation of the Board of Directors for the period from the Annual Shareholders' Meeting to the next Annual Shareholders' Meeting, as well as the maximum aggregate compensation of the Executive Committee for the following calendar year. In addition, the Compensation Report is submitted to the Annual Shareholders' Meeting for an advisory vote on a yearly basis, so that shareholders can express their opinion on the compensation policy and programs.

Compensation Committee

The Compensation Committee consists of three non-executive Members of the Board of Directors who are elected annually and individually by the Annual Shareholders' Meeting for a one-year period until the next Annual Shareholders' Meeting. At the 2019 Annual Shareholders' Meeting, Eveline Saupper (Chairwoman), Roman Boutellier and Jasmin Staiblin were elected as Members of the Compensation Committee.

The Compensation Committee supports the Board of Directors with the following duties:

- + Determining the compensation policy of the company at the highest corporate level, including the principles for the variable compensation and shareholding programs;
- + Reviewing the guidelines governing compensation of the Board of Directors and the Executive Committee;

- + Preparing the motions related to the maximum aggregate amounts of compensation for the Annual Shareholders' Meeting;
- + Proposing the amount of compensation to be paid to the Board of Directors, to the CEO, and to the other Members of the Executive Committee within the limits approved by the Annual Shareholders' Meeting;
- + Reviewing and proposing the annual Compensation Report to the Board of Directors.

During the year 2019, the Compensation Committee performed the following regular tasks:

- + Evaluated the business performance for the 2018 business year against the pre-set objectives and prepared a proposal to the Board of Directors on the short-term incentive to be paid to the CEO and to the other Members of the Executive Committee;
- + Determined the business objectives for the 2019 business year for the CEO and reviewed those of the other Members of the Executive Committee, before submitting them to the Board of Directors for approval;
- + Reviewed the Compensation Report 2018;
- + Reviewed and discussed the voting results on the compensation motions at the 2019 Annual Shareholders' Meeting, as well as the proxy advisors' and shareholders' feedback received on compensation matters;
- + Reviewed the compensation policy and programs including the design of the incentive plans and of the share ownership guideline;
- + Discussed and decided about the revision and implementation of clawback and malus provisions in the long-term incentive plan;
- + Reviewed the benchmarking analysis of the compensation of the CEO and the other Members of the Executive Committee;
- + Proposed to the Board the target compensation of the CEO and of the other Members of the Executive Committee for the year 2019 and next business years based on a proposal from the Chairman of the Board and from the CEO respectively;
- + Prepared the Compensation Report 2019.

The Compensation Committee convenes as often as necessary, but at least twice per year. In 2019, the Committee held 4 meetings of approximately two hours each according to the schedule below:

Overview of meetings' schedule 2019

February	July	September	December
Business performance 2018; STI 2018 for CEO and EC	Analysis of the voting results on compensation motions at the Annual Shareholders' Meeting	Review of the compensation policy and incentive design applicable to the CEO and EC	Review compensation for the Board of Directors for the next compensation period
Determination business objectives for the year 2019	Review of proxy advisors' and investors' feedback on compensation	Benchmarking of Board and EC compensation	Review target compensation for the CEO and EC members for the coming business year
Approval of the Compensation Report 2018		Review of clawback and malus provisions	Approval of new clawback and malus provisions
Maximum amounts of compensation for the Board of Directors until the next Annual Shareholders' Meeting			Review of the Compensation Report 2019
Maximum amounts of compensation for the EC for the business year 2020			

In addition to the meetings listed above, the Compensation Committee held one extraordinary meeting in November for the review and discussion of the new format of the Compensation Report.

In 2019, all Compensation Committee members attended all meetings. The Chairman of the Board, the CEO and the Head of Corporate Human Resources are invited to attend the Compensation Committee meetings in an advisory capacity. The CEO does not attend the meeting when his own compensation or performance is discussed.

The Chairwoman of the Compensation Committee reports to the Board of Directors after each meeting on the activities of the Compensation Committee. The minutes of the Compensation Committee meetings are available to all Members of the Board of Directors.

The compensation proposals and decisions are made based on the following levels of authority:

Levels of authority

Approval framework

Subject	Recommendation from	Final approval from
Compensation policy and principles	Compensation Committee	Board of Directors
Aggregate compensation amount of the Board of Directors	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting (binding vote)
Individual compensation of the Members of the Board of Directors	Compensation Committee	Board of Directors
Aggregate compensation amount of the Executive Committee	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting (binding vote)
Individual compensation of the CEO	Compensation Committee based on proposal by the Chairman of the Board	Board of Directors
Individual compensation of the Executive Committee members	Compensation Committee based on proposals by the CEO	Board of Directors
Compensation Report	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting (consultative vote)

On behalf of the Board of Directors, an Internal and External Audit annually reviews the compliance of the compensation decisions made with the Articles of Association, the Organizational Rules and the compensation regulations for the Executive Committee and the Board of Directors.

The Compensation Committee may call in external compensation specialists to obtain independent advice and/or to get benchmarking compensation data. In the year under review, external compensation specialists provided advice on executive compensation matters. These companies have no other mandates with GF.

Method of determination of compensation

Benchmarking

The compensation structure and levels 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 talents. For the purpose of comparison, the Compensation Committee relies on compensation surveys published by independent consulting firms and on publicly available information such as the compensation disclosures of comparable companies. Comparable companies are defined as multinational industrial companies listed on the Swiss stock exchange (SIX) with similar size in terms of market capitalization, sales, number of employees, complexity and geographic scope. The benchmark for the Board of Directors includes the companies of the SMI-Mid: AMS, Aryzta, Baloise, Barry Callebaut, Clariant, Dormakaba, Dufry, EMS-Chemie, Flughafen Zurich, GAM, Helvetia, Kühne + Nagel, Lindt, Logitech, OC Oerlikon, Partners Group, PSP Swiss Property, Schindler, Sonova, Straumann, Sunrise, Swiss Prime Site, Temenos, VAT and Vifor Pharma. The benchmark for the Executive Committee comprises the following industrial companies listed in Switzerland: Arbonia, Autoneum, Bobst, Bucher Industries, Conzzeta, Datwyler, Dormakaba, Geberit, Huber + Suhner, OC Oerlikon, Rieter, Schweiter Technologies, SFS Group, Sika, Sulzer and Sonova.

Performance management

The Compensation Committee also takes into consideration the effective business and individual performance while determining the compensation amounts to be paid to the CEO 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 CEO and by the Chairman of the Board for the CEO. The performance assessment of the CEO and the other Members of the Executive Committee is reviewed by the Compensation Committee.

Compensation structure

Compensation of the Board of Directors

Compensation Principles

In order to ensure their independence in exercising their supervisory duties, the Members of the Board of Directors receive a fixed compensation only. The compensation is delivered partially in cash and partially in shares blocked for a period of five years, in order to strengthen the alignment to shareholders' interests.

Compensation model

The compensation 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. The last benchmarking analysis was conducted in 2019 (please refer to chapter [Method of determination of compensation / Benchmarking](#) for details of the peer group). No changes were made further to this analysis and the compensation model of the Board of Directors remains unchanged since 2015.

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 compensation for each Member of the Board of Directors depends on the functions and tasks carried out in the year under review and consists of an annual basis board fee paid in cash and in blocked shares, as well as additional committee fees paid in cash. The cash fees are paid in January for the previous calendar year, while the shares are allocated in December of the respective calendar year. The shares are blocked for a period of five years. The blocking period may be lifted at the discretion of the Board of Directors in case of death and remains in place in all other instances of termination. The shares are disclosed at their market value based on the closing share price on the last trading day of the reporting year.

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 ¹	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	

¹ As of 18 April 2019, the additional fee for Board Vice-Chairmanship was discontinued

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

Shareholding ownership guideline

Members of the Board are required to hold 200% of the annual basis cash fee in GF shares. Newly elected members shall build up the required ownership within five years of their election to the Board of Directors. 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.

The minimum holding requirements are illustrated in the table below:

	Shareholding ownership requirement	Build-up period
Board of Directors	200% of annual basis cash fee	5 years

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

Compensation of the Executive Committee (including CEO)

Compensation principles

The compensation policy applicable to the Executive Committee 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.

Fairness and transparency (internal equality)	Pay for performance and strategy implementation	Long-term orientation and align- ment with shareholders' interests	Market competitiveness
Compensation programs are straightforward, clearly structured and transparent. They ensure fair compensation based on the responsibilities and competencies required to perform the function.	A portion of compensation is directly linked to the company's performance, to the implementation of the business strategy and to individual performance.	A significant portion of the compensation is delivered in form of performance shares, ensuring participation in the long-term success of the company and a strong alignment to shareholders' interests.	Compensation levels are competitive and in line with relevant market practice.

Compensation model

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 (STI) in cash;
- + Share-based compensation (Long-term incentive, LTI).

	Fixed compensation elements		Variable compensation elements	
	Fixed base salary	Benefits	STI Performance year 2019	LTI Performance year 2019
Purpose	Ensure basic fixed remuneration	Ensure protection against risks such as death, disability and old age	Pay for annual performance	Pay for long-term 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 Market practice	Local legislation and market practice	Performance against business and individual objectives	Long-term value creation
Performance / Vesting period	-	-	Year 2019	3 years Grant date: 1 January 2020 Vesting period: 2020 - 2022
Blocking period	-	-	-	Additional 2 years: 2023 - 2024
Performance measures	Skills, experience and performance of the individual	-	Organic sales growth EBIT margin ROIC Individual objectives	All LTI-related shares depend on performance: 50% EPS, 50% rTSR EPS-related achievement determination: Ø (EPS value years 2020, 2021, 2022) divided by Ø (EPS value years 2017, 2018, 2019) rTSR-related achievement determination: Ø (ranking in the years 2020, 2021, 2022 of GF within the SMI-Mid)
Delivery	Monthly cash	Contributions to social security, pension and insurances	Cash, one-off payment in March year 2020	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

For the purpose of comparison, the compensation of the Executive Committee is regularly benchmarked against compensation surveys published by independent consulting firms and on publicly available compensation information of comparable multinational industrial companies (please refer to chapter [Method of determination of compensation / Benchmarking](#) for details of the peer group).

Compensation mix and caps

CEO

At target	Fixed base salary 100%	STI 100%	LTI 600 PS
Maximum payout ¹	Fixed base salary 100%	STI 150%	LTI 1'200 PS

Other Members of the Executive Committee

At target	Fixed base salary 100%	STI 60%	LTI 250 PS
Maximum payout ¹	Fixed base salary 100%	STI 90%	LTI 500 PS

¹ Does not take into account the share price evolution during the three-year vesting period

Maximum payouts:

- + STI: capped at 150% of the target;
- + LTI: capped at 200% of the target;
- + Overall cap: the overall variable compensation is capped (value of the STI payout and of the LTI grant) at 250% of the fixed compensation, as stipulated in the Articles of Association.

Fixed base salary

The fixed base salary is determined primarily based on 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 based on those factors and adjustments are made according to market developments.

Short-term incentive

The short-term incentive (STI) 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 STI is expressed as a target in % of the annual fixed base salary. The target STI amounts to 100% of the annual fixed base salary for the CEO and to 60% of the annual fixed base salary for the other Members of the Executive Committee. The STI payout is capped at 150% of target level.

	Target	Minimum	Maximum
CEO	100%	0%	150%
Other members of the Executive Committee	60%	0%	90%

Business and individual objectives for the STI

The business objectives are set by the Board of Directors in accordance with the published mid-term strategy goals. 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 include organic sales growth (excluding acquisitions and divestitures), EBIT margin (EBIT in relation to sales) and Return on Invested Capital (ROIC).

For each business objective, the Board of Directors sets a target level and a threshold level (hurdle) of achievement under which there is no payout. The hurdles and the targets are valid for a period of several years. Further, the ROIC hurdle is set at a level clearly over the weighted average cost of capital (WACC) of the Corporation in order to maximize value creation. The respective achievement level of each business objective is measured on a yearly basis and determines a payout factor for that business objective.

For the period 2016–2020, the hurdles and targets for the business objectives at Corporation level are as follows:

Performance measure	Organic sales growth (at constant currencies)	EBIT margin	Return on invested capital (ROIC)
Rationale / driver	Maximizing growth from within (innovations, improved services, etc.)	Operating profitability	Efficiency at allocating the capital to profitable investments
Hurdle ¹	1%	6%	14%
Strategy targets 2016–2020	3–5%	9–10% ²	20–24% ²

¹ Achievements below the hurdle result in zero payout for the respective business objective; for the organic sales growth objective, the payout for reaching the hurdle starts at 0%, while it starts at 50% for reaching the hurdle for the objectives EBIT margin and ROIC.

² The strategy targets for EBIT margin and ROIC have been adjusted due to the divestment of entities

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:

- + Non-financial strategic goals, such as the portfolio adaption at GF Casting Solutions;
- + Operational goals, such as the implementation of digitalization projects, the successful launch of new products, implementation of corporate training initiatives, acquisition and integration of new technologies and services, inauguration of new innovation-, production-, training-centers and new office buildings;
- + Environment - Social - Governance (ESG) goals, such as a 0% accident rate or reduction of resources consumption. Each Executive Committee member has at least one ESG objective;
- + Personal goals, such as personal improvements and/or trainings and succession planning.

At the end of the year, the achievement of each individual objective is assessed and determines the payout factor for the portion of the STI related to individual objectives.

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

The weighting of the business and individual objectives for the CEO and the other Members of the Executive Committee depends on the function (the highest weight is put on the organization the individual is responsible for) and is described in the following table:

	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%

Long-term incentive (share-based compensation)

In 2017, GF introduced a revised performance-based Long-term Incentive (LTI) plan. The purpose of the LTI plan is to:

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

The LTI is a performance share (PS) plan. The CEO and the other Members of the Executive Committee are granted a number of PS annually based on the length of employment in the year prior to the grant. For business year 2019, the PS are granted on 1 January 2020 and their grant value is based on the closing share price on the last trading day of 2019. The PS are subject to a three-year cliff vesting followed by an additional two-year blocking period on the vested shares.

The vesting of the PS is conditional upon the achievement of two specific performance objectives over a prospective period of three years: Earnings per Share (EPS) as internal performance measure and relative Total Shareholder Return (rTSR) as external performance measure.

The number of PS granted is split as follows:

- + 50% of the PS depend on the EPS performance (PS(EPS));
- + 50% of the PS depend on the rTSR performance (PS(rTSR)).

Performance shares

	PS (EPS)	PS (rTSR)	Total shares
CEO	Grant: 300 Vesting: 0% - 200%	Grant: 300 Vesting: 0% - 200%	Grant: 600 Vesting: 0% - 200%
Other Members of the Executive Committee	Grant: 125 Vesting: 0% - 200%	Grant: 125 Vesting: 0% - 200%	Grant: 250 Vesting: 0% - 200%

The Board of Directors decided to amend the target setting of the LTI starting as of 2019.

The EPS target, which is determined by the Board of Directors, is in line with the ambitious Strategy 2020 goals of GF and is measured at the end of the vesting period. Share buybacks, major acquisitions/divestitures or capital increases are neutralized and have no impact on the EPS value calculation.

The rTSR is measured as a percentile rank in relation to a peer group. The peer group consists of the companies of the SMI-Mid index, because those companies are comparable to GF in terms of organizational size, complexity and market capitalization and the SMI-Mid index reflects best the economic environment for companies listed in Switzerland. The percentile rank is evaluated on an annual basis: at the end of the vesting period, the final ranking of GF amongst the peer group is the average annual ranking over the three-year vesting period.

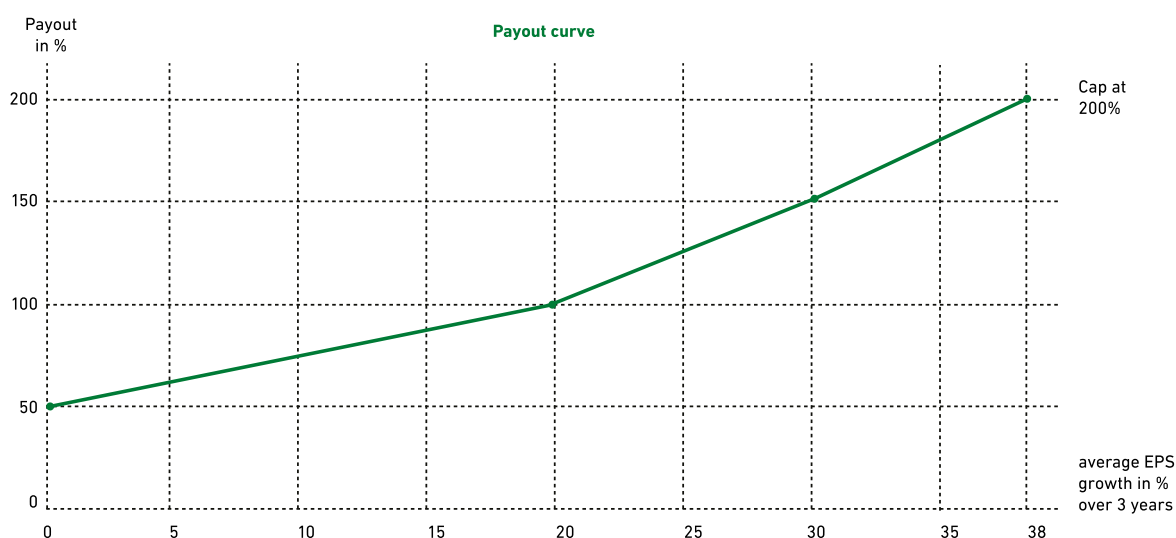
For both performance measures, a threshold level of performance (hurdle), under which there is no vesting of the PS, is defined, as well as the target level, corresponding to a vesting level of 100% and a maximum achievement level, for which the vesting is capped at 200%.

Both EPS and rTSR, are measured individually; hence, the vesting of the PS(EPS) cannot be compensated by the vesting of PS(rTSR) and vice-versa.

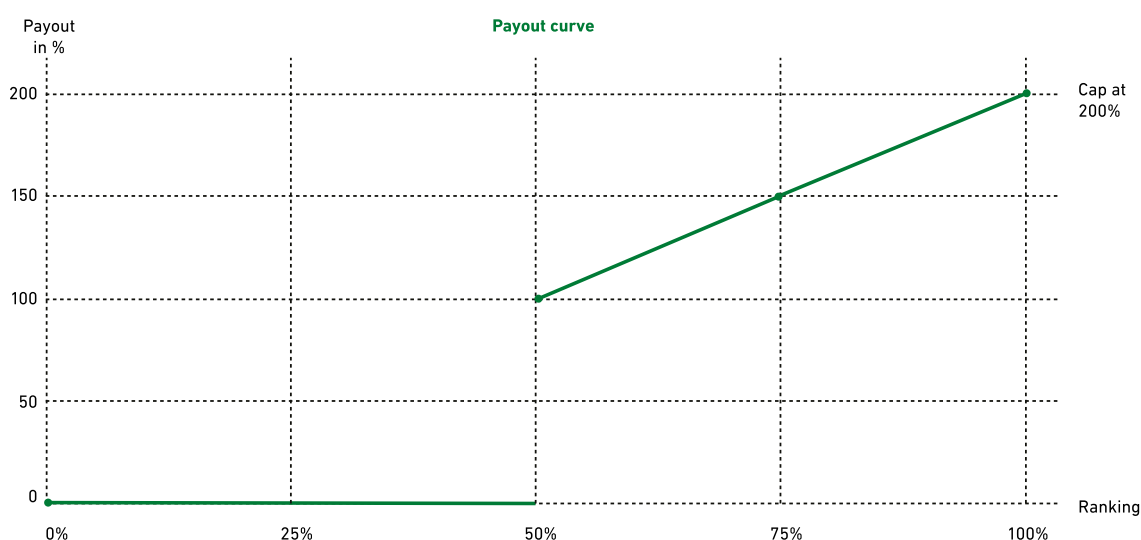
The vesting rules of the LTI plan are summarized in the table below:

Performance measure	Earnings per Share (EPS)	Relative Total Shareholder Return (rTSR)
Description	EPS: (Average EPS value years x+1, x+2, x+3) divided by (Average EPS value years x, x-1, x-2)	TSR: starting value of Volume Weighted Average Share price (VWAP) over the first 30 trading days of the year and ending value of the VWAP over the last 30 trading days of the year. Relativity measured as the average annual ranking within the peer group (companies of the SMI-Mid Index) over 3 years.
Rationale	Internal measure Reflects GF's profitability and how efficiently the Strategy is implemented	External measure Reflects GF's relative value compared to the SMI-Mid market
Weighting	50% of the PS grant	50% of the PS grant
Target level	20% EPS growth over 3 years 100% payout	Relative TSR at the median of the peer group 100% payout
Maximum achievement level	200%	200%
Vesting period	3 years Followed by 2-year blocking period on vested shares	3 years Followed by 2-year blocking period on vested shares
Vesting rules	Threshold: 0% EPS growth over 3 years = 50% vesting Target: 20% EPS growth over 3 years = 100% vesting Point 30: 30% EPS growth over 3 years = 150% vesting Maximum: 38% EPS growth over 3 years = 200% vesting Linear interpolation in between EPS decline over 3 years: 0% payout	Threshold and target: 50th percentile = 100% vesting Maximum: best of all peers = 200% vesting Linear interpolation between threshold/target and maximum No vesting for performance below median

Vesting curve Earnings per Share (EPS)



Vesting curve relative Total Shareholder Return (rTSR)



The Compensation Committee is responsible for evaluating each year if extraordinary, one-time events have significantly influenced any of the performance objectives, EPS and rTSR, and, if so, to make adjustment recommendations to the Board of Directors. The explanations for such adjustments, if any, will be included in the Compensation Report of the relevant year. For 2019, no adjustments were necessary.

In case of termination for cause, the vested shares remain blocked until the end of the respective blocking periods and any unvested PS forfeit. There is no accelerated vesting of unvested PS except in case of change of control and termination following death, disability or ordinary retirement according to GF pension fund regulations. In such situations, unvested PS vest immediately based on the latest performance estimate available at time of termination. The blocking period of vested shares may only be lifted in case of change of control or death.

The shares of the LTI plan are either treasury shares or are repurchased on the market. No issuance of shares is foreseen for the LTI plan in order to avoid shareholder dilution.

Clawback and malus provisions

For the LTI, in case a lower amount would have been awarded or paid out due to misstatement of financial results or of fraudulent or willful substantial misconduct by a Member of the Executive Committee, the Board of Directors will review the specific facts and circumstances and take actions. With respect to awards granted under the LTI in respect of the years for which a restatement has to be made and/or in which the misconduct took place, the Board of Directors may determine at any time before or after the delivery of the shares to forfeit or suspend the vesting of any LTI award in full or in part (malus), require the transfer for nil consideration of some or all the shares delivered under the LTI plan (clawback) and/or require a reimbursement in form of a cash payment in respect of some or all the shares delivered under the LTI plan (clawback).

The Clawback and Malus Policy applies to the Members of the Executive Committee for the entire duration of their membership and for up to three years following the termination thereof.

Benefits

Benefits consist primarily of retirement and insurance plans that are designed to provide reasonable level of income in case of retirement 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, if 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 employment contracts with the CEO and the other Members of the Executive Committee foresee a notice period of maximum twelve months. There are no entitlements to severance payments, nor any change of control provisions, other than the early vesting and early unblocking of share awards as disclosed in the chapter [Long-term incentive \(share-based compensation\)](#). Their contracts may foresee non-competition provisions that are limited in time to a maximum of two years and which allow compensation up to a maximum of the last total annual compensation paid.

Shareholding ownership guideline

The CEO and the other Members of the Executive Committee are required to hold a minimum percentage of annual 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.

The minimum holding requirements are illustrated in the table below:

	Shareholding ownership requirement	Build-up period
CEO	200% of annual fixed base salary	5 years
Other Members of the Executive Committee	100% of annual fixed base salary	5 years

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

Compensation for the business year 2019

Audited by PwC Switzerland

Board of Directors

The Members of the Board of Directors received cash compensation of CHF 1.143 million in the year under review (previous year: CHF 1.159 million). In addition, a total of 1'501 GF registered shares with a total market value of CHF 1.472 million were allocated (previous year: 1'500 GF shares with a market value of CHF 1.180 million). Together with other benefits, the total compensation paid to the Board of Directors in 2019 amounted to CHF 2.735 million (previous year: CHF 2.449 million).

Compensation Members of the Board of Directors 2019

	Basis fee ¹	Committee fees	Number of shares	Share-based compensation ²	Other benefits ³	Total compensation 2019 ⁴	Total compensation 2018 ⁴
Andreas Koopmann	70	200	300	295	24	589	528
Chairman Board of Directors							
Chairman Nomination Committee							
Hubert Achermann	70	80	150	147	12	309	279
Chairman Audit Committee							
Gerold Bühner⁵	21	16	45	44	3	84	251
Vice Chairman Board of Directors							
Member Audit Committee							
Roman Boutellier	70	20	150	147	9	246	216
Member Compensation Committee							
Riet Cadonau	70	20	150	147	12	249	219
Member Nomination Committee							
Roger Michaelis	93	30	150	147	14	284	254
Member Audit Committee							
Eveline Saupper	70	40	150	147	13	270	240
Chairwoman Compensation Committee							
Yves Serra⁶	49	21	106	104	7	181	-
Vice Chairman Board of Directors ⁷							
Member Audit Committee							
Jasmin Staiblin	70	20	150	147	12	249	219
Member Compensation Committee							
Zhiqiang Zhang	93	20	150	147	14	274	243
Member Nomination Committee							
Total	676	467	1'501	1'472	120	2'735	2'449

(all in CHF 1'000 and stated in gross amounts, except column "Number of shares")

¹ The basis fees include reimbursements for international travel amounting to CHF 22'500 for Mr. Roger Michaelis and for Mr. Zhiqiang Zhang.

² The share-based compensation consists in the allocation of a fixed number of shares. The amount of the share-based compensation is calculated based on the share value on 31 December 2019, i.e. CHF 983.00.

³ Other benefits represent employer contributions to social insurance funds.

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

⁵ Board of Director until 17 April 2019

⁶ Board of Director as of 18 April 2019

⁷ As of 18 April 2019, the additional fee for Board Vice-Chairmanship was discontinued

The compensation paid to the Board of Directors for the year 2019 was higher compared to previous year. The increase results from the difference in the value of the shares (CHF 983.00 on 31 December 2019 compared to CHF 786.50 on 31 December 2018) only. The compensation system for the Board of Directors remained unchanged compared to previous year.

At the 2018 Annual Shareholders' Meeting, shareholders approved a maximum aggregate compensation amount of CHF 3.750 million (based on a share value of CHF 1'600.00) for the Board of Directors for the compensation period from the 2018 Annual Shareholders' Meeting until the 2019 Annual Shareholders' Meeting. For this period, the effective compensation amounted to CHF 2.540 million (based on a share value of CHF 786.50 for the period in 2018 and CHF 983.00 for the period in 2019) and is thus within the approved limits.

At the 2019 Annual Shareholders' Meeting, shareholders approved a maximum aggregate compensation amount of CHF 3.750 million for the Board of Directors for the compensation period from the 2019 Annual Shareholders' Meeting until the 2020 Annual Shareholders' Meeting. This compensation period is not yet completed, a conclusive assessment will be provided in the 2020 Compensation Report.

In the reporting year, no further compensation was paid to Members of the Board of Directors and 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-based compensation, social security and pension contributions amounting to CHF 7.488 million for the year under review (previous year: CHF 8.417 million) compared to a total amount of CHF 10.531 million approved by the shareholders at the 2018 Annual Shareholders' Meeting.

Under the LTI plan, 1'644 performance shares with a total value at grant of CHF 1.628 million were granted to Members of the Executive Committee for the year under review (previous year: 1'752 performance shares with a total value of CHF 1.378 million).

Compensation Members of the Executive Committee 2019

	Fixed salary in cash	Short-term incentive (STI) in cash ²	EPS dependent performance shares PS(EPS)	rTSR dependent performance shares PS(rTSR)	Share-based remuneration (LTI) ³	Social insurance funds ⁴	Pension funds ⁵	Total compensation 2019 ⁶	Total compensation 2018 ⁷
Executive Committee ¹	2'788	1'858	822	822	1'628	395	819	7'488	8'417
Of whom									
Andreas Müller, CEO (highest individual compensation) ⁶	673	547	248	248	488	110	188	2'006	3'197

(all in CHF 1'000 and stated in gross amounts, except columns "EPS dependent performance shares" and "rTSR dependent performance shares")

¹ The compensation of the Executive Committee includes the compensation for Yves Serra as Member of the Executive Committee until 17 April 2019. His compensation as Member of the Board of Directors, since 18 April 2019, is disclosed in the table Compensation Members of the Board of Directors 2019. The compensation of the Executive Committee also includes the compensation for Mads Joergensen (Executive Committee member since 18 April 2019).

² The STI is based on the STI plan. The STI for the 2019 business year was approved by the Board of Directors on 20 February 2020. Payment will be made in March 2020.

³ The share-based compensation is based on the LTI plan. The disclosed value corresponds to the grant value of the 2019 LTI (that is granted on 1 January 2020) and is calculated based on the share value on 31 December 2019, i.e. CHF 983.00. The value of the share-based compensation for Yves Serra as CEO is calculated based on the share value on the date of his retirement from the Executive Committee (17 April 2019), i.e. CHF 1'036.00.

⁴ The social insurance funds expenses represent employer contributions to social security. The amounts indicated are based on the compensation amounts disclosed in the table (including the value at grant of the share-based remuneration).

⁵ The pension funds expenses represent employer contributions to pension funds.

⁶ The total compensation includes the fixed salary, the STI, the share-based compensation, as well as social and pension contributions.

⁷ Total compensation 2019 indicates total compensation for Andreas Müller as acting CEO in 2019. Total compensation 2018 indicates total compensation for Yves Serra as acting CEO in that year.

The total compensation for the CEO and the other Members of the Executive Committee in 2019 was lower than in 2018, which can be explained by the following factors:

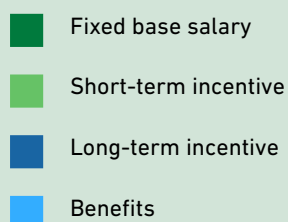
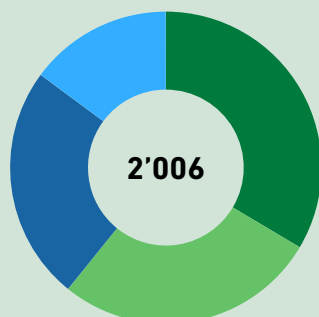
- + Fixed salary: The changes in the composition of the Executive Committee, with the appointment of Andreas Müller as the new CEO (replacing Yves Serra), and of Mads Joergensen as the new CFO (replacing Andreas Müller) as of 18 April 2019, lead to a decrease of the fixed salary amounts.

- + STI: The financial performance of the Corporation and the divisions was lower in 2019 than in 2018, which resulted in a lower STI payout (see details in chapter [Performance in 2019](#)).
For the year under review, the STI payout for Andreas Müller was CHF 547'000 which corresponds to 89% of target and 59% of the maximum STI (STI for the CEO in 2018 was CHF 1.247 million which corresponds to 131% of target and 87% of maximum STI).
For the other Members of the Executive Committee, the STI ranged from 64% to 130% of target (93% to 139% in 2018).
- + LTI: The number of PS granted to the CEO was reduced from 750 to 600 per year compared to previous year. The number of PS granted to each other Member of the Executive Committee remained unchanged compared to previous year.
Despite a lower number of PS granted to the CEO, the increase in the share price from CHF 786.50 in 2018 to CHF 983.00 in 2019 resulted in an increase in the compensation amount disclosed.
- + 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 never get any return or benefit due to these payments.

The ratio between fixed and awarded variable compensation in 2019 was as follows:

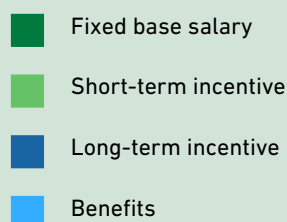
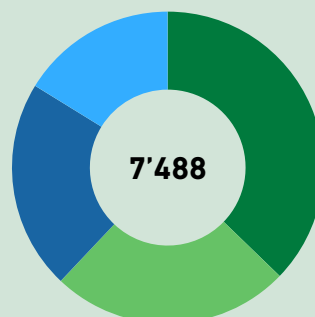
CEO Compensation for 2019

Amounts in CHF 1'000



Executive Committee Compensation for 2019

Amounts in CHF 1'000



For a former Executive Committee member a compensation amounting to CHF 543'323 was paid in the year 2019, reflecting the compensation for the remainder of the notice period (not included in the figures above).

No compensation was paid to parties closely related to Members of the Executive Committee.

Performance in 2019

Short-term incentive 2019

The achievement of the business objectives for the 2019 short-term incentive is as follows:

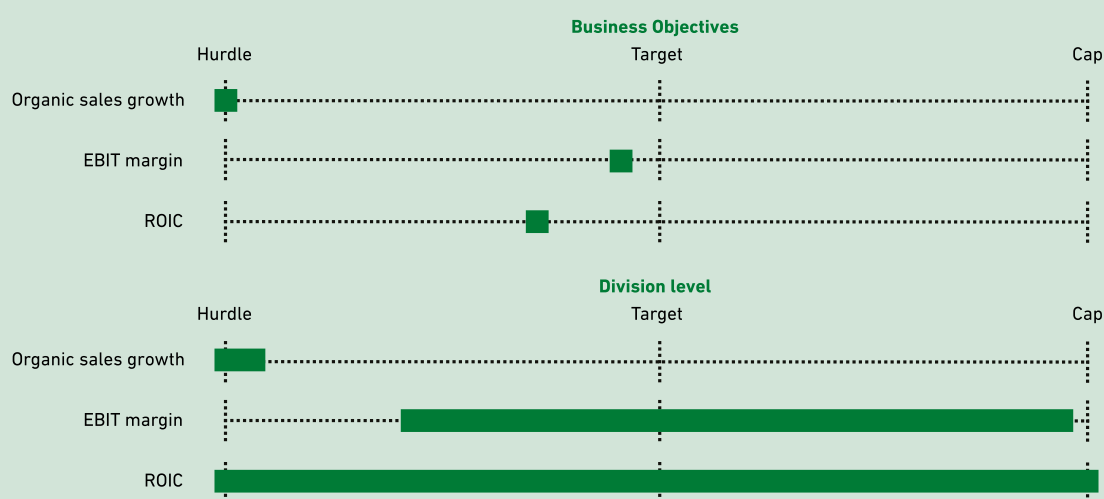
	Strategic goal	Hurdle ¹	Achievement/ payout factor ²
Business Objectives			
Corporation level			73%
Organic sales growth	3-5%	1%	0%
EBIT margin	9-10%	6%	96%
ROIC	20-24%	14%	86%
Division level			
Organic sales growth	Not disclosed ³	Not disclosed ³	0%-9%
EBIT margin	Not disclosed ³	Not disclosed ³	70%-148%
ROIC	Not disclosed ³	Not disclosed ³	0%-150%

¹ Achievements below the hurdle result in zero payout for the respective business objective; for the organic sales growth objective, the payout for reaching the hurdle starts at 0%, while it starts at 50% for reaching the hurdle for the objectives EBIT margin and ROIC.

² Adjusted for items relating to structural measures in the division GF Casting Solutions

³ Those targets and hurdles are not disclosed as they are considered commercially sensitive and confidential

Weighted achievement/payout factor



Overall payout of 89% of target for the CEO and of 64% to 130% of target for the other EC members.

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 chapter [Compensation and shareholdings](#).

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 2019, no loans to Members of the Board of Directors or the Executive Committee or related parties were outstanding.

Report of the statutory auditor

to the General Meeting of Georg Fischer Ltd

Schaffhausen

We have audited the content marked as "audited by PwC Switzerland" of the compensation report of Georg Fischer Ltd for the year ending 31 December 2019.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report of Georg Fischer Ltd for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Beat Inauen
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Zürich, 20 February 2020

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Consolidated income statement

For the years ended 31 December 2019 and 2018, CHF million	Notes	2019	%	2018	%
Sales	1.2.1	3'720	100	4'572	100
Other operating income	1.2.2	34		56	
Income		3'754	101	4'628	101
Cost of materials and products		-1'758		-2'255	
Changes in inventory of unfinished and finished goods		55		71	
Operating expenses	1.3.1	-665		-776	
Gross value added		1'386	37	1'668	36
Personnel expenses	1.3.2	-1'012		-1'139	
Depreciation on tangible fixed assets	2.4	-133		-142	
Amortization on intangible assets		-6		-5	
Operating result (EBIT)		235	6.3	382	8.4
Interest income	3.2	5		2	
Interest expense	3.2	-26		-31	
Other financial result	3.2	-4		-6	
Share of results of associates	3.2	-13			
Ordinary result		197	5	347	8
Non-operating result	1.4	6		1	
Profit before taxes		203	5	348	8
Income taxes	1.5	-31		-69	
Net profit		172	5	279	6
– Thereof attributable to shareholders of Georg Fischer Ltd		173		281	
– Thereof attributable to non-controlling interests		-1		-2	
Basic earnings per share in CHF	1.6	42		69	
Diluted earnings per share in CHF	1.6	42		69	

Consolidated balance sheet

As of 31 December 2019 and 2018, CHF million	Notes	2019	%	2018	%
Cash and cash equivalents		521		533	
Marketable securities		9		9	
Trade accounts receivable	2.1.1	597		697	
Inventories	2.2	751		779	
Income taxes receivable	2.1.2	22		11	
Other accounts receivable	2.1.3	57		62	
Prepayments to creditors		23		22	
Accrued income		19		15	
Current assets		1'999	60	2'128	62
Property, plant, and equipment for own use	2.4	1'054		1'046	
Investment properties	2.4	77		84	
Intangible assets	2.5	34		34	
Deferred tax assets	5.3	70		53	
Other financial assets	5.2	110		99	
Non-current assets		1'345	40	1'316	38
Assets		3'344	100	3'444	100
Trade accounts payable		466		498	
Other financial liabilities	3.1.1	107		144	
Loans from pension fund institutions	3.1.1, 5.1	1		4	
Other liabilities	2.3.1, 2.3.2	56		56	
Prepayments from customers		49		74	
Current tax liabilities		47		57	
Provisions	2.6.1	52		38	
Accrued liabilities and deferred income	2.6.2	234		253	
Current liabilities		1'012	30	1'124	33
Bonds	3.1.1	574		574	
Other financial liabilities	3.1.1	80		58	
Pension benefit obligations	5.1	50		47	
Other liabilities	2.3.1	29		39	
Provisions	2.6.1	103		111	
Deferred tax liabilities	5.3	58		63	
Non-current liabilities		894	27	892	26
Liabilities		1'906	57	2'016	59
Share capital	3.4	4		4	
Capital reserves		23		26	
Treasury shares	3.5	-7		-9	
Retained earnings		1'376		1'361	
Equity attributable to shareholders of Georg Fischer Ltd		1'396	42	1'382	40
Non-controlling interests		42	1	46	1
Equity	3.4	1'438	43	1'428	41
Liabilities and equity		3'344	100	3'444	100

Consolidated statement of changes in equity

For the years ended 31 December 2019 and 2018, CHF million		Share capital	Capital reserves	Treasury shares	Goodwill	Cumulative translation adjustments	Cash flow hedging	Other re-tained earnings	Re-tained earnings	Equity attributable to shareholders of Georg Fischer Ltd	Non-controlling interests	Equity
Notes												
Balance as of 31 December 2019		4	23	-7	-546	-145	-1	2'068	1'376	1'396	42	1'438
Net profit								173	173	173	-1	172
Translation adjustments recognized in the reporting period						-48			-48	-48	-1	-49
Changes in cash flow hedges	2.3.2, 2.3.3						2		2	2		2
Goodwill offset via equity	2.5, 4.1.2				-9				-9	-9		-9
Addition to non-controlling interests	4.1.2										1	1
Capital increase/acquisition of non-controlling interests	4.1.2										8	8
Purchase of treasury shares	3.5			-10						-10		-10
Share-based compensation	3.5,											
- Transfers	4.3.2		-3	12				-9	-9			
- Granted	4.3.2							9	9	9		9
Dividends	3.4							-103	-103	-103	-11	-114
Balance as of 31 December 2018		4	26	-9	-537	-97	-3	1'998	1'361	1'382	46	1'428
Net profit								281	281	281	-2	279
Translation adjustments recognized in the reporting period						-57			-57	-57	-1	-58
Changes in cash flow hedges	2.3.2, 2.3.3						10		10	10		10
Goodwill offset via equity	2.5, 4.1.2				-73				-73	-73		-73
Capital increase/acquisition of non-controlling interests											4	4
Purchase of treasury shares	3.5			-12						-12		-12
Disposal of treasury shares	3.5			3						3		3
Share-based compensation	3.5,											
- Transfers	4.3.2			8				-8	-8			
- Granted	4.3.2							7	7	7		7
Dividends	3.4							-94	-94	-94	-7	-101
Balance as of 31 December 2017		4	26	-8	-464	-40	-13	1'812	1'295	1'317	52	1'369

Consolidated cash flow statement

For the years ended 31 December 2019 and 2018, CHF million	Notes	2019	2018
Net profit		172	279
Income taxes	1.5	31	69
Financial result	3.2	25	35
Depreciation and amortization	2.4	139	147
Share of results of associates	3.2	13	
Other non-cash income and expenses		26	-11
Increase in provisions, net	2.6.1	38	29
Use of provisions	2.6.1	-25	-27
Changes in			
– Inventories		-25	-46
– Trade accounts receivable		70	-55
– Prepayments to creditors		-2	6
– Other receivables and accrued income		-1	-4
– Trade accounts payable		-30	10
– Prepayments from customers		-23	8
– Other liabilities and accrued liabilities and deferred income		-13	36
Interest paid		-18	-21
Income taxes paid		-59	-58
Cash flow from operating activities		318	397
Additions to			
– Property, plant, and equipment	2.4	-178	-234
– Intangible assets		-8	-10
– Other financial assets	5.2	-26	-16
Disposals of			
– Property, plant, and equipment	2.4	23	7
– Intangible assets		1	
– Other financial assets			3
Purchase/disposal of marketable securities		3	-3
Cash flow from acquisitions	4.1.2	-5	-154
Interest received		4	3
Cash flow from investing activities		-186	-404
Free cash flow before acquisitions/divestments		137	147
Free cash flow		132	-7
Purchase of treasury shares		-10	-12
Disposal of treasury shares			3
Dividend payments to shareholders of Georg Fischer Ltd		-103	-94
Dividend payments to non-controlling interests		-11	-7
Inflows from or outflows for shares from non-controlling interests		8	4
Issuance of bonds	3.1.1		200
Repayment of bonds	3.1.1		-150
Issuance of long-term financial liabilities	3.1.1		2
Repayment of long-term financial liabilities	3.1.1	-18	-15
Changes in short-term financial liabilities			4
Cash flow from financing activities		-134	-65
Translation adjustment on cash and cash equivalents		-10	-19
Net cash flow		-12	-91
Cash and cash equivalents at beginning of year		533	624
Cash and cash equivalents at year-end¹		521	533

¹ Cash, postal and bank accounts: CHF 514 million (previous year: CHF 504 million), fixed-term deposits: CHF 7 million (previous year: CHF 29 million).

Notes to the consolidated financial statements

Information to the report

This section explains the basis for the preparation of the consolidated financial statements and provides a summary of the main general accounting principles as well as management assumptions and estimates.

Basis for the preparation of the consolidated financial statements

The consolidated financial statements of Georg Fischer Ltd ("GF") have been prepared in accordance with all of the current guidelines of the Accounting and Reporting Recommendations (Swiss GAAP FER) 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.

Accounting policies

The consolidated financial statements have been prepared in accordance with the historical 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 remained unchanged.

Scope and principles of consolidation

The scope of consolidation includes GF and all GF Corporate Companies which GF controls directly or indirectly by either holding more than 50% of the voting rights or by otherwise having the power to control their operating and financial policies (with GF and these GF Corporate Companies also referred to as the Corporation). These GF Corporate Companies are fully consolidated; assets, liabilities, income, and expenses are incorporated in the consolidated financial statements. Intercompany balances and transactions are eliminated upon consolidation. Non-controlling interests are presented as a component of consolidated equity in the consolidated balance sheet and consolidated net income in the consolidated income statement. Gains arising from intercompany transactions are eliminated in full. Capital consolidation is based on the purchase method, whereby the acquisition cost of a GF Corporate Company is eliminated at the time of acquisition against the fair value of net assets acquired with the remainder recorded as goodwill that is subsequently offset within equity of the Corporation.

Joint ventures in which the GF Corporation exercises joint control together with a joint venture partner are proportionately consolidated.

Companies in which GF has a non-controlling interest of at least 20% but less than 50%, or over which it otherwise has significant influence, are accounted for using the equity method and included in the consolidated financial statements as investments in associates. Investments with less than 20% voting rights are accounted for at fair value and presented under other financial assets.

Foreign currencies

GF Corporate Companies prepare their financial statements in their functional currency. Assets and liabilities held in other currencies are translated at the spot rate on the balance sheet date. Foreign exchange gains and losses resulting from transactions and from the conversion of balance sheet items into the functional currency 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 GF Corporate Companies that report in another currency than Swiss francs 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, including deferred tax. Upon the divestment of a foreign GF Corporate Company, the related cumulative exchange differences are recycled to the income statement.

Other evaluation principles

Other relevant valuation principles, if relevant for the understanding of the valuation of the respective asset or liability, are reflected in the notes.

Management assumptions and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that could materially affect the financial position of the Corporation. The management of GF has identified following assumptions and estimates to be of special relevance to the presentation of the consolidated financial statements:

Management assumptions and estimates	Notes
Income taxes	1.5
Impairment of non-current assets	2.4
Impairment of intangible assets	2.5
Provisions for warranties and onerous contracts	2.6
Impairment of financial assets	5.2

Key figures not defined by Swiss GAAP FER

GF uses certain key figures to measure its performance that are not defined by Swiss GAAP FER. As these key figures are not defined by Swiss GAAP FER, there might be limited comparability to similar figures presented by other companies. In order to better explain these key figures following definitions are presented. In addition, the reconciliation of certain key figures can be found on the GF website for further explanation:

➤ Alternative Performance Measures (APMs)

“Order intake” refers to receiving or processing a customer’s order. It must only be recognized if a binding order or order confirmation is received.

“Orders on hand” at the end of the period equal orders on hand at the end of the previous period plus order intake of the reporting period minus gross sales of the reported period.

“Sales growth” refers to the growth in sales in comparison to the previous year period.

“Organic growth” refers to the growth in sales adjusted for the impacts from movements in foreign currencies as well as impacts from changes in the scope of consolidation in comparison to the previous year period.

“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 to GF, it is reported separately in the income statement.

“EBITDA” corresponds to the operating result (EBIT) before depreciation on tangible fixed assets and amortization on intangible assets.

“One-offs” refer to impacts arising from one-time occurrence of a specific transaction which are not expected to occur again in the future.

“EBIT before one-offs” correspond to the operating result (EBIT) before one-off transactions. It is defined as:

- + +/- Operating result (EBIT)
- + + One-offs

“EBIT after taxes” corresponds to the operating result (EBIT) after current taxes. It is defined as:

- + +/- Operating result (EBIT)
- + – Current taxes

“Free cash flow” consists of cash flow from operating activities together with cash flow from investing activities and is reported separately in the cash flow statement. It is defined as:

- + +/- Cash flow from operating activities
- + +/- Cash flow from investing activities

“Free cash flow before acquisitions/divestments” excludes the cash effective movements arising from acquisitions/divestments. It is defined as:

- + +/- Free cash flow
- + +/- Cash flow from acquisitions/divestments

“Net debt” describes the interest-bearing liabilities minus cash and cash equivalents and marketable securities. It is defined as:

- + + Interest-bearing financial liabilities
- + – Cash and cash equivalents
- + – Marketable securities

“Net debt-to-EBITDA” ratio is a debt ratio that shows how many years it would take for GF to pay back its debt if “Net debt” and “EBITDA” are held constant. It is defined as: net debt divided by EBITDA.

“Equity ratio” shows how much of the Corporation’s assets are funded by equity. It is defined as: shareholders’ equity in relation to liabilities and shareholders’ equity.

“Return on equity (ROE)” represents the profitability on shareholders’ equity. It is defined as: net profit in relation to average shareholders’ equity incl. non-controlling interests.

“Capital expenditures (Capex)” measures the addition in property, plant, and equipment.

"Net working capital (NWC)" is the difference between the Corporation's current assets and current liabilities. It is defined as:

- + + Inventories
- + + Trade accounts receivable
- + + Prepayments to creditors
- + – Trade accounts payable
- + – Prepayments from customers

"Invested capital (IC)" is an indicator that measures total capital invested by shareholders, lenders and any other financing sources. It is defined as:

- + +/- Net working capital
- + + Income taxes receivable
- + + Other accounts receivable
- + + Property, plant, and equipment for own use
- + + Intangible assets
- + – Provisions
- + – Current tax liabilities
- + – Accrued liabilities and deferred income
- + – Pension benefit obligations
- + – Other liabilities

"Return in invested capital (ROIC)" measures the Corporation's ability to efficiently use invested capital. It is defined as: EBIT after taxes divided by average invested capital multiplied with 100. The average invested capital is calculated by adding the invested capital at the beginning of the period to that at the end of the period and dividing the sum by two (based on a rolling twelve-months calculation).

"Asset turnover" shows how frequently invested capital is turned over during the period under review. It is defined as: sales in relation to average invested capital.

"Research and Development" refers to innovative activities in developing new services or products, or improving existing services or products.

1. Performance

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

1.1 Segment information

Segment information

	GF Piping Systems		GF Casting Solutions		GF Machining Solutions		Total segments	
CHF million	2019	2018	2019	2018	2019	2018	2019	2018
Order intake ¹	1'788	1'865	953	1'617	954	1'042	3'695	4'524
Orders on hand at year-end ¹	119	134	267	289	177	200	563	623
Sales ²	1'802	1'821	949	1'687	972	1'066	3'723	4'574
Sales per region								
Europe	640	631	659	1'380	450	484	1'749	2'495
– Thereof Germany	168	165	326	792	138	160	632	1'117
– Thereof Switzerland	111	110	18	25	70	70	199	205
– Thereof Rest of Europe	361	356	315	563	242	254	918	1'173
Americas	432	427	78	61	228	214	738	702
Asia	563	590	210	226	261	315	1'034	1'131
– Thereof China	437	457	188	216	184	235	809	908
– Thereof Rest of Asia	126	133	22	10	77	80	225	223
Rest of world	167	173	2	20	33	53	202	246
Sales	1'802	1'821	949	1'687	972	1'066	3'723	4'574
EBITDA	264	269	48	160	71	102	383	531
Depreciation on tangible fixed assets	–47	–50	–70	–73	–12	–12	–129	–135
Amortization on intangible assets	–3	–2	–2	–1	–2	–2	–7	–5
Operating result (EBIT)	214	217	–24	86	57	88	247	391
Assets³	1'431	1'417	971	1'023	704	763	3'106	3'203
– Thereof current assets	850	865	372	417	511	552	1'733	1'834
– Thereof non-current assets	581	552	599	606	193	211	1'373	1'369
Investments per region								
Europe	39	35	24	51	16	19	79	105
– Thereof Germany	3	2	10	16		1	13	19
– Thereof Switzerland	27	24	2	3	15	16	44	43
– Thereof Rest of Europe	9	9	12	32	1	2	22	43
Americas	16	15	48	35	1	2	65	52
Asia	16	14	7	7	10	11	33	32
– Thereof China	15	12	7	7	10	10	32	29
– Thereof Rest of Asia	1	2				1	1	3
Rest of world	6	4					6	4
Investments	77	68	79	93	27	32	183	193
– Thereof capital expenditures	72	65	79	92	24	26	175	183
– Thereof investments in intangible assets	5	3	0	1	3	6	8	10
Liabilities	742	754	659	647	449	498	1'850	1'899
– Thereof current liabilities	432	439	270	288	280	313	982	1'040
– Thereof non-current liabilities	310	315	389	359	169	185	868	859
Research and development	49	47	18	22	60	58	127	127

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	2019	2018
Sales		
Sales of reportable segments	3'723	4'574
Elimination of intercompany sales	-3	-2
Consolidated sales	3'720	4'572
Operating result (EBIT)		
Total EBIT for reportable segments	247	391
Total EBIT Corporate Center and Corporate Services	-12	-9
Consolidated operating result (EBIT)	235	382
Interest income	5	2
Interest expense	-26	-31
Other financial result	-4	-6
Share of results of associates	-13	
Ordinary result	197	347
Non-operating result	6	1
Profit before taxes	203	348
Income taxes	-31	-69
Net profit	172	279
Assets		
Assets of reportable segments	3'106	3'203
Elimination of intercompany positions	-357	-353
Other assets		
– Current assets (mainly cash and cash equivalents)	293	320
– Non-current assets	302	274
Consolidated assets	3'344	3'444
Investments		
Investments of reportable segments	183	193
Other investments		
– Germany		6
– Switzerland	14	45
– Rest of Europe	7	4
Investments of Corporation	204	248
Liabilities		
Liabilities of reportable segments	1'850	1'899
Elimination of intercompany positions	-608	-613
Other liabilities		
– Current liabilities	43	94
– Non-current liabilities	601	613
Other unallocated amounts	20	24
Consolidated liabilities	1'906	2'016

Geographical information

CHF million	Non-current assets		Sales	
	2019	2018	2019	2018
Total	1'345	1'316	3'720	4'572
Europe	863	883	1'747	2'494
– Thereof Germany	160	240	632	1'116
– Thereof Switzerland	445	347	197	205
– Thereof Rest of Europe	258	296	918	1'173
Americas	239	190	737	702
Asia	216	214	1'034	1'130
– Thereof China	203	201	809	815
– Thereof Rest of Asia	13	13	225	315
Rest of world	27	29	202	246

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 GF Piping Systems, GF Casting Solutions, 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 and high-quality components for the safe transport of water, chemicals and gases, as well as corresponding services. The product portfolio of fittings, valves, pipes, automation and jointing technologies covers all applications of the water cycle.

GF Casting Solutions is one of the leading solution providers of lightweight components in the mobility and energy industry. As a future-oriented company, GF Casting Solutions acts as a driving force for innovation in the foundry and additive manufacturing world and wants to take the lead in shaping the development of sustainable mobility.

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 die-sinking EDM machines. Moreover, the division offers Spindles, Laser texturing, Laser micromachining, Additive Manufacturing, Tooling and Automation, as well as 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. There are no differences in 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

CHF million	Sales	
	2019	2018
GF Piping Systems	1'802	1'821
Utility ¹	716	733
Industry ²	646	643
Building technology ³	440	445
GF Casting Solutions	949	1'687
Automotive (remaining)	688	808
Automotive (divested) ⁴	59	693
Industrial applications	111	109
Aerospace/Energy	91	77
GF Machining Solutions	972	1'066
Milling	282	335
EDM	261	308
Customer service	276	289
Advanced manufacturing/Automation & Tooling	153	134

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.

⁴ Correspond to divested sales see note 4.1.1 Additions, disposals and mergers.

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 recognized 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	2019	2018
Sales of material, waste, and scrap	11	18
Income from insurance contracts	5	7
Income from services	11	9
Gains on disposals of property, plant, and equipment	1	1
Foreign exchange gains/losses	-8	-5
Other operating income	14	26
Total	34	56

1.3 Expenses

1.3.1 Operating expenses

CHF million	2019	2018
External services ¹	170	196
Selling costs, commissions	134	130
Repair, maintenance	77	118
Advertisements, communication	98	108
External energy supply	84	107
Rent, leases	48	54
Other expenses ²	54	63
Total	665	776

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

² Other expenses include compensation to the members of the Board of Directors of CHF 2.7 million (previous year: CHF 2.4 million).

1.3.2 Personnel expenses

CHF million	2019	2018
Salaries and wages	817	935
Employee benefits	32	32
Social security	163	172
Total	1'012	1'139

In the year under review, the expenses for share-based payment transactions to members of the Executive Committee and to members of the Senior Management recorded in the personnel expenses amounted to CHF 7.9 million (previous year: CHF 5.6 million). For more details on transactions with Executive Committee see [Compensation Report](#) and [note 4.3](#) (4.3.2 Transactions with members Board of Directors and the Executive Committee).

1.4 Non-operating result

The non-operating result includes gains from sale of investment properties of CHF 6 million (previous year: CHF 0 million), see also [note 2.4](#).

1.5 Income taxes

CHF million	2019			2018		
	Total	Thereof current taxes	Thereof deferred taxes	Total	Thereof current taxes	Thereof deferred taxes
Tax rate reconciliation						
Profit before taxes	203			348		
Expected income tax rate in % (rounded)	21			21		
Expected income tax expense	42	50	-8	74	59	15
Non-tax deductible expenses/tax exempted income	-2	-2		6	5	1
Use of unrecognized tax loss carryforwards	-3	-4	1	-5	-6	1
Effect of non-recognition of tax losses in current year	4	4				
Recognition of previously unrecognized tax loss carryforwards				-2		-2
Tax charges and credits related to prior periods, net	-1	-1		-6	-7	1
Non-creditable foreign withholding tax	5	5		4	4	
Effect of change in tax rates	-5		-5			
Other effects	-9	-1	-8	-2	-4	2
Effective income tax expense	31	51	-20	69	51	18
Effective income tax rate in %	15			20		

The Corporation's expected income tax rate amounts to 21% (previous year: 21%) and corresponds to the weighted average tax rate which is based on the profit/loss before taxes and the income tax rate of each individual Corporate Company. The expected income tax rate based on the ordinary result is also 21% (previous year: 21%).

The Corporation's effective income tax rate amounts to 15% (previous year: 20%). The effective income tax rate was affected by the Swiss Corporate Tax Reform that entered into force on 1 January 2020. The reform includes cantonal tax rate cuts and the abolition of special cantonal tax regimes. The cantonal tax rate cuts led to a one-time deferred tax income of CHF 5 million due to the revaluation of the deferred tax positions. In addition, the abolition of the holding company status of Georg Fischer Ltd. led to a one-time deferred tax income of CHF 9 million due to the step-up of hidden reserves for tax purposes in relation to the trademark +GF+. Apart from the one-time effects described above, the overall effects of the Swiss Corporate Tax Reform on GF are assessed as neutral.

The unrecognized tax loss carryforwards in 2019 totaling CHF 127 million (previous year: CHF 132 million) have a potential tax relief effect of CHF 33 million (previous year: CHF 35 million), whereof CHF 98 million (previous year: CHF 110 million) can be utilized for an indefinite period. CHF 1 million is to expire within one year.

As of 31 December 2019, tax loss carryforwards of CHF 19 million (previous year: CHF 22 million) were capitalized, resulting in a deferred tax asset of CHF 5 million (previous year: CHF 6 million).

Management assumptions and estimates

Current tax liabilities are calculated based on an interpretation of the tax regulation 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 necessary to assess critically the probability that there will be future taxable profits which can be offset them. This assessment depends on a variety of influencing factors and developments.

Accounting principles

Income taxes include current and deferred taxes. 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 is 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 where it is probable that the temporary difference will not reverse in the foreseeable future.

1.6 Earnings per share

	2019	2018
Earnings per share (CHF)	42	69
Number of shares (Ø)	4'093'519	4'093'613

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 provides additional information on current assets and liabilities that support the ongoing operational liquidity of the Corporation. The section further describes the non-current tangible and intangible assets required at the GF Corporate Companies to provide products and services to their customers. Finally, it provides a summary on the different items of goodwill and the theoretical impact of a capitalization and subsequent amortization of goodwill.

2.1 Accounts receivable

2.1.1 Trade accounts receivable

CHF million	2019	2018
Gross values	624	725
Individual value adjustments	-6	-5
Overall value adjustments	-21	-23
Net values	597	697
Europe	235	295
– Thereof Germany	36	88
– Thereof Switzerland	21	35
– Thereof Rest of Europe	178	172
Americas	89	104
Asia	234	259
– Thereof China	166	194
– Thereof Rest of Asia	68	65
Rest of world	39	39
Total	597	697

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:

		2019		2018
	Receivable after individual value adjustments	Overall value adjustment	Receivable after individual value adjustments	Overall value adjustment
CHF million				
Not yet due	478	1	557	
1 to 30 days overdue	47		76	
31 to 90 days overdue	49		52	
91 to 180 days overdue	22	6	19	8
More than 180 days overdue	22	14	16	15
Total	618	21	720	23

The individual value adjustments amounted to CHF 6 million (previous year: CHF 5 million). It is assumed that part of the underlying receivables will be paid. Receivables not due are mainly receivables arising from long lasting 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](#).

Accounting principles

Accounts receivable are stated at nominal value. Value adjustments for doubtful accounts 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 22 million (previous year: CHF 11 million), CHF 8 million relate to Germany, CHF 4 million relate to Sweden, CHF 3 million to the USA, CHF 2 million to Austria, CHF 1 million each to Switzerland, India and Turkey, and CHF 2 million to other countries.

2.1.3 Other accounts receivable

CHF million	2019	2018
Tax credits from indirect taxes	32	30
Other current accounts receivable	25	32
Total	57	62

2.2 Inventories

CHF million	2019	2018
Finished goods	505	495
Raw materials and components	225	242
Work in progress	180	180
Gross value of inventories on hand	910	917
Valuation adjustments	-159	-138
Inventories	751	779

Accounting principles

Goods held for trading are generally stated at average cost and internally manufactured products at standard 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	2019	2018
Social security	19	17
Other non-interest-bearing liabilities	39	39
Derivative financial instruments	1	2
Other tax liabilities (e.g. withholding tax)	26	37
Total	85	95
- Thereof current	56	56
- Thereof non-current	29	39

2.3.2 Derivative financial instruments

CHF million	Nominal value	Positive market value	2019 Negative market value	Nominal value	Positive market value	2018 Negative market value
Underlying						
Foreign exchange	443	5	-1	463	3	-2
Other underlyings				2		
Total	443	5	-1	465	3	-2

GF uses derivative financial instruments as part of its Corporation-wide risk management. Currency risk from accounts receivable, accounts payable, and financing in foreign currencies are partially hedged. The only hedging instruments employed are foreign currency contracts with a maximum maturity of twelve months. See also [note 3.6](#).

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	2019	2018
Financial instruments (assets)		
Cash and cash equivalents (excluding fixed-term deposits)	514	504
Trade accounts receivable	597	697
Fixed-term deposits	7	29
Other accounts receivable ¹	25	32
Accrued income	19	15
Other financial assets ²	110	91
Loans and receivables stated at amortized cost	758	864
Marketable securities and funds	4	6
Financial assets recognized in income statement at market value	4	6
Derivative financial instruments (receivables)	5	3
Financial instruments (liabilities)		
Trade accounts payable	466	498
Bonds	574	574
Other financial liabilities	187	202
Accrued liabilities and deferred income ³	234	253
Other current/non-current liabilities ⁴	84	93
Liabilities stated at amortized cost	1'545	1'620
Derivative financial instruments (liabilities)	1	2

¹ The balance sheet item "Other accounts receivable" includes tax credits. For more details, see note 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 Accrued liabilities and deferred income.

⁴ The balance sheet item "Other current/non-current liabilities" includes derivative financial instruments. For more details, see note 2.3.1 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. Derivative financial instruments are stated at their replacement value (market value) at the balance sheet date.

2.4 Movements in property, plant, and equipment

CHF million	Invest- ment proper- ties	Machinery and pro- duction equip- ment	Buildings	Building compo- nents	Other equip- ment	Assets under construc- tion	Land	Undevel- oped property	Assets held un- der fi- nance leases	Property, plant, and equip- ment for own use
Cost										
As of 31 December 2019	196	1'414	603	159	230	133	44	4	23	2'610
Additions		39	13	3	9	132				196
Disposals	-19	-33	-3	-1	-7					-44
Changes in scope of con- solidation		-53		-3	-5					-61
Other changes, reclassifi- cations	21	58	42	30	27	-178				-21
Translation adjustment	-6	-38	-12	-2	-5	-3	-1		-1	-62
As of 31 December 2018	200	1'441	563	132	211	182	45	4	24	2'602
Additions	2	44	7	5	11	160	5		4	236
Disposals	-2	-159	-5	-3	-10				-1	-178
Changes in scope of con- solidation		-493	3	-27	-19	-4				-540
Other changes, reclassifi- cations	140	52	-93	10	11	-127	-1		4	-144
Translation adjustment	-5	-54	-16	-3	-6	-2	-2		-1	-84
As of 31 December 2017	65	2'051	667	150	224	155	43	4	18	3'312
Accumulated deprecia- tion										
As of 31 December 2019	-119	-974	-313	-83	-172	-2			-12	-1'556
Additions	-2	-79	-16	-7	-16				-3	-121
Impairment		-8	-2			-2				-12
Disposals	5	32	2	1	6					41
Changes in scope of con- solidation		39		2	3					44
Other changes, reclassifi- cations	-10	15	9	1	-13					12
Translation adjustment	4	26	5	1	3				1	36
As of 31 December 2018	-116	-999	-311	-81	-155				-10	-1'556
Additions	-1	-102	-18	-7	-13				-2	-142
Disposals		93	4	3	10				1	111
Changes in scope of con- solidation		444	-1	17	15					475
Other changes, reclassifi- cations	-89	3	86	3						92
Translation adjustment	3	36	7	2	4				1	50
As of 31 December 2017	-29	-1'473	-389	-99	-171				-10	-2'142
Carrying amount										
As of 31 December 2019	77	440	290	76	58	131	44	4	11	1'054
As of 31 December 2018	84	442	252	51	56	182	45	4	14	1'046
As of 31 December 2017	36	578	278	51	53	155	43	4	8	1'170

The movement in assets under construction is mainly due to ongoing investment projects. This includes the refurbishment of an administration building in Schaffhausen (Switzerland) for GF Piping Systems amounting to CHF 13 million, ongoing investment in the newly built innovation and production center in Biel (Switzerland) and plant expansion in Changzhou (China) for GF Machining Solutions amounting to CHF 9 million each, ongoing investment into the light metal die-casting plant in Mills River (USA) of the joint venture with GF Casting Solutions and Linamar Corporation amounting to CHF 48 million, as well as the transfer of completed projects to other categories of property, plant, and equipment.

The movements in the line "Changes in scope of consolidation" result from acquisitions and divestments, explained in more detail in [note 4.1](#) (4.1.2 Acquisitions and divestments).

Investments in property, plant, and equipment with an effect on liquidity in the 2020–2024 period amount to CHF 78 million. This amount mainly relates to investments for GF Piping Systems division in the amount of CHF 31 million and the GF Casting Solutions division in the amount of CHF 37 million.

The overall movements in the line "Other changes, reclassifications" are explained by the reclassification of a building used for own use to investment property following the divestment of the iron foundry in Herzogenburg, mold and tooling equipment used at production facilities in China that had to be moved from net working capital to property, plant, and equipment as well as demo machines earmarked for sale reclassified to inventories.

In the category investment properties, sale of properties in Garching (Germany) and Schaffhausen (Switzerland) is recorded. The fair value of investment properties, as determined by internal assessments on the basis of capitalized and current market values, is CHF 112 million (previous year: CHF 101 million).

Impairments amounting to CHF 12 million is entirely due to the relocation of production from Werdohl (Germany), started in the second half of 2019.

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. 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 actual future cash flows can differ considerably from discounted projections.

Accounting principles

Property, plant, and equipment are stated at cost or manufacturing cost less depreciation and impairment. Financing costs of assets under construction are part of the costs of the asset if material. Assets held 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 as liabilities.

Assets are depreciated on a straight-line basis over their estimated useful lives or lease terms:

- + Investment properties and buildings: 30–40 years
- + Building components: 8–20 years
- + Machinery and production equipment: 6–20 years
- + Other equipment (vehicles, IT systems, etc.): 1–5 years
- + Assets under construction are usually not depreciated

When components of larger assets have different useful lives, these are depreciated separately. Useful lives and residual values are reviewed annually on the balance sheet date and 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.

Assets held under the terms of a finance lease are described in [note 3.3](#).

2.5 Movements in 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 amounted to CHF 34 million (previous year: CHF 34 million).

Land use rights in the amount of CHF 12 million (previous year: CHF 13 million) and royalties, patents, others in the amount of CHF 7 million (previous year: CHF 8 million), remained almost unchanged compared to the previous year.

Software amounted to CHF 15 million (previous year: CHF 13 million). The main reason for this increase was the industrial software and SAP implementation in various companies by GF Piping Systems and GF Machining Solutions.

Goodwill

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

Theoretical movements in goodwill

CHF million	2019	2018
Cost		
As of 31 December	646	655
Additions from acquisitions	3	77
Adjustments	6	-4
Translation adjustment	-18	-26
As of 1 January	655	608
Accumulated amortization		
As of 31 December	-546	-526
Additions regular	-36	-38
Translation adjustment	16	22
As of 1 January	-526	-510
Theoretical book values, net		
As of 31 December	100	129
As of 1 January	129	98

Effect on income statement

CHF million	2019	2018
Operating result (EBIT)	235	382
Return on sales (EBIT margin) %	6.3	8.4
Amortization goodwill	-36	-38
Theoretical operating result (EBIT) incl. amortization of goodwill	199	344
Theoretical return on sales (EBIT margin) %	5.3	7.5
Net profit	172	279
Amortization goodwill	-36	-38
Theoretical net profit incl. amortization of goodwill	136	241

Effect on balance sheet

CHF million	2019	2018
Equity according to balance sheet	1'438	1'428
Theoretical capitalization of net book value of goodwill	100	129
Theoretical equity incl. net book value of goodwill	1'538	1'557
Equity as % of balance sheet total	43.0	41.5
Theoretical equity incl. net book value of goodwill as % of balance sheet total (incl. goodwill)	44.7	43.6

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 6 million (previous year: CHF -4 million) is due to the adjustment of the conditional purchase price of Microlution Inc of CHF -0.7 million and the adjustment of the long-term investments in securities as collateral for non-mandatory retirement liabilities of GF Precicast SA of CHF 7 million (see [note 5.1](#) for further details). The adjustment will be amortized together with the goodwill over the remaining period of amortization.

At the balance sheet date no indications of impairment were found except for the goodwill of GF Urecon Ltd, GF Precicast SA and GF Casting Solutions SRL. These goodwill items were tested for impairment. The three impairment tests revealed that the resulting recoverable amounts based on value in use calculations, exceeded the carrying amounts.

By applying the capital asset pricing model, individual costs of capital were calculated for GF Urecon, GF Precicast and GF Pitesti. The calculation required an assessment of the relative market risk of different peer groups as well as the determination of specific risk-free interest rates, an equity market risk premium, the borrowing costs and relevant tax rates.

Since the cash flow projections were based on cash flows after tax, the discount rate has also been determined after tax. The discount rate for GF Urecon was calculated at 7.5%, for GF Precicast at 5.0% and for GF Pitesti at 9.2%.

It was confirmed that the theoretical goodwill of all three companies retained its carrying amount.

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

Acquired licenses, patents, and similar rights are capitalized and, with the exception of land use rights, 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 acquisition price plus transaction costs incurred in connection with the business combination less the value of the acquired and re-valued net assets 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 GF Corporate 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 carrying 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 cumulatively:

- + 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, accrued liabilities and deferred income and contingent liabilities

2.6.1 Movements in provisions

CHF million	Personnel and social security	Warranties	Legal	Onerous contracts	Restructuring	Other	Provisions	Deferred tax liabilities	Provisions and deferred tax liabilities
As of 31 December 2019	56	37	14	8	15	25	155	58	213
Increase	7	22	2	4	15	8	58	5	63
Use	-4	-12	-4	-4		-1	-25		-25
Release	-2	-5	-2	-8		-3	-20	-8	-28
Changes in scope of consolidation	-5						-5	-2	-7
Translation adjustment	-2	-1				1	-2		-2
As of 31 December 2018	62	33	18	16		20	149	63	212
Increase	11	23	8	7		11	60	17	77
Use	-5	-15	-2	-4		-1	-27		-27
Release	-1	-8	-8	-5		-9	-31	-3	-34
Changes in scope of consolidation	-16			6		-4	-14	2	-12
Translation adjustment	-2	-2					-4		-4
As of 31 December 2017	75	35	20	12		23	165	47	212
Maturity structure of the provisions 2019									
- current	4	24	1	5	7	11	52		52
- non-current	52	13	13	3	8	14	103	58	161
Maturity structure of the provisions 2018									
- current	4	21	2	6		5	38		38
- non-current	58	12	16	10		15	111	63	174

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 level of GF Corporate Companies.

Personnel and social security

Includes provisions for employee retirement benefits and other service-related employee benefits which are not provided by pension funds or similar institutions as well as anniversary bonuses and provisions for work accidents. For employee benefits provided by pension funds refer to [note 5.1](#).

Warranties

Cover expected expenses for warranty benefits such as repairs and replacements. All three divisions provide warranty benefits to their customers: 40% of the provisions relate to GF Machining Solutions (previous year: 39%), 40% to GF Casting Solutions (previous year: 24%) and 20% to GF Piping Systems (previous year: 37%).

Legal

Includes all obligations deriving from legal cases and litigations. None of the individual provision should lead to an outflow of more than CHF 10 million (previous year: CHF 6 million).

Onerous contracts

Summarizes contracts for which the fulfillment leads to unavoidable costs that exceed the associated economic benefits. Onerous contracts concern mainly GF Casting Solutions.

Restructurings

Summarizes provisions for legal and or constructive obligations deriving from restructurings. A constructive obligation arises when a detailed and formal plan for a restructuring exists and a valid expectation in those affected by the restructuring was raised. The increase in provision is related to restructuring and relocation activities in Europe.

Other

Includes all other events that give raise to a provision such as non-warranty claims by customers and risks from business activities not allocated to warranties, legal or onerous contract category.

Management assumptions and estimates

In the course of their ordinary operating activities, GF 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	2019	2018
Overtime, holiday, bonuses, and sales-related premiums	94	113
Accrued liabilities/deferred income for commissions and discounts	34	33
Accrued liabilities/deferred income for annual audit fees	4	4
Other accrued liabilities and deferred income	102	103
Total	234	253

2.6.3 Contingent liabilities

Contingent liabilities amount to CHF 81 million (previous year: CHF 125 million) and include guarantees to related parties in favor of third parties and guarantees to third parties. The decrease is explained by the reduction in guarantees in favor of related parties in relation to the divestments in 2018. The divestment to third parties in 2019 added CHF 5 million to the overall amount.

3. Capital and financial risk management

The total capital is defined as total equity and net debt. The GF Corporation manages its capital structure in order to safeguard its ability to continue as a going concern, maintain an optimal cost of capital and optimize the long-term returns to its shareholders as well as provide financial flexibility with regard to future strategic investments.

The GF Corporation is exposed to a number of financial risks, and this section further outlines the key financial risks and how they are managed.

3.1 Interest-bearing financial liabilities and pledged or assigned assets

3.1.1 Interest-bearing financial liabilities

CHF million	Within 1 year	Up to 5 years	Maturity over 5 years	2019	2018
Bonds (at fixed interest rates)		149	425	574	574
Other financial liabilities (at fixed interest rates) ¹	17	79		96	102
Other financial liabilities (at variable interest rates)	90	1		91	100
Loans from pension fund institutions	1			1	4
Total	108	229	425	762	780

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 6 million to CHF 232 million in the year under review (previous year: CHF 238 million). The reason for this slight decrease was primarily related to the free cash flow (CHF 132 million) minus the dividend payments to GF shareholders and minority shareholders amounting to CHF 114 million.

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

	Issuing currency	Range interest rate %		Issuing currency	Range interest rate %	
CHF million			2019			2018
Bonds						
(at fixed interest rates)			574			574
Bond (Georg Fischer Finanz AG)						
2.5% 2013–2022 (12 September)						
Nominal value: CHF 150 million	CHF	2.6	149	CHF	2.6	149
Bond (Georg Fischer Finanz AG)						
0.875% 2016–2026 (12 May)						
Nominal value: CHF 225 million	CHF	0.9	225	CHF	0.9	225
Bond (Georg Fischer AG)						
1.05% 2018–2028 (12 April)						
Nominal value: CHF 200 million	CHF	1.06	200	CHF	1.06	200
Other financial liabilities						
(at fixed interest rates) ¹			96			102
	USD	5.0	73	USD	5.0	46
	CHF	1.5–4.3	7	CHF	1.1–1.5	29
	EUR	1.0–1.4	15	EUR	1.9–5.0	17
	CNY			CNY	6.1–7.6	7
	Other	2.5	1	Other	5.0	3
Other financial liabilities						
(at variable interest rates)			91			100
	CNY	3.9–4.6	55	CNY	3.9–4.8	58
	EUR	1.5–1.6	22	EUR	1.5–1.6	27
	TRY	10.3–13.5	13	TRY	25.0	6
	Other	3.1	1	Other	0.0–4.3	9
Loans from pension fund						
institutions			1			4
	CHF	1.0	1	CHF	1.0	4
Total			762			780

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

In the year under review GF concluded a new syndicated loan agreement:

Debtors	Minimum Term	Credit	Thereof utilized
Georg Fischer Ltd/Georg Fischer Finanz AG	2019–2024	CHF 400 million	CHF 0 million

The syndicated credit line provides the GF Corporation with the financial flexibility to swiftly act as for instance in the case of acquisitions and was not drawn at the end of the year. In addition to other terms, the syndicated credit line is subject to a covenants with respect to the net debt ratio (ratio of net debt to EBITDA). The conditions of the syndicated credit line are considered to represent standard conditions for such types of arrangements.

The bonds placed on the market as well as the syndicated credit line are subject to standard 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 GF 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 1 million (previous year: CHF 4 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 amounted to CHF 12 million (previous year: CHF 16 million).

In the year under review, CHF 3 million (previous year: CHF 8 million) of pledged assets related to land and buildings. The decrease of CHF 4 million mainly arose from Hakan Plastik AS in the GF Piping Systems division. The company adjusted its financing structure.

CHF 1 million related to machinery and equipment (previous year: CHF 2 million), while CHF 5 million related to accounts receivable (previous year: CHF 6 million). There are no pledged or assigned inventories.

CHF 3 million related to liquid assets (previous year: CHF 0 million). The increase of CHF 3 million mainly arose from the Chinaust companies in the GF Piping Systems division. The companies have assigned cash deposits for the issuance of bankers drafts.

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

3.2 Financial result

CHF million	2019	2018
Interest income	5	2
Financial income	5	2
Interest expenses	26	31
Share of results of associates ¹	13	
Net losses on financial instruments at market value recognized in income statement	1	3
Other financial expenses	3	3
Financial expenses	43	37

¹ The result of associates includes a negative impact on the application of the equity accounting of CHF 3 million and additional impairments of CHF 3 million on the equity accounted investments and on CHF 7 million the non-current loans to associates, see also note 5.2.

3.3 Leasing

CHF million	2019	2018
Leasing obligations up to 1 year	19	20
Leasing obligations 1 to 5 years	54	58
Leasing obligations over 5 years	7	11
Operating leases (nominal values)	80	89

Liabilities relating to financial lease contracts in the amount of CHF 11 million (previous year: CHF 14 million) were mainly due to the leasing of machines by GF Piping Systems and GF Casting Solutions. 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 GF Corporate Company. 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.

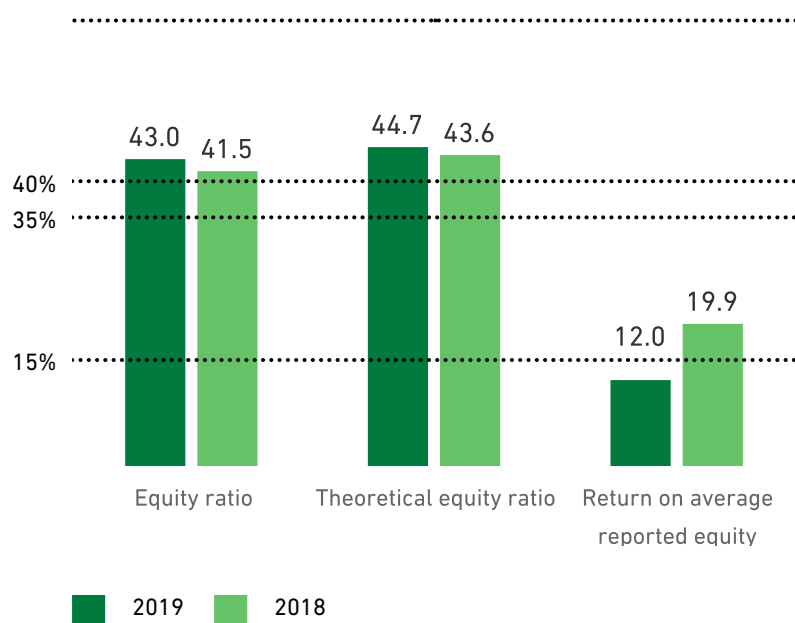
3.4 Equity

Share capital

As of 31 December 2019, 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.

Equity ratios

The main equity ratios developed as per following table:



CHF million	2019	2018
Equity attributable to shareholders of Georg Fischer Ltd	1'396	1'382
Non-controlling interests	42	46
Equity	1'438	1'428
Total assets	3'344	3'444
Equity ratio as %	43.0	41.5
Theoretical equity incl. net value of goodwill	1'538	1'557
Theoretical equity ratio incl. net value of goodwill as %, total assets incl. goodwill	44.7	43.6
Average reported equity	1'433	1'399
Net profit	172	279
Return on average reported equity as %	12.0	19.9

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 on a regular basis. While the total equity increased, total assets reduced resulting in an increase of the equity ratio to 43.0% (previous year: 41.5%).

GF strives to maintain a strong balance sheet with equity ratio of 35% to 40%. The target for return on equity is above 15%.

Current financing arrangements do not include financial covenants requiring a minimal capital requirement (absolute amount in CHF). Current financial covenant include a minimum equity ratio (relative measure). As per 31 December 2019, the financial covenants were not breached.

The Board of Directors presents a proposal for the appropriation of retained earnings to the Annual Shareholders' Meeting. Over the medium term, the target is to distribute between 30% and 40% of the consolidated net profit to shareholders.

For the financial year 2019 the Board of Directors is proposing to the Annual Shareholders' Meeting a dividend payment out of the retained earnings of CHF 25 in total per registered share (previous year: CHF 25 in total per registered share).

Until 17 April 2020, the maximum authorized share capital is CHF 600'000 divided into 600'000 registered shares each with a par value of CHF 1. The conditional capital consists of a maximum of 600'000 shares divided into 600'000 registered shares each with a par value of CHF 1.

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.

Reserves that cannot be distributed to the shareholders amount to CHF 83 million (previous year: CHF 90 million).

3.5 Treasury shares

	2019			2018		
	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	7'173	918.00	7	7'586	1'145.92	9
Purchases	10'280	924.27	10	10'460	1'185.02	12
Disposals				-2'629	1'302.79	-3
Transfers (share-based compensation)	-10'693	1'085.69	-12	-7'229	1'161.47	-8
As of 1 January	7'586	1'145.92	9	6'984	1'114.63	8

The GF Corporation buys treasury shares to meet its obligation under the different share-based compensation models offered to the Board of Directors, the Executive Management and the Senior Management. For further information on share-based compensation for the Board of Directors and the Executive Management see [Compensation Report](#) and [note 4.3](#).

Accounting principles

Treasury shares are recorded at average acquisition cost as a negative position in equity. Gains or losses arising from the disposal of treasury shares are taken to the capital reserves.

3.6 Risk management

Enterprise risk management as a fully integrated risk management process was systematically applied in 2019 at all levels of the GF Corporation. The three Divisions, the Corporate Staff and all significant GF Corporate Companies prepared a risk map in May and November including the key risks in the areas of 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 already 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. Main content of the discussions were the enhanced handling of cyber risks and the execution of adequate measures as well as the optimization of the sustainability risk reporting. In addition, the divisional risk maps were closely analyzed.

In accordance with the semi-annual risk reporting process, the Executive Committee and the management of the Divisions discussed the risk maps twice. They defined, at the appropriate level, the key risks of the GF Corporation, the Divisions and the Corporate Companies, and determined adequate measures to mitigate those risks. The Board of Directors has reviewed the enterprise risk management most recently in February 2020 and analyzed the corporate and divisional risk maps as well as defined 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 GF Corporate Companies.

Following key risks were identified: slow-down of the economic growth due to political and economic uncertainties, mainly in China, the impact of the lower automotive sales in Europe on some GF Casting Solutions plants in Europe and cyber risks. 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 affecting the recoverability of trade accounts receivable or bank deposits	diversification and regular assessments of creditworthiness
b) Market risk		
- Currency risk	sales and purchases as well as financing to GF Corporate Companies in foreign currencies	selling and producing in functional currency (congruency principle) and hedging by means of currency forward contracts
- Interest rate risk	deemed insignificant	not deemed necessary
- Price risk	deemed insignificant	not deemed necessary
c) Liquidity risk	insufficient liquidity to pay liabilities due	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 mandated 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 Audit Committee is supported by the Head of Corporate Controlling and Investor Relations in this task.

The financial risk management principles are designed to identify and analyze the risks to which the Corporation is exposed and to establish appropriate control mechanisms. The principles of financial risk management are regularly reviewed, taking into consideration changes in the relevant financial markets and in the Corporation's activities.

Through its different business activities, the GF Corporation 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, mitigating and managing the risks.

Credit risk

As per balance sheet date, the maximum amount of credit risk including off-balance sheet commitments was as follows:

CHF million	2019	2018
On-balance sheet		
Trade accounts receivable	597	697
Cash and cash equivalents	521	533
Other accounts receivable ¹	25	32
Accrued income	19	15
Other financial assets ²	109	91
Derivative financial instruments	5	3
Total on-balance sheet	1'276	1'371
Off-balance sheet		
Guarantees to third-parties ³	81	125
Total off-balance sheet	81	125

¹ Without tax credits.

² Relates to loans to third parties, security deposit and long-term invested securities for the settlement of pension liabilities.

³ Thereof used CHF 70 million (previous year: CHF 104 million).

Cash is predominantly deposited with leading Swiss, German, US and Chinese banks with a credit rating of at least BBB- (Standard & Poor's). Further and in accordance with the investment policy, all financial transactions are only entered into with counterparties deemed creditworthy. In addition, cash holdings are allocated to different banks in order to limit the counterparty risk. The maximum amount of cash to deposit with a bank is defined in relation to its credit rating. Cash deposits, current accounts and cash investments have a maturity of less than three months.

Transactions involving derivative financial instruments are only entered into with counterparties with at credit rating of at least BBB- (Standard & Poor's). The purpose of such transactions is to hedge against currency risks.

The risk of concentrated credit risks on trade accounts receivable is limited due to the large number of customers and their wide diversification across industries and regions. The extent of credit risk is determined by individual characteristics of the customers and in order to assess this risk, the creditworthiness of customers is assessed on a regular basis.

The maximum credit risk on financial instruments corresponds to their carrying amounts. No additional arrangements have been entered into, that would increase the risk above the carrying amounts.

Currency risk

Foreign exchange rates

		Average rates		Spot rates	
CHF		2019	2018	2019	2018
1	ARS	0.021	0.037	0.016	0.026
1	AUD	0.691	0.731	0.679	0.695
1	BRL	0.252	0.269	0.240	0.254
1	CAD	0.749	0.755	0.744	0.722
1	CNY	0.144	0.148	0.139	0.143
1	EUR	1.112	1.155	1.085	1.127
1	GBP	1.268	1.306	1.276	1.260
1	HKD	0.127	0.125	0.124	0.126
1	INR	0.014	0.014	0.014	0.014
1	MXN	0.052	0.051	0.051	0.050
1	NZD	0.655	0.677	0.652	0.661
1	RON	0.234	0.248	0.227	0.242
1	SGD	0.728	0.725	0.718	0.723
1	TRY	0.175	0.208	0.162	0.186
1	USD	0.994	0.979	0.966	0.984
100	CZK	4.334	4.504	4.272	4.381
100	DKK	14.900	15.496	14.527	15.091
100	JPY	0.912	0.886	0.890	0.895
100	KRW	0.085	0.089	0.084	0.088
100	NOK	11.299	12.036	11.004	11.328
100	PLN	25.888	27.111	25.498	26.198
100	SEK	10.509	11.264	10.390	10.989
100	THB	3.202	3.027	3.248	3.041
100	TWD	3.215	3.245	3.232	3.217

The table below shows the foreign currency forward nominal and market values of the foreign currency contracts used to mitigate currency risk:

CHF million	Fair value hedges	Cash flow hedges	2019	2018
Nominal value	279	164	443	462
Market value (net; positive and negative) ¹	2	2	4	1
Net nominal value	281	166	447	463

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

Given its international activities, the GF Corporation is exposed to currency risk. Currency risk occurs in connection with transactions (in particular the purchase and sale of goods) which are effected in currencies different from the functional currencies. Through such transactions the corporation is mainly exposed to changes in the euro and US dollar exchange rates. These currency risks can be reduced by purchasing and producing goods in the functional currency (congruency principle) or by entering into foreign currency forwards (cash flow hedges), usually for a maximum of twelve months.

The fair value hedges include foreign currency forward contracts that are used to hedge loans to GF Corporate Companies in foreign currencies. Unrealized gains and losses from changes in the fair value are reported in the financial result. These fair value hedges are mainly in US dollar, euro, Canadian dollar and Romanian leu and have an expiry of no more than 12 months of the balance sheet date.

The fair value hedges also include foreign currency forward contracts that serve to hedge currency risks on receivables and payables. 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". These fair value hedges are mainly in US dollar and euro and have an expiry of no more than 12 months of the balance sheet date.

Assuming unchanged exchange rates, a cash outflow of CHF 443 million (gross) (previous year: CHF 462 million) would be offset by a cash inflow of CHF 447 million (gross) (previous year: 463 million), giving a positive replacement value of CHF 4 million (previous year positive replacement value of CHF 1 million).

Contract values, net by currencies

CHF million	2019	2018
USD/CHF	191	360
EUR/CHF	184	27
TRY/USD	4	13
GBP/EUR	8	4
CNY/USD	2	
USD/SEK	7	9
SEK/CHF	7	7
GBP/CHF	1	4
JPY/CHF	4	7
SGD/CHF	4	8
TRY/EUR	0	5
RON/CHF	15	
CAD/CHF	16	
Other		19
Total	443	463

Accounting principles

Derivative financial instruments used to hedge balance sheet items (fair value hedges) are accounted for at market values through the income statement. Hedging transactions on probable future cash flows (cash flow hedges) are initially accounted for at market values through equity. Later, when an asset or a liability results from the hedged underlying transaction, the gains and losses previously recognized in equity are transferred to the income statement. In the case of cash flow hedges the volume of the foreign currency forward contracts is limited to a maximum 75% of the probable future cash flows.

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 fair value of interest bearing liabilities.

As fair value accounting is not applied for interest bearing liabilities, changes in market interest rates are not expected to have a material impact on the income statement.

However, there is an expected impact from variable interest rate instruments on the cash flows. It is expected that a one-percentage-point increase in the general level of interest rates would increase the ordinary result by CHF 4 million (previous year: CHF 4 million). A reduction in the interest rate by a one-percentage-point decrease is expected to reduce the ordinary result by the same amount.

Price risk

Listed securities of CHF 4 million (previous year: CHF 4 million) are exposed to price risk. Since the value of these securities is low compared to the total assets, no significant impact on the income statement is expected from price fluctuations.

Liquidity risk

The following table shows the contractual maturities (including interest rates) of the financial liabilities:

CHF million	Carrying amount	Contractual cash flows	Up to 1 year	1 to 5 years	More than 5 years
Trade accounts payable	466	466	466		
Bonds	574	619	8	174	437
Other financial liabilities	187	204	116	88	
Accrued liabilities and deferred income	234	234	234		
Other liabilities current/non-current ¹	85	85	56	25	4
Total 2019	1'546	1'608	880	287	441
Total 2018	1'622	1'704	970	288	446

¹ For more details, see note 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 2019 was CHF 768 million (previous year: CHF 591 million). The increase is explained by the increase of the syndicated loan agreement by CHF 150 million. The credit lines are maintained with different banks in order to ensure swift and adequate access to these credit lines.

4. Corporate structure

This section provides information on the changes in scope of consolidation and especially on acquisitions and divestments. A list of all GF Corporate Companies is provided.

4.1 Changes in scope of consolidation

4.1.1 Additions, disposals and mergers

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

Additions (acquisitions) 2019

- + As of 1 August 2019, Global Supply Company LLC, Hallandale (USA)
Pro rata sales 2019: CHF 2 million
Division: GF Piping Systems

Additions (increase in ownership) 2019

- + As of 1 January 2019, Step-Tec AG, Luterbach (Switzerland), (acquisition of the remaining 1.7% of capital)
Division: GF Machining Solutions
- + As of 1 March 2019, GF Precicast Additive SA, Novazzano (Switzerland), (acquisition of the remaining 50% of capital)
Division: GF Machining Solutions
- + As of 1 October 2019, Georg Fischer Corys LLC, Dubai (United Arab Emirates), (acquisition of an additional 1% of capital)
Division: GF Piping Systems

Additions (foundation) 2019

- + As of 29 October 2019, GF Corys Middle East Ltd, Abu Dhabi (United Arab Emirates)
Division: GF Piping Systems
- + As of 11 December 2019, Georg Fischer Piping Systems Ltd Yangzhou, Yangzhou (China)
Division: GF Piping Systems

Disposals (divestments) 2019

- + As of 1 October 2019, GF Casting Solutions Herzogenburg Iron GmbH, Herzogenburg (Austria)
Pro rata sales 2019: CHF 59 million
Division: GF Casting Solutions

Mergers 2019

- + As of 1 December 2019, Step-Tec AG, Luterbach, Switzerland with GF Machining Solutions AG, Biel (Switzerland)
Division: GF Machining Solutions

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

Additions (acquisitions) 2018

- + As of 1 April 2018, Precicast Industrial Holding SA, Novazzano (Switzerland)
Pro rata sales 2018: CHF 77 million
Division: GF Casting Solutions

Additions (foundations) 2018

- + As of 1 April 2018, PT Georg Fischer Indonesia (Trading), Karawang (Indonesia)
Division: GF Piping Systems

Disposals (divestments) 2018

- + As of 1 December 2018, iron casting plants Singen and Mettmann (both Germany)
Division: GF Casting Solutions

Iron casting plant Singen:

GF Casting Solutions Singen GmbH, Singen (renamed to Fondium Singen GmbH)

GF Casting Solutions Machining Singen GmbH, Singen (renamed and merged into Fondium Singen GmbH)

Iron casting plant Mettmann:

GF Casting Solutions Mettmann GmbH, Mettmann (renamed to Fondium Mettmann GmbH)

GF Casting Solutions Services GmbH, Mettmann (renamed to Fondium Group GmbH)

Pro rata sales 2018: CHF 617 million

4.1.2 Acquisitions and divestments

Assets and liabilities from acquisitions and divestments at the time control was acquired or lost

CHF million	Total acquisitions 2019 Global Supply Com- pany LLC	Total divestments 2019 GF Casting Solu- tions Herzogenburg Iron GmbH	Total acquisitions 2018	Total divestments 2018
Cash and cash equivalents			19	
Trade accounts receivable	2	-10	27	-95
Inventories		-11	43	-64
Other accounts receivable			4	-31
Property, plant, and equipment		-17	22	-87
Intangible assets			1	
Deferred tax assets	1			-23
Other financial assets			9	
Total assets	3	-38	125	-300
Deferred tax liabilities			5	
Non-interest bearing liabilities	1	-18	36	-233
Interest-bearing liabilities		-2		-34
Net assets	2	-18	84	-33

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 acquisition including earn-out payments amounted to CHF 5 million (previous year: CHF 154 million) while the cash-in for the divestment amounted to CHF 0 million (previous year: CHF 0 million) as explained in more detail below.

Acquisitions 2019

Acquisition Global Supply Company LLC

Acquisition of 100% of the shares of the specialized service provider for the marine industry, Global Supply Company LLC. Control was assumed as of 1 August 2019. Global Supply Company LLC services the retrofit market for cruise ships in the USA. The company will be renamed to GF Marine USA and merged into George Fischer LLC, Irvine, USA.

Divestments 2019

Divestment of GF Casting Solutions Herzogenburg Iron GmbH

Sale of 100% of the shares in the iron foundry in Herzogenburg supplying the automotive industry with a dedicated workforce of around 250 employees and annual sales of approximately CHF 75 million. GF facilitated the sale by providing a vendor loan of CHF 10 million to the buyers consisting of the former management. Because of the divestment, all assets and liabilities of the formerly fully owned company were deconsolidated as per 1 October 2019. See also [note 5.2](#) for further details.

Acquisitions 2018

Acquisition of Precicast Industrial Holding SA

100% of the shares of the Swiss precision casting specialist, Precicast Industrial Holding SA, Novazzano (Switzerland), have been acquired, control of the acquired company was assumed on 1 April 2018.

Precicast Industrial Holding SA (Precicast) is one of the few independent precision casting companies in Europe, specializing in super alloy components for aero engines and industrial gas turbines. In addition, the company produces components out of additive manufacturing (3D printing) through Precicast Additive SA.

The company generated a turnover of approx. CHF 120 million in 2017 with a workforce of 730 employees in Switzerland and in Romania.

Divestments 2018

Divestment of iron casting plants Singen and Mettmann

The two iron casting plants in Singen and Mettmann (Germany) supplying the automotive industry with a dedicated workforce of around 2'000 employees and combined annual sales of CHF 617 million (for the eleven months in 2018) were deconsolidated on 1 December 2018 in form of a management buy-out. As a result of the divestment, all assets and liabilities of the formerly fully owned entities were deconsolidated.

GF retains a share of 20% in the equity of the divested GF Corporate Companies and also exercises a certain degree of influence on the divested entities. Consequently, GF records its share on the entities as investments in associates and applies the equity accounting method, see [note 5.2](#).

For the acquisition of the two iron casting plants and the subsequent acquisition of production equipment GF provided vendor financing in the amount of CHF 62 million, see [note 5.2](#) for further details. After taking into account the deconsolidation of the assets and liabilities, the accumulated currency translation effects as well as the related transaction costs and accruals, the transaction resulted in an even result in the income statement.

Accounting principles

Companies acquired are consolidated from the date on which control is obtained, while companies divested are excluded from the scope of consolidation as of the date on which control is lost, with any gain or loss recognized in the income statement.

Assets and liabilities of acquired companies are valued at actual values at the time control is obtained. Assets and liabilities of divested companies are valued at book values at the time control is lost. The translation of the local currency values into Swiss francs is done at the exchange rates of the respective transaction date.

4.2 Affiliated companies

Country	Division	Company	Functional currency	Share capital million	Participa- tion %	Consolida- tion	Function
Europe							
Austria	PS	Georg Fischer Fittings GmbH, Traisen	EUR	3,7	51	C	P
		Georg Fischer Rohrleitungssysteme GmbH, Herzogen-					
	PS	burg	EUR	0,2	100	C	S
	CS	GF Casting Solutions Services GmbH, Herzogenburg ¹	EUR	4,6	100	C	H
		GF Casting Solutions Herzogenburg HPDC GmbH, Her-					
	CS	zogenburg	EUR	0,1	100	C	P
	CS	GF Casting Solutions Altenmarkt GmbH & Co KG, Alten-	EUR	2,4	100	C	P
	CS	markt	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 ¹	EUR	0,1	100	C	M
	CM	Georg Fischer Giessereitechnologie GmbH, Singen	EUR	0,5	100	C	M
	CM	Georg Fischer Meco Eckel GmbH, Biedenkopf-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 Fluoropolymer Products GmbH, Ettenheim	EUR	4,0	100	C	P
	PS	Chinaust Automotive GmbH, Düsseldorf	EUR	0,1	50	F	S
	CS	Fondium Holding GmbH, Mettmann	EUR	0,1	0,2	F	H
	CS	Fondium Singen GmbH, Singen	EUR	12,8	20	E	P
	CS	Fondium Mettmann GmbH, Mettmann	EUR	0,1	20	E	P
	CS	Fondium Group GmbH, Mettmann	EUR	0,1	20	E	M
	CS	GF Casting Solutions Leipzig GmbH, Leipzig	EUR	0,9	100	C	P
	CS	GF Casting Solutions Werdohl GmbH, Werdohl	EUR	0,3	100	C	P
	CS	GF MECO Eckel GmbH & Co KG, Biedenkopf-Wallau	EUR	0,2	51	C	P
	CS	Eckel & Co GmbH, Biedenkopf-Wallau	EUR	0,2	51	C	M
	CS	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 Pfcì Srl, Valeggio sul Mincio	EUR	0,5	100	C	P

	PS	Georg Fischer SpA, Agrate Brianza	EUR	1,3	100	C	S
	MS	GF Machining Solutions SpA, Agrate Brianza	EUR	3,0	100	C	S
Nether-lands	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., Sękocin Nowy ¹	PLN	18,5	100	C	S
	MS	GF Machining Solutions Sp.z.o.o., Sękocin Nowy ¹	PLN	1,3	100	C	S
Romania	CS	GF Casting Solutions SRL, Pitești ¹	RON	6,5	100	C	P
	CS	GF Precicast SRL, Arad	RON	24,5	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
Switzer-land	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	Munot Re AG, Schaffhausen ¹	CHF	3,0	100	C	M
	CM	Georg Fischer Finanz AG, Schaffhausen ¹	CHF	4,0	100	C	M
	CM	GF Precicast Industrial Holding SA, Novazzano ¹	CHF	1,0	100	C	H
	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
	CS	GF Casting Solutions AG, Schaffhausen ¹	CHF	1,0	100	C	M
	CS	GF Precicast SA, Novazzano	CHF	1,0	100	C	P
	CS	GF Precicast Ceramics SA, Novazzano	CHF	1,2	100	C	P
	MS	GF Precicast Additive SA, Novazzano	CHF	0,2	100	C	P
	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 Sales Switzerland 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, Muzzano	CHF	0,4	30	E	P
	MS	GF Machining Solutions AG, Biel ¹	CHF	3,5	100	C	P
Near East							
UAE	CM	GF Corys Middle East Ltd, Abu Dhabi ¹	AED	0,1	50	C	H
	PS	Georg Fischer Corys LLC, Dubai ¹	AED	0,3	50	C	P
Turkey	PS	Georg Fischer Hakan Plastik AS, Cerkezköy ¹	TRY	270,0	100	C	P
	MS	GF Imalat Çözümleri Ticaret Ltd Sti, İstanbul ¹	TRY	8,5	100	C	S
Americas							
Argentina	PS	Georg Fischer Central Plastics Sudamerica SRL, Buenos Aires ¹	ARS	16,2	100	C	S

	PS	Polytherm Central Sudamericana SA, Buenos Aires	ARS	0,1	49	E	S
Brazil	PS	Georg Fischer Sistemas de Tubulacoes Ltda, São Paulo ¹	BRL	11,5	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	1,3	100	C	S
	PS	GF Urecon Ltd, Coteau-du-Lac, Québec	CAD	10,9	100	C	P
Mexico	PS	Georg Fischer SA de CV Mexico, Monterrey ¹	MXN	0,1	100	C	S
	MS	GF Machining Solutions LLC, Monterrey ¹	MXN	15,1	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
	PS	Global Supply Company LLC, Hallandale, FL	USD	0,1	100	C	S
	CS	GF Linamar LLC, Mills River, NC	USD	39,9	50	C	P
	MS	GF Machining Solutions LLC, Lincolnshire, IL	USD	0,1	100	C	S
	MS	Microolution 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 ¹	CNY	100,0	50	P	P
	PS	Chinaust Plastics Ltd, Xian ¹	CNY	73,0	50	P	P
	PS	Georg Fischer Piping Systems Ltd Yangzhou, Yangzhou ¹	CNY	0,1	100	C	P
	CS	GF Casting Solutions Suzhou Co Ltd, Suzhou ¹	CNY	209,5	100	C	P
	CS	GF Casting Solutions Kunshan Co Ltd, Kunshan ¹	CNY	149,5	100	C	P
	MS	GF Machining Solutions Ltd, Hongkong ¹	HKD	3,5	100	C	S
	MS	Agie Charmilles China (HK) Ltd, Hong Kong	HKD	58,4	100	C	S

	MS	GF Machining Solutions (Shanghai) 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	GF Machining Solutions Changzhou Co Ltd, Changzhou ¹	CNY	164,1	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	IDR	12,7	100	C	P
	PS	Georg Fischer Indonesia (Trading), Karawang	IDR	3,4	100	C	S
Japan	PS	Georg Fischer Ltd, Osaka ¹	JPY	480,0	81	C	S
	MS	GF Machining Solutions Ltd, Yokohama ¹	JPY	50,0	100	C	S
Korea	PS	Georg Fischer Korea Co. Ltd., Yongin-si ¹	KRW	600,0	100	C	S
	MS	GF Machining Solutions Co Ltd, Seoul ¹	KRW	1300,0	100	C	S
Malaysia	PS	George Fischer (M) SDN BHD, Klang 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	15,1	100	C	S

1 Directly held by Georg Fischer Ltd.

Division

CM = Corporate Management

PS = GF Piping Systems

CS = GF Casting Solutions

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 2019

4.3 Related parties

Related parties include associated companies, members of the Board of Directors and the Executive Committee, pension funds and similar institutions.

4.3.1 Transactions with associated companies

CHF 75 million of loans to associated companies (previous year CHF 62 million) and contingent liabilities to associated companies in favor of third parties of CHF 76 million (previous year: CHF 125 million) were outstanding, see [note 5.2](#) and [note 2.6](#) (2.6.3 Contingent liabilities).

4.3.2 Transactions with members Board of Directors and the Executive Committee

Total compensation paid to the Board of Directors and Executive Committee breaks down as follows (see also in the Compensation Report):

CHF 1'000	2019	2018
Cash compensation	5'789	6'959
Pension funds	819	864
Social security	515	485
Share-based compensation	3'100	2'558
Total compensation	10'223	10'866

The members of the Board of Directors received a fixed number of Georg Fischer restricted shares and a fixed remuneration paid in cash. The total compensation of the Board of Directors is recognized as operating expenses, see [note 1.3](#) (1.3.1 Operating expenses) and the information in the [Compensation Report](#). The valuation of the restricted shares is based on the year-end share price of CHF 983.00 (previous year: CHF 786.50). In total, 1'501 restricted shares were granted to the Board of Directors (previous year: 1'500).

The compensation for the Executive Committee consists of a long-term share-based incentive, a short-term cash incentive and a fixed base salary. The share-based incentive is granted in the form of performance shares. The total compensation of the Executive Committee is recognized as personnel expenses, see [note 1.3](#) (1.3.2 Personnel expenses) and the information in the [Compensation Report](#). The valuation of the performance shares is based on the year-end share price of CHF 983.00 (previous year: CHF 786.50). In order to derive the value of the performance shares, a financial model was used that takes into consideration the specific performance criteria linked to the performance shares, namely the earnings per share criteria and the relative total shareholder return criteria, see also the [Compensation Report](#). In total, 1'644 performance shares were granted to the Executive Committee (previous year: 1'752).

Share-based compensation to the Board of Directors and Executive Committee amounted to CHF 3.1 million (previous year: CHF 2.6 million).

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 from GF or its GF Corporate Companies in 2019.

Neither GF nor its GF 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 [Compensation Report](#), respectively in the financial statements of Georg Fischer Ltd in [note 6](#) Compensation and shareholdings.

4.3.3 Transactions with pension funds and similar institutions

The corporation holds current accounts with some of its related pension funds and similar institutions. As per financial year-end a liability of CHF 1 million resulted (previous year: liability of CHF 4 million). The current accounts bear an interest of 1%. Further, contributions of CHF 1 million were made to similar institutions (previous year: CHF 1 million).

5. Other information

This section provides other information and disclosures not included in other sections for example information about the employee benefits liabilities and other non-current financial assets.

It also includes an overview of the balance-sheet related deferred tax assets and liabilities and the events occurring after the reporting date.

5.1 Employee benefit liabilities

Economic benefit/economic obligation and pension benefit expenses

		2019	2018				2019	2018
CHF million	Surplus/ deficit according to FER 26	Economic part of the Corporation	Economic part of the Corporation	Translation differences	Change to prior-year period or recog- nized in the current result of the period, respective- ly	Contri- butions concerning the business period	Pension benefit expenses within personnel expenses	Pension benefit expenses within personnel expenses
Patronage funds	27		9			1	1	1
Employee benefit plans w/o surplus/deficit						23	23	15
Employee benefit plans with surplus						3	3	10
Employee benefit plans with deficit	-21	-16	-14		1	1	2	-3
Employee benefit plans with- out own assets		-34	-33	-2	3		3	9
Loans from pension fund in- stitutions		-1	-4					
Total	6	-51	-42	-2	4	28	32	32

The GF Corporation maintains pension plans in various countries. The accounting for Swiss pension plans are based on the financial statements of the pension plan according to Swiss GAAP FER 26. Plans in other locations are accounted for according to their local regulations. The employee benefit plan in the USA was not closed as planned in the second half of 2019. With the exception of pension plans in Germany, the employee pension plans have their own assets in addition to the respective pension obligations.

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 changes in pension benefit expenses.

The economic part of the Corporation in the patronage funds amounted to CHF 0 million (previous year: CHF 9 million). The decrease is due to the decision of the Board of Trustees of the Fondazione di previdenza per il personale della Precicast to create a reserve to finance the purchase into the higher coverage ratio of the Pension Fund Georg Fischer compared to the present employee benefits foundation of GF Precicast SA. The reserve will be consummated when the employees of the GF Precicast SA are integrated into the Pension Fund Georg Fischer.

There is one pension plan with surplus with a negligible overfunded position. The Georg Fischer Pension Fund is no longer overfunded (previous year: CHF 32 million), due to changes in technical parameters.

The pension plans underfunded in the amount of CHF 21 million (previous year: CHF 20 million) are based on the defined benefit plans in Great Britain and the USA. The amount of the underfunding depends significantly on the value of the securities and on the discount rate and the expected mortality rate used in the calculation of the pension

liabilities. The total economic obligation, which represents the expected cash outflow in the medium term, amounts to CHF 16 million (previous year: CHF 14 million). Due to the postponed liquidation of the pension fund in the USA, and the unfavourable trend in the discount rate in the USA and Great Britain, the economic obligation increased by CHF 2 million. The expense is included in the pension fund expenses for the period.

The recognized economic obligation from the pension plans with no assets of their own, i.e. unfunded plans, amounted to CHF 34 million (previous year: CHF 33 million) and concerns primarily the employee pension plans in Germany and Sweden. The increase in the economic obligation in the amount of CHF 3 million is included in the pension fund expenses for the period.

Loans from pension funds in the amount of CHF 1 million (previous year: CHF 4 million) are current account balances of employee benefit plans and patronage foundations at Georg Fischer AG.

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

CHF million	2019	2018
Contributions to employee benefit plans from Corporate Companies	28	30
Contributions to employee benefit plans from employer contribution reserves		
Total contributions	28	30
+/- Change in ECR from asset developments, value adjustments, etc.		
Contributions and change in employer contribution reserves (ECR)	28	30
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)	3	2
Total change in economic effect of surplus/deficit	4	2
Pension benefit expenses within personnel expenses in the period under review	32	32

Movements in the recognized economic obligations from pension plans and the employer-paid contributions for the year under review amounted to CHF 32 million (previous year: CHF 32 million) and are included in "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 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 employer 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 Other financial assets

CHF million	2019	2018
Non-current loans to associates	75	61
Investment in associates	1	8
Net investment in associates	76	69
Non-current loans and receivables	22	7
Securities for the settlement of pension liabilities	3	12
Other securities	9	11
Other financial assets third parties	34	30
Other financial assets total	110	99

Non-current loans to associates relate to the divestment of the two iron foundries in 2018, see also [note 4.1](#) (4.1.1 Additions, disposals and mergers). The change is explained by an ordinary increase of CHF 21 million due to a credit facility drawn over the year 2019 that existed already in 2018, the granting of an additional loan of up to CHF 22 million of which CHF 3 million were drawn, impairments of CHF 7 million as well as movements in the foreign exchange rate. Investment in associates was reduced by CHF 3 million due to the application of the equity method as well as a further reduction of CHF 3 million due to impairments (see also [note 3.2](#)).

The impairments were required due to losses at the divested entities and the resulting requirement for an operational and financial restructuring. The financial restructuring included the subordination of CHF 47 million of outstanding loans. In order to reflect the subordination the interest rate was increased to 6.5% (previous year: Stepped-up interest rates of 3% – 5%). The loans have an expected maturity of 4 years (previous year: 5 years).

The increase in non-current loans and receivables to third parties is explained by the granting of a loan to a third party following the sale of the iron foundry in Herzogenburg (Austria), in 2019.

Management assumptions and estimates

The recoverability of non-current loans and receivables is assessed based on the debtor's ability to repay on time and in full. In order to build this assessment management regularly observe the debtor's adherence to the interest payment and principal amortization schedule. Further, as well as in the case of investments in associates, management assess the debtor's ability of going concern. Assessing the debtor's going concern assumptions requires the management to assess the viability of the debtor's business model which is inherently subject to a higher level of estimation uncertainty.

Accounting principles

Non-current loans and receivables are recognized at amortized cost. In addition, an impairment is recorded in case the assumed present value of expected cash flows is below the carrying value of the non-current loans and receivables.

Investments in associates and non-current loans to associates are assessed for their recoverability holistically (net investment approach). First, investments and non-current loans are recorded at their actual values. Subsequently, the value of the investment is increased for the proportionate share in undistributed profits and reduced for the proportionate share in incurred losses as well as dividends obtained. In case, the value of the investment is reduced to zero, further proportionate shares in losses are allocated to the non-current loans. The value of the investment and the non-current loans are further reduced in case of impairments.

5.3 Deferred tax assets and liabilities

CHF million	Tax assets	Tax liabilities	2019 net	Tax assets	Tax liabilities	2018 net
Investment properties		21	-21		23	-23
Property, plant, and equipment for own use	29	50	-21	25	45	-20
Intangible assets	11	2	9	2	2	
Tax loss carryforwards	5		5	6		6
Inventories	27	16	11	23	16	7
Provisions	14	3	11	10	3	7
Other interest-bearing liabilities	3	1	2	3	2	1
Other non-interest-bearing liabilities	19	4	15	19	7	12
Other balance sheet items	8	7	1	5	5	
Total	116	104	12	93	103	-10
Offsetting	-46	-46		-40	-40	
Deferred tax assets/liabilities	70	58	12	53	63	-10

Deferred tax assets and liabilities are offset within GF Corporate Companies when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes related to the same fiscal authority. The effect of offsetting at the GF Corporate Company level amounted to CHF 46 million (previous year: CHF 40 million). Deferred tax assets and liabilities are calculated based on the actually expected income tax rates for each GF Corporate Company. For further information on the recognition of tax loss carryforwards, see [note 1.5](#).

Temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities have been recognized, amounted to CHF 479 million as of 31 December 2019 (previous year: CHF 449 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 20 February 2020. They must also be approved at the Annual Shareholders' Meeting.

The novel coronavirus identified in China in January 2020 will have both operational and financial implications for GF. The Executive Committee assumes that the affected GF Corporate Companies will reach a normal mode of operations in the course of the second quarter of 2020.

Regarding the adjustment of the Board of Directors and the Executive Committee after the balance sheet date, reference is made to the corresponding explanation in the [Corporate Governance Report](#) (changes after the balance sheet date).

Report of the statutory auditor

to the General 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 2019, the consolidated balance sheet as at 31 December 2019, 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 2019 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 12'000'000

We performed full scope audit work on 47 reporting units in six countries. These companies represent 63% of the Group's sales and 68% of the Group's total assets. In addition, specified procedures were performed on a further three reporting units representing a further 14% of the Group's sales and 5% of the Group's total assets.

As key audit matters, the following areas of focus have been identified:

- Recognition of divestments and valuation of remaining financial assets
- Relocation of production facilities – Recognition and valuation of restructuring provisions and valuation of related property, plant and equipment and other assets

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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 12'000'000
How we determined it	5% of profit before taxes and one-off effects
Rationale for the materiality benchmark applied	We chose profit before taxes and one-off effects 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.

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 comprises three divisions, GF Piping Systems, GF Casting Solutions and GF Machining Solutions, which operate across three geographical regions – Europe, North/South America and Asia. The Group's financial statements are a consolidation of 138 reporting units, including the Group's operating businesses as well as central service functions. Each reporting unit is considered a component for audit purposes.

We identified 47 reporting units that, in our view, required a full scope audit and three reporting units that required specified procedures due to their size and risk characteristics. These 50 reporting units represent 77% of the Group's sales and 73% of the Group's total assets.

The remaining 23% of the Group's sales and 27% of the Group's total assets was represented by a large number of smaller reporting units. None of these reporting units individually contributes more than 2% to consolidated sales or 4% to total assets.

Where the work was performed by component auditors, we determined the necessary level of our further involvement in the audit work in addition to providing our instructions. This consisted of visiting component audit teams, inspecting their work in selected areas, conducting planning and closing calls, or reviewing their final reporting.

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.

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.

Recognition of divestments and valuation of remaining financial assets

Key audit matter

The Group disposed of an automotive iron foundry in Austria (Herzogenburg) as of 1 October 2019. The transaction had a negative one-off impact on the consolidated profits before taxes of CHF 10.1 million. The new owners were granted a loan in the amount of CHF 10 million to finance the acquisition. The financing is recorded under 'other financial assets'.

The Group had already disposed of two automotive foundries in Germany (Singen and Mettmann) as of 1 December 2018. The Group continues to hold 20% of the share capital of the divested companies, which, as in the previous year, it records under 'investment in associates' as at 31 December 2019. For the acquisition of the two foundries in Germany and the later purchase of production facilities, the Group provided the buyer with financing in the amount of CHF 61 million. The financing of the divested companies increased in 2019 and amounts to CHF 75 million as at 31 December 2019. It continues to be recorded under 'other financial assets'.

The disposal of a company is not a commonplace transaction for the Group. There is a risk that the related deconsolidation entries required under Swiss GAAP FER will be incorrect or incomplete.

The impairment testing of the remaining shares in the companies in Germany and of the financing in connection with the divestments in Germany and Austria requires management to make estimates and assumptions.

The divestments are explained further in note 5.2 'Other financial assets' and note 4.3 'Related parties'.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We reviewed in detail the underlying agreement for the sale of the automotive iron foundry in Austria and made an assessment of its key terms and their accounting impact, including the timing of the loss of control and the appropriateness of the timing of the deconsolidation and the resulting loss upon disposal.
- We checked the deconsolidation entries and the recognition in the income statement of the related currency translation differences that had been recognised in equity until disposal.
- We examined whether the presentation and disclosure were in accordance with the requirements of Swiss GAAP FER.
- We assessed Management's valuation based on the equity method, of the remaining investment in the iron foundries in Germany.
- We assessed Management's assumptions and calculations regarding the impairment testing of the other financial assets.

The evidence we obtained from our audit supports the recording of the divestments, the valuation of the remaining financial assets and the related disclosures made by the Board of Directors and Management.

Relocation of production facilities – Recognition and valuation of restructuring provisions and valuation of related property, plant and equipment and other assets

Key audit matter

On 18 July 2019, the Group announced its intention to re-organise the Werdohl (Germany) site and to transfer most of the production to the sites in Romania and Austria. This led to one-off effects from restructuring costs and write-downs of property, plant and equipment and other assets amounting to a total of CHF 37 million. The expenses were charged to the 2019 income statement.

The recognition and valuation of restructuring provisions and the valuation of property, plant and equipment and other assets requires the Board of Directors and Management to make estimates. The provisions take into account assumptions concerning the number of employees affected, their expected length of service in interim employment companies, expected average personnel expense and other costs directly attributable to the restructuring.

We consider the recognition and measurement of restructuring provisions and the calculation of the write-downs required on property, plant and equipment and other assets a key audit matter given the size of the provisions and the scope for judgement regarding estimates.

Please refer to note 2.6 'Movements in provisions, accrued liabilities and deferred income and contingent liabilities' in the annual report.

How our audit addressed the key audit matter

We performed the following audit procedures:

- Assessed compliance with the criteria set out in the financial reporting standards for the recording of restructuring provisions and the existence of a detailed formal plan for the restructuring.
- Tested the recognition and measurement of restructuring provisions on the basis of information and Management's calculations and expectations. In addition, the estimates made by Management were assessed.
- Tested the calculation of the recoverable amount of property, plant and equipment and the valuation of other assets taking into account their expected future use and exploitation.

The evidence we obtained from our audit supports the assumptions made by the Board of Directors and Management regarding the recognition and measurement of the restructuring provisions and the write-downs on property, plant and equipment and other assets.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of 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 AG



Beat Inauen
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Zürich, 20 February 2020

Georg Fischer Ltd

income statement

For the years ended 31 December 2019 and 2018, CHF 1'000	Notes	2019	2018
Dividend income	2.1	173'970	155'731
Income from services provided to Corporate Companies	2.2	57'254	67'407
Financial income	2.3	10'544	7'280
Commission income from Corporate Companies	2.4	9'278	11'167
Other income		2'032	2'945
Income		253'078	244'530
Value adjustment on investments	2.5	41'122	20'000
Other expenses for investments		3'486	2'128
Financial expenses	2.6	13'320	13'378
Cost of services provided by Corporate Companies		2'405	2'239
Personnel expenses		20'794	20'619
Other operating expenses	2.7	17'511	16'452
Direct taxes	2.8	2'835	5'346
Expenses		101'473	80'162
Net profit for the year		151'605	164'368

Georg Fischer Ltd

balance sheet

As of 31 December 2019 and 2018, CHF 1'000	Notes	2019	2018
Cash and cash equivalents and short-term investments with a quoted market price	3.1	132'333	157'050
Other current receivables due from third parties		9'203	1'804
Other current receivables due from Corporate Companies	3.2	24'478	19'785
Accrued income and prepaid expenses		4'987	2'147
Current assets		171'001	180'786
Loans to Corporate Companies	3.3	129'553	246'944
Other financial assets	3.4	72'306	8'148
Investments	3.5	1'393'753	1'278'312
Equipment		114	132
Non-current assets		1'595'726	1'533'536
Assets		1'766'727	1'714'322
Current liabilities with third parties		4'904	12'982
Short-term interest-bearing liabilities due to Corporate Companies	3.6	139'007	123'659
Accrued expenses and deferred income	3.7	13'115	11'137
Current liabilities		157'026	147'778
Long-term interest-bearing liabilities	3.8	202'592	206'048
Long-term provisions	3.9	22'030	24'218
Non-current liabilities		224'622	230'266
Liabilities		381'648	378'044
Share capital	3.10	4'101	4'101
Legal capital reserves			
– Other capital reserves		89'506	89'506
Legal reserves			
– Other legal reserves		59'234	59'234
Statutory retained earnings			
– Available earnings carried forward		1'089'626	1'027'428
– Net profit for the year		151'605	164'368
– Result from treasury shares	3.11	–2'408	334
Treasury shares	3.11	–6'585	–8'693
Equity		1'385'079	1'336'278
Liabilities and equity		1'766'727	1'714'322

Georg Fischer Ltd

statement of changes in equity

For the years ended 31 December 2019 and 2018, CHF 1'000	Share capital	General reserves ¹	Treasury shares ²	Retained earnings	Equity
Balance as of 31 December 2019	4'101	148'740	-6'585	1'238'823	1'385'079
Net profit for the year				151'605	151'605
Dividend payment				-102'504	-102'504
Acquisition of treasury shares			-9'501		-9'501
Transfer of treasury shares			11'609	-2'408	9'201
Balance as of 31 December 2018	4'101	148'740	-8'693	1'192'130	1'336'278
Net profit for the year				164'368	164'368
Dividend payment				-94'238	-94'238
Acquisition of treasury shares			-12'395		-12'395
Transfer of treasury shares			11'487	334	11'821
Balance as of 31 December 2017	4'101	148'740	-7'785	1'121'666	1'266'722

¹ Legal reserves.

² For more details, see note 1.8 and note 3.11.

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 on the basis of a recognized standard (Swiss GAAP FER) and has therefore, in accordance with the legal provisions, decided not to provide notes on the audit fees, to issue a cash flow statement or report on the business situation.

1.2 Securities with market price

Short-term securities 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 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 recognized, whereas unrealized gains are not recognized (impairment principle). The valuation is carried out at nominal values, taking into account any value adjustments required.

1.4 Investments

Investments are valued according to the principle of individual valuation. In addition, further flat-rate value adjustments can be made.

1.5 Dividend income

Dividend income is recognized 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 or transfer of treasury shares is recognized in shareholder's equity as an increase or reduction in retained earnings.

2 Information on the income statement

2.1 Dividend income

The dividend income for the year under review was CHF 174 million (previous year: CHF 156 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 includes interest income on the loans granted to Corporate Companies and related parties.

2.4 Commission income from Corporate Companies

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

2.5 Value adjustment on investments

This position includes value adjustments of investments held by Georg Fischer Ltd. The principles for the valuation of investments are found in [note 1.4](#).

2.6 Financial expenses

This position includes interest expense for the bond of CHF 200 million issued in the previous year as well as losses on foreign currencies. More information on the bond can be found in [note 3.8](#).

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

This position includes 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 items

3.1 Cash and cash equivalents and short-term investments with a quoted market price

This balance sheet item consists of bank balances. In the previous year, securities in the amount of CHF 3.1 million were included.

3.2 Other current receivables due from Corporate Companies

This balance sheet item includes short-term receivables and loans to 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".

3.3 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 Other financial assets

Other financial assets include loans to related parties of CHF 66 million (previous year: CHF 0 million). CHF 47 million of these loans to related parties are subordinated loans.

3.5 Investments

Direct and indirect investments in Corporate Companies of Georg Fischer Ltd include the companies listed in [note 4.2](#) in the consolidated financial statements.

3.6 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".

3.7 Accrued expenses and deferred income

Accrued expenses and deferred income comprises variable compensation for employees and fees for the Board of Directors as well as other deferred items.

3.8 Long-term interest-bearing liabilities

On 20 April of the previous year, Georg Fischer Ltd issued a bond of CHF 200 million on the Swiss capital market. The bond has a duration of 10 years and carries a coupon of 1.05%.

3.9 Long-term provisions

This provision mainly concerns currency risks.

3.10 Share capital

As of 31 December 2019, the share capital amounted to 4'100'898 registered shares at a par value of CHF 1, unchanged from the previous year.

Conditional capital: As of 31 December 2019, 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 18 April 2018, the Board of Directors is authorized to increase the share capital, until no later than 17 April 2020, 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.

3.11 Treasury shares

Georg Fischer Ltd held 7'173 own shares (previous year: 7'568 own shares) on the balance sheet date. The principles for the valuation of treasury shares are found in [note 1.8](#).

4 Additional information

4.1 Full-time equivalents

As of 31 December 2019, Georg Fischer Ltd employed 78 people including trainees (previous year: 76).

4.2 Contingent liabilities

CHF 1'000	2019	2018
Guarantees and pledges to Corporate Companies in favor of third parties	1'633'445	1'490'080
Guarantees to related parties in favor of third parties	74'433	125'251
Guarantees to third parties	4'740	
Guaranteed maximum amount	1'712'618	1'615'331
Thereof utilized	721'532	811'479

In addition, 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 2019, pension fund obligations amounted to CHF 1.1 million (previous year: CHF 4.2 million).

4.4 Significant shareholders

An overview can be found in the chapter [Corporate Governance](#) (GF share and shareholders).

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 4.3](#) in the consolidated financial statements.

5 Events after the balance sheet date

There were no events between 31 December 2019 and 20 February 2020 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 1.143 million in the year under review (previous year: CHF 1.159 million). In addition, a total of 1'501 GF registered shares with a total market value of CHF 1.472 million were allocated (previous year: 1'500 GF shares with a market value of CHF 1.180 million). Together with other benefits, the total compensation paid to the Board of Directors in 2019 amounted to CHF 2.735 million (previous year: CHF 2.449 million).

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

Compensation of the members of the Board of Directors 2019

	Compensation					Total compensation 2019 ⁴	Total compensation 2018 ⁴
	Cash compensation		Share-based compensation				
	Basis fee ¹	Committee fees	Number of shares	Share-based compensation ²	Other benefits ³		
Andreas Koopmann	70	200	300	295	24	589	528
Chairman Board of Directors							
Chairman Nomination Committee							
Hubert Achermann	70	80	150	147	12	309	279
Chairman Audit Committee							
Gerold Bühner ⁵	21	16	45	44	3	84	251
Vice Chairman Board of Directors							
Member Audit Committee							
Roman Boutellier	70	20	150	147	9	246	216
Member Compensation Committee							
Riet Cadonau	70	20	150	147	12	249	219
Member Nomination Committee							
Roger Michaelis	93	30	150	147	14	284	254
Member Audit Committee							
Eveline Saupper	70	40	150	147	13	270	240
Chairwoman Compensation Committee							
Yves Serra ⁶	49	21	106	104	7	181	-
Vice Chairman Board of Directors ⁷							
Member Audit Committee							
Jasmin Staiblin	70	20	150	147	12	249	219
Member Compensation Committee							
Zhiqiang Zhang	93	20	150	147	14	274	243
Member Nomination Committee							
Total	676	467	1'501	1'472	120	2'735	2'449

(all in CHF 1'000 and stated in gross amounts, except column "Number of shares")

¹ The basis fees include reimbursements for international travel amounting to CHF 22'500 for Mr. Roger Michaelis and for Mr. Zhiqiang Zhang.

² The share-based compensation consists in the allocation of a fixed number of shares. The amount of the share-based compensation is calculated based on the share value on 31 December 2019, i.e. CHF 983.00.

³ Other benefits represent employer contributions to social insurance funds.

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

⁵ Board of Director until 17 April 2019

⁶ Board of Director as of 18 April 2019

⁷ As of 18 April 2019, the additional fee for Board Vice-Chairmanship was discontinued

The compensation paid to the Board of Directors for the year 2019 was higher compared to previous year. The increase results from the difference in the value of the shares (CHF 983.00 on 31 December 2019 compared to CHF 786.50 on 31 December 2018) only. The compensation system for the Board of Directors remained unchanged compared to previous year.

At the 2018 Annual Shareholders' Meeting, shareholders approved a maximum aggregate compensation amount of CHF 3.750 million (based on a share value of CHF 1'600.00) for the Board of Directors for the compensation period from the 2018 Annual Shareholders' Meeting until the 2019 Annual Shareholders' Meeting. For this period, the effective compensation amounted to CHF 2.540 million (based on a share value of CHF 786.50 for the period in 2018 and CHF 983.00 for the period in 2019) and is thus within the approved limits.

At the 2019 Annual Shareholders' Meeting, shareholders approved a maximum aggregate compensation amount of CHF 3.750 million for the Board of Directors for the compensation period from the 2019 Annual Shareholders' Meeting until the 2020 Annual Shareholders' Meeting. This compensation period is not yet completed, a conclusive assessment will be provided in the 2020 Compensation Report.

In the reporting year, no further compensation was paid to Members of the Board of Directors and 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-based compensation, social security and pension contributions amounting to CHF 7.488 million for the year under review (previous year: CHF 8.417 million) compared to a total amount of CHF 10.531 million approved by the shareholders at the 2018 Annual Shareholders' Meeting.

Under the LTI plan, 1'644 performance shares with a total value at grant of CHF 1.628 million were granted to Members of the Executive Committee for the year under review (previous year: 1'752 performance shares with a total value of CHF 1.378 million).

The detailed disclosure of compensation to the Executive Committee in accordance with the Swiss "Ordinance against excessive pay in stock exchange listed companies" is as follows:

Compensation of the members of the Executive Committee 2019

	Fixed salary in cash	Short-term incentive (STI) in cash ²	EPS dependent performance shares PS(EPS)	rTSR dependent performance shares PS(rTSR)	Share- based remunera- tion (LTI) ³	Social insurance funds ⁴	Pension funds ⁵	Total com- pensation 2019 ⁶	Total com- pensation 2018 ⁷
Executive Committee ¹	2'788	1'858	822	822	1'628	395	819	7'488	8'417
Of whom									
Andreas Müller, CEO (highest individual com- pensation) ⁶	673	547	248	248	488	110	188	2'006	3'197

(all in CHF 1'000 and stated in gross amounts, except columns "EPS dependent performance shares" and "rTSR dependent performance shares")

¹ The compensation of the Executive Committee includes the compensation for Yves Serra as Member of the Executive Committee until 17 April 2019. His compensation as Member of the Board of Director, since 18 April 2019, is disclosed in the table Compensation Members of the Board of Directors 2019. The compensation of the Executive Committee also includes the compensation for Mads Joergensen (Executive Committee member since 18 April 2019).

² The STI is based on the STI plan. The STI for the 2019 business year was approved by the Board of Directors on 20 February 2020. Payment will be made in March 2020.

³ The share-based compensation is based on the LTI plan. The disclosed value corresponds to the grant value of the 2019 LTI (that is granted on 1 January 2020) and is calculated based on the share value on 31 December 2019, i.e. CHF 983.00. The value of the share-based compensation for Yves Serra as CEO is calculated based on the share value on the date of his retirement from the Executive Committee (17 April 2019), i.e. CHF 1'036.00.

⁴ The social insurance funds expenses represent employer contributions to social security. The amounts indicated are based on the compensation amounts disclosed in the table (including the value at grant of the share-based remuneration).

⁵ The pension funds expenses represent employer contributions to pension funds.

⁶ The total compensation includes the fixed salary, the STI, the share-based compensation, as well as social and pension contributions.

⁷ Total compensation 2019 indicates total compensation for Andreas Müller as acting CEO in 2019. Total compensation 2018 indicates total compensation for Yves Serra as acting CEO in that year.

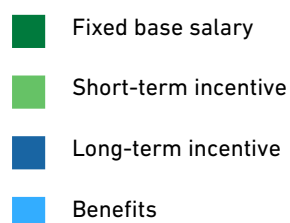
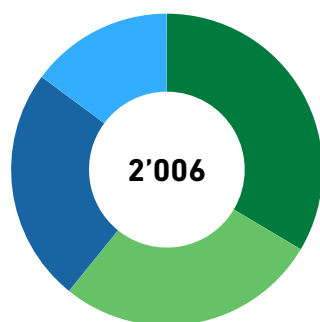
The total compensation for the CEO and the other Members of the Executive Committee in 2019 was lower than in 2018, which can be explained by the following factors:

- + Fixed salary: The changes in the composition of the Executive Committee, with the appointment of Andreas Müller as the new CEO (replacing Yves Serra), and of Mads Joergensen as the new CFO (replacing Andreas Müller) as of 18 April 2019, lead to a decrease of the fixed salary amounts.
- + STI: The financial performance of the Corporation and the divisions was lower in 2019 than in 2018, which resulted in a lower STI payout (see details in chapter [Performance in 2019](#)).
For the year under review, the STI payout for Andreas Müller was CHF 547'000 which corresponds to 89% of target and 59% of the maximum STI (STI for the CEO in 2018 was CHF 1.247 million which corresponds to 131% of target and 87% of maximum STI).
For the other Members of the Executive Committee, the STI ranged from 64% to 130% of target (93% to 139% in 2018).
- + LTI: The number of PS granted to the CEO was reduced from 750 to 600 per year compared to previous year. The number of PS granted to each other Member of the Executive Committee remained unchanged compared to previous year.
Despite a lower number of PS granted to the CEO, the increase in the share price from CHF 786.50 in 2018 to CHF 983.00 in 2019 resulted in an increase in the compensation amount disclosed.
- + 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 never get any return or benefit due to these payments.

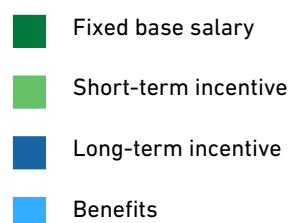
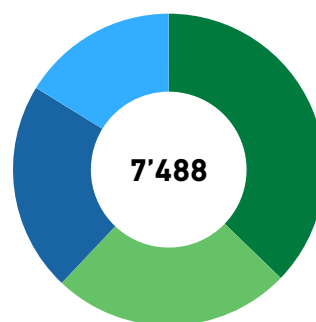
The ratio between fixed and awarded variable compensation in 2019 was as follows:

CEO Compensation 2019

Amounts in CHF 1'000

**Executive Committee Compensation 2019**

Amounts in CHF 1'000



For a former Executive Committee member a compensation amounting to CHF 543'323 was paid in the year 2019, reflecting the compensation for the remainder of the notice period (not included in the figures above).

No compensation was paid to parties closely related to Members of the Executive Committee.

Performance in 2019

Short-term incentive 2019

The achievement of the business objectives for the 2019 short-term incentive is as follows:

	Strategic goal	Hurdle ¹	Achievement/ payout factor ²
Business Objectives			
Corporation level			73%
Organic sales growth	3-5%	1%	0%
EBIT margin	9-10%	6%	96%
ROIC	20-24%	14%	86%
Division level			
Organic sales growth	Not disclosed ³	Not disclosed ³	0%-9%
EBIT margin	Not disclosed ³	Not disclosed ³	70%-148%
ROIC	Not disclosed ³	Not disclosed ³	0%-150%

¹ Achievements below the hurdle result in zero payout for the respective business objective; for the organic sales growth objective, the payout for reaching the hurdle starts at 0%, while it starts at 50% for reaching the hurdle for the objectives EBIT margin and ROIC.

² Adjusted for items relating to structural measures in the division GF Casting Solutions

³ Those targets and hurdles are not disclosed as they are considered commercially sensitive and confidential

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. 2019	Number of Georg Fischer registered shares as of 31 Dec. 2018*
Andreas Koopmann	Chairman Board of Directors Chairman Nomination Committee	3'059	2'759
Yves Serra ¹	Vice Chairman Board of Directors Member Audit Committee	8'488	
Hubert Achermann	Chairman Audit Committee	856	706
Roman Boutellier	Member Compensation Committee	3'388	3'238
Riet Cadonau	Member Nomination Committee	555	405
Roger Michaelis	Member Audit Committee	1'156	1'006
Eveline Saupper	Chairwoman Compensation Committee	1'217	1'067
Jasmin Staiblin	Member Compensation Committee	1'334	1'184
Zhiqiang Zhang	Member Nomination Committee	2'376	2'226
Total Directors		22'429	12'591

* The number of Georg Fischer registered shares amounted to 15'752 in 2018 and included the number of registered shares of Gerold Bührer (Vice Chairman Board of Directors and Member Audit Committee until 17 April 2019) of 3'161.

¹ Vice Chairman Board of Directors and Member Audit Committee since the Annual Shareholders' Meeting 2019 (since 18 April 2019).

Shareholdings Executive Committee

		Number of Georg Fischer registered shares as of 31 Dec. 2019	Number of Georg Fischer registered shares as of 31 Dec. 2018*
Andreas Müller	CEO, Head of Corporate Development	410	410
Mads Joergensen ¹	CFO, Head of Corporate Finance & Controlling	410	0
Joost Geginat	President of GF Piping Systems	100	100
Carlos Vasto	President of GF Casting Solutions	112	63
Pascal Boillat	President of GF Machining Solutions	750	1'000
Total Executive Committee		1'782	1'573

* The number of Georg Fischer registered shares amounted to 8'758 in 2018 and included the number of registered shares of Yves Serra (Member Executive Committee until 17 April 2019) and Josef Edbauer (Member Executive Committee until 31 August 2018) of 5'003 and 2'182.

¹ Member Executive Committee since 18 April 2019.

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 2019, members of the Senior Management registered a total of 20'781 shares of Georg Fischer Ltd. A total of 44'992 Georg Fischer shares were held by the Board of Directors, the Executive Committee, and the Senior Management as of 31 December 2019, corresponding to 1.10% of issued shares.

Neither Georg Fischer Ltd nor its Corporate Companies granted any guarantees, loans, advances, or credit facilities to members of the Executive Committee or the Board of Directors or related parties.

Compensation has not involved the allocation of options to current or past members of the Executive Committee or Board of Directors. Neither they nor any related persons possess option rights allocated by GF. As of 31 December 2019, the members of the Executive Committee held no option rights for Georg Fischer registered shares.

In 2019, 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 2019

CHF 1'000	2019	2018
Net profit for the year	151'605	164'368
Earnings carried forward	1'089'626	1'027'428
Result from treasury shares	-2'408	334
Retained earnings	1'238'823	1'192'130
Dividend payment CHF 25 per registered share ¹	-102'522	-102'504
To be carried forward	1'136'301	1'089'626

¹ No distribution will be made for treasury shares held by Georg Fischer Ltd. The amount distributed will be reduced accordingly at the time of distribution.

The Board of Directors will propose to the Annual Shareholders' Meeting of 15 April 2020 to pay out a dividend of CHF 25 per registered share out of retained earnings.

In the previous year, a dividend of CHF 25 per registered share out of retained earnings was paid out according to the decision of the Annual Shareholders' Meeting of 17 April 2019.

Schaffhausen, 20 February 2020

For the Board of Directors
The Chairman



Andreas Koopmann

Report of the statutory auditor

to the General Meeting of Georg Fischer Ltd

Schaffhausen

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Georg Fischer Ltd, which comprise the income statement for the year 2019, balance sheet as at 31 December 2019, statement of changes in equity and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2019 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 2'000'000



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

As key audit matters the following areas of focus have been identified:

- Valuation of investments in subsidiaries
- Impairment testing of loans to Corporate Companies

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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 2'000'000
How we determined it	0.12% 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.

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.

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

As at 31 December 2019, the Company had investments in subsidiaries in the amount of CHF 1'394 million (prior year: CHF 1'278 million). These investments are stated at acquisition cost in accordance with the commercial accounting and financial reporting provisions of the Swiss Code of Obligations.

The investments are valued on an individual basis. Where necessary, impairment charges are recognised for a loss in value. Moreover, general impairment allowances may be created in addition (see accounting principles in the notes to the financial statements).

We consider the impairment assessment of investments in subsidiaries as a key audit matter due to its significance on the balance sheet.

How our audit addressed the key audit matter

Management calculates the valuation of each subsidiary based on 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 2019 to the companies' valuations as determined 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.

We consider Management's approach to value the investments as acceptable and reasonable.

Impairment testing of loans to Corporate Companies

Key audit matter

As at 31 December 2019, the Company had non-current loans to Corporate Companies of CHF 130 million (prior year: CHF 247 million). These loans to Corporate Companies were stated at nominal value in accordance with the commercial accounting and financial reporting provisions of the Swiss Code of Obligations.

The loans are valued on an individual basis. Where necessary, impairment charges are recognised for a loss in value.

We consider the impairment testing of loans to Corporate Companies to be a key audit matter due to the significance of these assets.

How our audit addressed the key audit matter

Management checks whether the Corporate Companies concerned have positive equity. If this is not the case, an impairment test is performed on the individual asset concerned and, if necessary, an impairment charge is recognised.

We compared the companies' equity values as used by Management with the values used for Group consolidation purposes. We re-performed the individual impairment tests, discussed them in detail with Management and checked them for plausibility.

We consider Management's approach to value the loans to Corporate Companies as acceptable and reasonable.

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 EXPERT-suisse: <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 AG



Beat Inauen
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Zürich, 20 February 2020

Five-year overview of the Corporation

CHF million	2019	2018	2017	2016	2015
Order intake	3'692	4'521	4'274	3'749	3'662
Orders on hand at year-end	563	623	773	614	612
Income statement					
Sales	3'720	4'572	4'150	3'744	3'640
EBITDA	374	529	491	443	422
Operating result (EBIT) before one-offs	281	382	352	311	296
One-offs	46				
Operating result (EBIT)	235	382	352	311	296
Net profit/loss after minorities	173	281	252	216	188
Cash flow					
Cash flow from operating activities	318	397	410	400	328
Depreciation on tangible fixed assets	133	142	131	126	122
Amortization on intangible assets	6	5	8	6	4
Additions to property, plant, and equipment	-178	-234	-207	-174	-167
Cash flow from acquisitions and divestments	-5	-154	-74	-96	-2
Free cash flow before acquisitions/divestments	137	147	204	231	190
Free cash flow	132	-7	130	135	188
Balance sheet					
Current assets	1'999	2'128	2'277	2'024	1'934
Non-current assets	1'345	1'316	1'333	1'178	1'149
Assets	3'344	3'444	3'610	3'202	3'083
Current liabilities	1'012	1'124	1'418	1'067	1'221
Non-current liabilities	894	892	823	935	732
Equity	1'438	1'428	1'369	1'200	1'130
Net working capital	856	926	899	838	819
Invested capital (IC)	1'473	1'494	1'466	1'333	1'279
Net debt	232	238	183	214	238
Asset structure					
- Current assets %	60	62	63	63	63

– Non-current assets %	40	38	37	37	37
Capital structure					
– Current liabilities %	30	33	39	34	39
– Non-current liabilities %	27	26	23	29	24
– Equity %	43	41	38	37	37

Key figures

Return on equity (ROE) %	12.0	19.9	20.1	19.3	17.7
Return on invested capital (ROIC) %	12.4	22.4	20.3	19.3	18.9
Return on sales before one-offs (EBIT margin before one-offs) %	7.6	8.4	8.5	8.3	8.1
Return on sales (EBIT margin) %	6.3	8.4	8.5	8.3	8.1
Asset turnover	2.5	3.1	3.0	2.9	2.8
Cash flow from operating activities in % of sales	8.5	8.7	9.9	10.7	9.0

Employees

Employees at year-end	14'678	15'027	15'835	14'808	14'424
Europe	8'373	8'721	9'658	8'845	8'783
– Thereof Germany	1'490	1'450	3'392	3'312	3'382
– Thereof Switzerland	3'397	3'406	2'783	2'700	2'642
– Thereof Rest of Europe	3'486	3'865	3'483	2'833	2'759
Asia	3'545	3'725	3'807	3'713	3'502
– Thereof China	2'997	3'199	3'287	3'216	3'131
– Thereof Rest of Asia	548	526	520	497	371
Americas	1'922	1'740	1'503	1'348	1'262
Rest of world	838	841	867	902	877

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Online Annual Report 2019

Find out more about financial figures, information on GF's strategy, and business segments at www.annualreport.georgfischer.com/2019/en



Important dates

15 April 2020
Shareholders' Meeting for fiscal year 2019

21 July 2020
Publication of Mid-Year Report 2020

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Disclaimer

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

The Financial Report 2019 of GF is also available in German. In the event of any discrepancy, the English version shall prevail.
We thank our customers for their consent to publish the joint success stories.