Notes

1 Changes in scope of consolidation

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

Additions

- As per 6 January 2012
  Harvel Plastics Inc, Easton, USA
  Pro rata sales 2012: CHF 73 million
  GF Piping Systems

- As per 31 May 2012
  Independent Pipe Products Inc, Dallas, USA
  Pro rata sales 2012: CHF 24 million
  GF Piping Systems

Disposals

- As per 30 November 2012
  Georg Fischer GmbH, Friedrichshafen, Germany
  Pro rata sales 2012: CHF 81 million
  GF Automotive

- As per 30 November 2012
  Georg Fischer GmbH, Garching/Munich, Germany
  Pro rata sales 2012: CHF 37 million
  GF Automotive

- As per 24 December 2012
  Agie Charmilles Makine Tic Ltd Sti, Istanbul, Turkey
  Pro rata sales 2012: CHF 0 million
  The company is not operative anymore since 2010
  and was deconsolidated in 2012.
  GF AgieCharmilles

2 Cash flow from acquisitions and divestitures

	2012		2011	
million CHF	Acquisitions	Divestitures	Acquisitions	Divestitures
Cash and cash equivalents	–2	1		
Trade accounts receivable	–11	15		
Inventories	–18	14		
Other accounts receivable	–1	2		
Property, plant and equipment	–25	22		
Intangible assets	–24			
Deferred tax assets		2		
Trade accounts payable	6	–12		
Employee benefits	2	–13		
Provisions		–1		
Other current liabilities	1	–11		
Deferred tax liabilities	14			
Net assets	**–58**	**19**		
Thereof cash and cash equivalents acquired/disposed of	2	–1		
Net assets acquired/disposed of, excl. cash and cash equivalents	–56	18		
Goodwill	–25			
Loss on acquisitions/divestitures, net		–16		
Receivables from acquisitions and divestitures (–)/ settlement of receivables (+)		–6		
Liabilities from acquisitions and divestitures (+)/ settlement of liabilities (–)	3	3		
Net cash flow from acquisitions and divestitures	**–78**	**–1**		

For the effects from the disposals of Georg Fischer GmbH, Friedrichshafen and Georg Fischer GmbH, Garching, see note 30.

Acquisition of Harvel Plastics Inc

George Fischer Corp, El Monte, USA, gained control of Harvel Plastics Inc, Easton, USA, on 6 January 2012 by purchasing its entire share capital. The purchase price was CHF 47 million. There are no further variable purchase price components.

At the closing date, Harvel Plastics Inc (Harvel), which was founded in 1964, employed 148 people. In addition to its headquarters in Easton, the company has another production site in Bakersfield, USA, as well as a logistics center in Coppel, USA. Harvel manufactures and sells piping systems made of polyvinyl chloride (PVC) and chlorinated polyvinyl chloride (CPVC) that are designed mainly for industrial applications such as water treatment, the chemical process industry and energy. Harvel's main market is in North America.

Since the time of the acquisition, Harvel has generated sales of CHF 73 million and operating profit of CHF 2.7 million, corresponding to an EBIT margin of 3.7%. After the effects of the purchase price allocation, EBIT comes to CHF 0.7 million, corresponding to an EBIT margin of 0.9% and net profit to CHF 0.4 million. Had control been obtained on 1 January 2012, management estimates that sales and profit would have been the same in the year 2012 as it has been since control was obtained.

The fair value of the identifiable assets and liabilities of Harvel, and hence of goodwill, at the time of the acquisition was determined by independent consultants.

The identified intangible assets are Harvel's customer relationships and the brand name Harvel. The brand name Harvel was calculated during the purchase price allocation using the "Relief of Royalties Method". The value of the customer relationships includes both contractual and non-contractual relations and was determined and valued by means of the multiperiod excess earnings method (MPEM). The brand name includes the name of the company and the company logo and is based on comparable royalties and license fees of third parties. Deferred taxes at a tax rate of 40% were calculated on the valuation differences arising out of the purchase price allocation.

The goodwill of CHF 18 million from the acquisition corresponds to 38% of the purchase price. It reflects primarily the value of the anticipated buyer-specific synergies, the growth in market share, and the employees gained as part of the acquisition. The goodwill cannot be deducted from taxes.

The transaction costs of the acquisition amount to CHF 0.6 million.

Acquisition of Independent Pipe Products Inc

Georg Fischer Central Plastics LLC, Shawnee, USA, acquired 100% of the capital of Independent Pipe Products Inc, Dallas, USA. The closing date was 31 May 2012.

Independent Pipe Products Inc (IPP), founded in 1996, generates sales of approximately USD 50 million with 94 employees. In addition to its headquarters in Dallas, USA, the company has another production site in Abbeville, USA. IPP manufactures and sells large-diameter polyethylene fittings and pipes for water utilities.

The provisional price for the acquisition comes to CHF 37 million. This sum includes the purchase price in cash of CHF 34 million plus a conditional increase in the purchase price amounting to a maximum of CHF 3 million, depending on the course of the business for a five year period after the closing. The provisional determined fair values of the acquired assets and liabilities were used to calculate the goodwill of CHF 7 million.

Since the time of the acquisition, IPP has generated sales of CHF 24 million and operating profit of CHF 1.5 million, corresponding to an EBIT margin of 6.3%. After the effects of the purchase price allocation, EBIT comes to CHF 0.8 million, corresponding to an EBIT margin of 3.3% and due to financing costs net loss amounts to CHF 0.7 million. Had control been obtained on 1 January 2012, management estimates that sales would have been CHF 44 million in the year 2012, and operating profit would have been CHF 2.6 million.

The transaction costs of the acquisition amount to CHF 0.6 million.

The table below shows the carrying amounts of the assets and liabilities acquired in connection with the acquisition of Harvel Plastics Inc und Independent Pipe Products Inc at the time control was acquired. For this presentation the translation of the original US dollar values into Swiss francs was calculated with the exchange rates of the respective transaction dates.

million CHF	Carrying amount of the acquired assets and liabilities	Valuation differences from purchase price allocation	**Acquired assets and liabilities**
Cash and cash equivalents	2		2
Financial assets			
Trade accounts receivable	12		12
Inventories	18	1	19
Other accounts receivable			
Property, plant and equipment	19	7	26
Intangible assets:			
– Customer relationships		16	16
– Brand name		7	7
Total assets	**51**	**31**	**82**
Deferred tax liabilities	2	13	15
Non-interest bearing liabilities	7		7
Interest-bearing liabilities	2		2
Net assets	**40**	**18**	**58**
Goodwill			25
Purchase price			**83**

3 Trade accounts receivable

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

million CHF	**2012**	2011
Gross values	**548**	548
Individual value adjustments	–6	–7
Overall value adjustments	–18	–16
Net values	**524**	525
European Union	239	278
– Thereof Germany	92	128
– Thereof Eastern Europe	16	31
Other European countries	33	30
– Thereof Switzerland	20	18
Northern America	55	41
Central and Southern America	19	19
Asia	163	146
– Thereof China	107	95
Other countries	15	11
Total	**524**	525

At the balance sheet date the aging structure of the trade accounts receivable, which are not subject to individual value adjustments, is as follows:

million CHF	2012		2011	
	Receivable after individual value adjustments	Overall value adjustment	Receivable after individual value adjustments	Overall value adjustment
Not yet due	432	1	452	3
1 to 30 days overdue	49		41	
31 to 90 days overdue	34		28	
91 to 180 days overdue	13	3	8	2
More than 180 days overdue	14	14	12	11
Total	**542**	**18**	541	16

Value adjustments on trade accounts receivable have changed as follows:

million CHF	2012	2011
Individual value adjustments		
As per 1 January	7	6
Increase / decrease	–1	1
As per 31 December	**6**	7
Overall value adjustments		
As per 1 January	16	14
Increase / decrease	2	2
As per 31 December	**18**	16

The individual value adjustments amounted to CHF 6 million (previous year: CHF 7 million). It is assumed that part of the underlying receivables will be paid. The receivables which are not due are mainly receivables arising from long-standing customer relationships. On past experience, Georg Fischer does not anticipate any significant defaults. For further information on credit management and trade accounts receivable see note 21.

4 Inventories

million CHF	2012	2011
Raw materials and components	263	272
Work in progress	103	96
Finished goods, goods held for trading	414	396
Gross value inventories on hand	**780**	764
Valuation adjustments	–150	–142
Inventories	**630**	622

The increase of the valuation adjustments of CHF 8 million in the main relates to the increased amount of gross value inventories on hand and a slight increase of the valuation adjustments quote.

5 Income taxes receivable

Out of the income taxes receivable CHF 1 million relate to Germany, CHF 1 million to France, CHF 1 million to Sweden, CHF 1 million to the USA and CHF 1 million to other countries.

6 Other accounts receivable

million CHF	**2012**	2011
Tax credits from indirect taxes	36	32
Other current accounts receivable	26	22
Prepayments to creditors	15	15
Prepaid expenses and accrued income	10	13
Total	**87**	82

7 Movements of property, plant and equipment

million CHF	**Investment properties**	Land	Buildings	Building components	Machinery and production equipment	Other equipment	Assets under construction	Assets held under finance leases	**Property, plant and equipment for own use**
Cost									
As per 31 December 2010	**54**	41	599	101	1 617	327	67	5	**2 757**
– Additions			6	3	39	10	89		147
– Disposals			–1	–1	–27	–10			–39
– Other changes, reclassifications	1		5	2	42	9	–59		–1
– Translation adjustment	–1	–1	–6	–2	–30	–2	–1		–42
As per 31 December 2011	**54**	40	603	103	1 641	334	96	5	**2 822**
– Additions	1		10	5	51	8	57	1	132
– Disposals	–1				–49	–10			–59
– Changes in scope of consolidation		1	4		20				25
– Derecognition discontinued operations			–12		–96	–3	–1		–112
– Other changes, reclassifications	17	–6	8	3	55	–1	–78		–19
– Translation adjustment			–3	–1	–13	–2	–1		–20
As per 31 December 2012	**71**	35	610	110	1 609	326	73	6	**2 769**
Accumulated depreciation									
As per 31 December 2010	**–22**		–352	–56	–1 153	–262	–7	–4	**–1 834**
– Additions			–15	–6	–83	–17			–121
– Disposals			1	1	27	10			39
– Other changes, reclassifications					–5	1	4		
– Translation adjustment			5	1	26	2			34
As per 31 December 2011	**–22**		–361	–60	–1 188	–266	–3	–4	**–1 882**
– Additions			–16	–5	–87	–16		–1	–125
– Disposals				1	47	10			58
– Derecognition discontinued operations			10		77	3			90
– Other changes, reclassifications	–2		2		–7	7			2
– Translation adjustment			1		9	1			11
As per 31 December 2012	**–24**		–364	–64	–1 149	–261	–3	–5	**–1 846**
Carrying amount									
As per 31 December 2011	**32**	40	242	43	453	68	93	1	**940**
As per 31 December 2012	**47**	35	246	46	460	65	70	1	**923**

The insurance value of property, plant and equipment amounts to CHF 4,036 million (previous year: CHF 4,027 million).

The values shown in the lines "Other changes, reclassifications" refer to property, plant and equipment reclassified to the item "Investment properties" with a carrying amount of CHF 15 million.

The lines "Change in the scope of consolidation" show the acquisition of Harvel Plastics Inc and Independent Pipe Products Inc by GF Piping Systems with a carrying amount of CHF 25 million.

The derecognition of the discontinued operation "Aluminum Sand Casting" at GF Automotive with a carrying amount of CHF 22 million is shown in the lines "Derecognition of discontinued operations". This includes cumulative depreciations amounting to CHF 90 million, of which CHF 4 million was booked in the year under review (previous year: CHF 4 million) and is shown in the income statement in the line "Loss from discontinued operations".

Investments in property, plant and equipment in 2012 came to CHF 132 million (previous year: CHF 147 million), thereof CHF 2 million relate to the discontinued operations. Thus, the investments in continued operations come to CHF 130 million. They were made primarily by the two divisions GF Automotive (CHF 83 million) and GF Piping Systems (CHF 36 million). The European Union accounted for about two third of the investments, China for about 15%.

Investments in property, plant and equipment with an effect on liquidity in the period 2013 – 2017 amount to CHF 46 million (previous year: CHF 70 million). They are distributed among the divisions as follows: GF Automotive CHF 30 million; GF Piping Systems CHF 14 million; GF AgieCharmilles CHF 1 million.

The fair value of investment properties, as determined by internal experts on the basis of capitalized and current market values, is CHF 76 million (previous year: CHF 64 million). The increase of the value of investment properties is mainly caused by the reclassification of land and buildings formerly used in the operation.

8 Movements of intangible assets

million CHF	Goodwill	Acquired brandnames	Acquired customer relation-ships	Acquired technologies	Others	**Total**
Cost						
As per 31 December 2010	279	24	18	6	54	**381**
– Additions					3	3
– Disposals					–4	–4
– Translation adjustment	–2					–2
As per 31 December 2011	277	24	18	6	53	**378**
– Additions					4	4
– Disposals		–4			–2	–6
– Changes in scope of consolidation	25	7	15	1	1	49
– Translation adjustment	–4	–1	–1			–6
As per 31 December 2012	298	26	32	7	56	**419**
Accumulated amortization						
As per 31 December 2010	–77	–6	–6	–5	–36	**–130**
– Additions		–1	–3		–3	–7
– Impairment	–7					–7
– Disposals					4	4
– Translation adjustment	1					1
As per 31 December 2011	–83	–7	–9	–5	–35	**–139**
– Additions		–1	–3		–4	–8
– Disposals		4			2	6
– Translation adjustment	1				1	2
As per 31 December 2012	–82	–4	–12	–5	–36	**–139**
Carrying amount						
As per 31 December 2011	194	17	9	1	18	**239**
As per 31 December 2012	216	22	20	2	20	**280**

Goodwill positions refer to the following cash generating units (CGU):

million CHF	Discount rate	**2012**	Discount rate	2011
GF Piping Systems				
Central Plastics Group[1]	7.1 %	58	7.5 %	52
Business Unit America[2]	7.1 %	29	7.5 %	12
Others[3]	6.0% – 9.3 %	21	6.4 % – 9.4 %	22
Total		**108**		**86**
GF Automotive				
Technology Unit Die Casting	8.0 %	51	7.9 %	51
Total		**51**		**51**
GF AgieCharmilles				
Business Unit Milling	7.4 %	38	8.1 %	38
Business Unit System 3R	7.8 %	14	8.7 %	14
Beijing Agie Charmilles	9.6 %	5	10.8 %	5
Total		**57**		**57**
Total Corporation		**216**		**194**

1 The goodwill position at GF Piping Systems Central Plastics Group consists of Central Plastics (CHF 51 million) and the acquired company IPP (CHF 7 million).
2 The goodwill position at GF Piping Systems Business Unit America consists of Central Plastics (CHF 11 million) and the acquired company Harvel (CHF 18 million).
3 The other goodwill positions of GF Piping Systems are the sum of different positions resulting from business combinations. None of them has any significant value. Therefore they are stated as a total.

The existing goodwill positions of each CGU are tested for impairment on an annual basis. The recoverable amount of the CGUs equates to their value in use, which is determined based on future discounted cash flows.

As a basis for the calculation business plans for the next five years are used. Subsequent years are included in the calculation using a perpetual annuity with a growth assumption of zero. The projections are based on knowledge and experience and also on current judgments made by management as to the probable economic development of the relevant markets. It is assumed that there are no significant planned changes in the organization of any of the divisions, except for the measures already decided and announced.

By applying the "Capital Asset Pricing Model" a specific rate for the cost of capital was calculated for each CGU. The calculations of these discount rates refer for each division to the data of a relevant peer group. Furthermore CGU-specific values for the risk free interest rate, the market risk premium, the borrowing costs and the tax rate were applied. Due to the fact that cash inflows after taxes have been taken into account for the cash flow projections, the discount rate has been determined allowing for the tax effects.

Since the cash flow projections are based on cash flows after tax, the discount rate has also been determined taking tax effects into account.

In conformity with IAS 36, the following discount rates before tax were determined (iterative procedure):
Central Plastics Group 13.1 %, Business Unit America 11.7 %, Technology Unit Die Casting 10.5 %, Business Unit Milling 9.9 %, Business Unit System 3R 10.6 %, Beijing Agie Charmilles 11.4 %.

On the basis of the impairment tests made on the balance sheet date, it was found that all goodwill positions have retained their recoverable value. In addition, the goodwill positions were tested by sensitivity analyses, for which the following results were found:

The impairment test of the goodwill of the CGU Central Plastics Group (GF Piping Systems) resulted in a value in use which exceeds the carrying amount by CHF 25 million. An increase of the discount rate by 1.5 % points or a reduction in the growth rate of perpetuity from 0 % to – 2.2 % would lead to a value in use that just covers the carrying amount of the net assets.

The impairment test of the goodwill of the CGU Business Unit America (Central Plastics Group and Harvel, GF Piping Systems) resulted in a value in use which exceeds the carrying amount by CHF 89 million. An increase of the discount rate by 3.0 % points or a reduction in the growth rate of perpetuity from 0 % to – 4.8 % would lead to a value in use that just covers the carrying amount of the net assets.

For the goodwill of the CGU Technology Unit Die Casting (GF Automotive) the value in use exceeds the carrying amount of the net assets by CHF 34 million. An increase in the discount rate by 1.1 % points or a reduction in the growth rate of perpetuity from 0 % to – 1.6 % would lead to a value in use that just covers the carrying amount of the net assets.

In the opinion of management, there is no further realistic expectation of possible changes to the applied key assumptions that may result in the carrying amounts of the other goodwill positions exceeding the respective recoverable amounts. This excludes unforeseen circumstances.

The carrying amount of acquired brandnames (CHF 22 million) stems from brand valuations carried out during the purchase price allocation of the acquisitions of JRG Gunzenhauser AG (CHF 2 million) and Central Plastics LLC (CHF 13 million) in the year 2008 and the acquisition of Harvel (CHF 7 million).

Acquired customer relationships and technologies stem to the full amount from these three acquisitions as well as from the acquisition of IPP.

The other intangible assets include to a large extent land-use rights and software licenses.

For the brandnames of Central Plastics and Harvel an indefinite useful life was defined. The carrying amount of this position was calculated during the purchase price allocation using the "Relief of Royalties Method." The carrying amount of this position is still supported by the recalculation with this method for the reporting year.

The other intangible assets are amortized on a straight line basis over 3 to 50 years.

9 Investments in associates

The investments included have a total carrying value of CHF 0.4 million. They are in detail:

- Wibilea AG, Neuhausen
- Eisenbergwerk Gonzen AG, Sargans
- Mecartex SA, Losone
- Georg Fischer Corys LLC, Dubai
- Polytherm Central Sudamericana SA, Buenos Aires

The share of their result is insignificant.

10 Categories of financial instruments

The following table shows the carrying amount of all financial instruments per category. They correspond, approximately, to the fair values in accordance with IFRS. Regarding market values of the bonds see note 16.

million CHF	**2012**	2011
Cash and cash equivalents (without fix-term deposits)	**307**	392
Fix-term deposits	23	20
Other financial assets[1]	12	5
Trade accounts receivable	524	525
Other accounts receivable[2]	36	35
Loans and receivables	**595**	585
Marketable securities	3	2
Financial assets at market value through profit or loss	**3**	2
Derivative financial instruments for hedging purposes	**5**	–3
Bank liabilities	143	176
Trade accounts payable	348	379
Bonds	497	496
Other current/non-current liabilities[3]	219	226
Liabilities stated at amortized cost	**1 207**	1 277

1 Relates to loans to third parties, security deposits, long-term invested securities for the settlement of pension liabilities and prepaid employer contributions. For more details see note 11.
2 "Other accounts receivable" include tax credits and prepayments to creditors, which are not in the scope of IAS 39 and thus are not included in this table. For more details see note 6.
3 "Other current liabilities" include prepayments from customers, which are not in the scope of IAS 39 and thus are not included in this table. For more details see note 18.

The carrying amount of the securities and listed non-controlling interests recognized at their fair value is determined on the basis of the share prices at the balance sheet date. The market value of the foreign currency forward rate contracts on the statement of financial position is determined by the replacement value at the balance sheet date.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or the liability, either directly (e.g. as prices) or indirectly (e.g. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at market value

million CHF	Level 1	Level 2	Level 3	**2012**	Level 1	Level 2	Level 3	2011
Marketable securities	3			3	2			2
Derivative financial instruments for hedging purposes		5		5		–3		–3
Total	**3**	**5**		**8**	**2**	**–3**		**–1**

Because no financial assets are to be reported on level 3, the disclosure of their movements is inapplicable.

11 Other financial assets

Other financial assets include long-term loans to third parties of CHF 7 million (previous year: CHF 3 million).

CHF 4 million of the long-term loans fall due in the next three years and CHF 3 million at a later date. CHF 5 million were lent in Euro, CHF 1 million in Brazilian reais and less than CHF 1 million in Swiss francs and in UAE dirhams. The interest rates for the loans granted in Euro lay between 4.5 % and 6.5 %. The long-term loans in Brazil are receivables from customer financing activities in local currency, the intrest rate for these loans is 16 %.

Other financial assets include also long-term invested securities for the settlement of pension liabilities and prepaid employer contributions each in an amount of CHF 2 million.

12 Deferred tax assets and liabilities

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

million CHF	Tax assets	Tax liabilities	**2012 net**	Tax assets	Tax liabilities	2011 net
Investment properties		9	9		4	4
Property, plant and equipment for own use	7	31	24	5	31	26
Intangible assets	5	22	17	8	17	9
Tax loss carryforwards	13		–13	16		–16
Inventories	14	11	–3	11	9	–2
Provisions	7	5	–2	8	7	–1
Other interest-bearing liabilities	1		–1			
Other non-interest-bearing liabilities	21	2	–19	26	4	–22
Other balance sheet items	3	1	–2	2	2	
Total	71	81	**10**	76	74	–2
Offsetting	–19	–19		–20	–20	
Deferred tax assets / liabilities	**52**	**62**	**10**	**56**	**54**	**–2**

In compliance with the exception of IAS 12, no deferred taxes are recognized on investments in Corporate Companies. Deferred taxes on temporary differences are calculated on a gross basis and accounted for net at Corporate Company level, which results in an offset of CHF 19 million (previous year: CHF 20 million). For further information on the recognition of tax loss carryforwards see note 29.

13 Movements of provisions

million CHF	Warranties	Onerous contracts	Legal cases	Restructuring provisions	Other provisions	**2012**	2011
As per 1 January	32	14	15	4	20	85	118
– Reclassifications	–1				1		
– Increase	16	11	3	2	2	34	27
– Interest expense arising from discounting					1	1	
– Use	–11	–10	–1	–2		–24	–25
– Release	–8	–3	–3	–1	–4	–19	–34
– Derecognition discontinued operations		–1				–1	
– Translation adjustment					–1	–1	–1
As per 31 December	28	11	14	3	19	**75**	85
– Thereof current	13	9	1	3	3	29	36
– Thereof non-current	15	2	13		16	46	49

Provisions are classified as follows: warranties on serial products (machines, consumables, etc.), onerous contracts (when the costs of meeting the contractual obligations exceed the expected economic benefits), legal cases, restructuring provisions (constructive and contractual obligations to third parties, which have been communicated), and other provisions.

Warranty provisions amounting to CHF 28 million declined only slightly compared to the previous year (CHF 32 million). Thanks to an favorable claim history, it was possible to release CHF 8 million. At the same time, new warranty provisions of CHF 16 million had to be set aside, as well as the utilization of CHF 11 million. About 30 % of the warranty provisions are for GF AgieCharmilles and about one quarter for GF Automotive. They derive from complaints and claims for damages at the various sites.

Interest expense from discounting came to CHF 1 million and consisted of two items. One of them is a non-current provision in the category "Onerous contracts" with a remaining term to maturity of 5 years and an interest rate of 9 %. The other is a non-current provision in the category "Other provisions", which has a remaining term to maturity of 21 years and is discounted at an interest rate of 2.8 %. The non-current provisions in the other categories are expected to result in a cash outflow within the next two to three years. Owing to this maturity structure, none of the provisions except the two mentioned above are discounted.

Provisions shown under the category legal cases can be split into a number of individual cases in the divisions with an estimated cash outflow of less than CHF 5 million per case.

In the year under review, restructuring provisions amounting to CHF 3 million and concern minor structural adjustments.

The category "Other provisions" contains provisions for employee commitments (CHF 10 million), for captive insurances (CHF 2 million), and for other operating risks.

The values shown in the line "Derecognition discontinued operations" refer exclusively to the discontinued "Aluminum Sand Casting" business at GF Automotive.

14 Current tax liabilities

Current tax liabilities totaling CHF 60 million (previous year: CHF 66 million) contain liabilities for income taxes (CHF 39 million) and liabilities for other taxes (CHF 21 million).

15 Interest-bearing liabilities

Net debt, which is calculated as the difference between interest-bearing liabilities and cash, cash equivalents, and marketable securities, increased from CHF 294 million to CHF 334 million in the year under review. This increase is due in the main to the free cash flow of CHF 19 million, less the dividends of CHF 62 million.

Interest-bearing liabilities consist of the following items:

million CHF	Within 1 year	Up to 5 years	Maturity over 5 years	**2012**	2011
Bank liabilities (at fixed interest rates)[1]	38	20		58	114
Bank liabilities (at variable interest rates)	82	3		85	62
Bonds (at fixed interest rates)		497		497	496
Employee benefit liabilities (loans)	27			27	32
Other interest-bearing liabilities	3	2		5	4
Total	150	522	0	**672**	708

1 This category comprises bank liabilities with a fixed interest period of more than 3 months.

Georg Fischer has the following syndicated loan:

Debtors	Term	Credit	Thereof utilized
Georg Fischer Ltd / Georg Fischer Finanz AG	2011 – 2016	CHF 250 million	CHF 0 million

In the year under review no major financial transactions were effected. The maturity structure shows that no major repayment is due until September 2014, when the CHF 300 million 4 ½ % bond 2009 – 2014 falls due.

The syndicated loan has not been drawn on until now. It not only provides financing security for any acquisitions but could also serve as a bridging facility for the bond issue that falls due in 2014.

In addition to other terms, the loan contains covenants with respect to the net debt ratio (ratio of net debt to EBITDA), interest-coverage ratio (ratio of EBITDA to net interest expense) and equity ratio (ratio of equity to total assets). The loan also has additional terms such as are usual for a syndicated credit.

The bonds placed on the market are subject to the usual cross-default clauses: the outstanding amounts move into default if the premature repayment of another financial obligation is demanded of the company or one of its major Corporate Companies owing to failure to meet the credit terms. As per the balance sheet date, the effective credit terms had been met.

The interest-bearing liabilities also include loan debts to employee benefit plans in Germany amounting to CHF 27 million (previous year: CHF 32 million).

16 Bonds

million CHF	Issuing currency	Nominal value	Market value	Effective interest rate	**2012**	2011
Bond (Georg Fischer Ltd)						
3 3/8 % 2010 – 2016 (12 May)	CHF	200	213	3.7 %	198	198
Bond (Georg Fischer Finanz AG)						
4 1/2 % 2009 – 2014 (22 September)	CHF	300	320	4.7 %	299	298
Total		**500**	**533**		**497**	496

Both bonds can be increased at any time. For more details see also note 15.

17 Employee benefits

The overall situation of employee benefits in the Corporation is as follows.

Plan assets and defined benefit obligations as of closing date:

million CHF	Funded plans	Unfunded plans	**2012 Total**	Funded plans	Unfunded plans	2011 Total
Fair value of plan assets as per 1 January	**1 173**		**1 173**	1 209		1 209
(+) Expected return on plan assets	45		45	43		43
(+) Employer contributions	22		22	19		19
(+) Employees' contributions	13		13	13		13
(–) Benefits paid	–57		–57	–74		–74
Actuarial (+) gains / (–) losses, net	90		90	–36		–36
(+/–) Changes in scope of consolidation	7		7			
(+/–) Translation adjustment				–1		–1
Fair value of plan assets as per 31 December	**1 293**		**1 293**	1 173		1 173
Present value of defined benefit obligations as per 1 January	**–1 256**	**–183**	**–1 439**	–1 222	–188	–1 410
(–) Current service cost, net of employees' contributions	–18	–4	–22	–19	–4	–23
(–) Current service cost for length of service		–4	–4		–3	–3
(–) Employees' contributions	–13		–13	–13		–13
(–) Interest cost	–35	–7	–42	–35	–7	–42
Actuarial (+) gains / (–) losses, net	–118	–25	–143	–42	4	–38
(+) Benefits paid	57	9	66	74	10	84
(+/–) Effects from plan amendments / curtailments	–5	4	–1			
(+/–) Changes in scope of consolidation	–9	13	4			
(+/–) Translation adjustment	1		1	1	5	6
Present value of defined benefit obligations as per 31 December	**–1 396**	**–197**	**–1 593**	–1 256	–183	–1 439
Pension liability (–) / asset (+), total	**–103**	**–197**	**–300**	–83	–183	–266

million CHF	Funded plans	Unfunded plans	2012 Total	Funded plans	Unfunded plans	2011 Total
Pension liability (–) / asset (+), total	**–103**	**–197**	**–300**	–83	–183	–266
Unrecognized cumulative actuarial losses (+) / gains (–), net	98	41	139	86	15	101
Past service cost, not recognized	9		9	3		3
Effects from asset ceiling of defined benefit plans	–8		–8	–11		–11
Recognized pension liability (–) / asset (+) as per 31 December	**–4**	**–156**	**–160**	–5	–168	–173
Recognized on the balance sheet as follows:						
Other financial assets	4		4	2		2
Liabilities for employee benefits: Current loans payable	–3	–24	–27		–32	–32
Other non-current employee benefit obligations	–5	–132	–137	–7	–136	–143
Recognized pension liability (–) / asset (+) as per 31 December	**–4**	**–156**	**–160**	–5	–168	–173
Movements of recognized pension liability (–) / asset (+)						
Recognized pension liability (–) / asset (+) as per 1 January	**–5**	**–168**	**–173**	–10	–165	–175
(–) Cost of defined benefit plans	–20	–12	–32	–20	–15	–35
(+) Employer contributions	22		22	19		19
(+) Benefits paid		9	9		10	10
(+/–) Changes in scope of consolidation	–2	13	11			
(+/–) Translation adjustment and other effects	1	2	3	6	2	8
Recognized pension liability (–) / asset (+) as per 31 December	**–4**	**–156**	**–160**	–5	–168	–173

Based on the present value of defined benefit obligations of CHF 1,593 million and the fair value of plan assets of CHF 1,293 million, the Corporation's defined benefit plans report a total net pension liability of CHF 300 million. This liability consists of defined benefit obligations in the amount of CHF 197 million related to unfunded plans – mainly in Germany and Austria – and pension liabilities of CHF 103 million – mainly from Swiss pension plans. Considering the recognized pension liability in the amount of CHF 160 million, the total unrecognized actuarial loss amount to net CHF 140 million. In the previous year, an unrecognized actuarial loss in the amount of net CHF 93 million was disclosed. The increase of the unrecognized actuarial loss compared to the previous year is mainly a consequence of the worldwide reduction of the discount rate. The resulting rise of the liabilities has cleary overcompensated the very good return on the plan assets.

For next year an increase of the current service cost for defined benefit plans to CHF 26 million and of the employee benefit costs to CHF 39 million is expected.

The Swiss pension plans are included in the IAS 19 calculation of defined benefit plans. According to Swiss law they qualify as defined contribution plans. These plans are legally independent foundations for which the Corporation is not directly liable.

Analysis of employee benefit costs:

million CHF	**2012**	2011
Cost of defined benefit plans		
(+) Current service cost for defined benefit plans net of employees' contributions	22	22
(+) Past service cost	–1	3
(+) Interest cost	42	42
(–) Expected return on plan assets [1]	–45	–43
(+/–) Actuarial loss recognized	2	1
(+/–) Effects from early retirements, curtailments, settlements	–3	
(+) Adjustment for limit on net asset	11	6
Cost of defined benefit plans, net	**28**	31
Current service cost for length of service	4	3
Cost of defined contribution plans	4	4
Employee benefit costs	**36**	38

1 In the year under review the average actual return on plan assets equals 10.9 % (previous year: 0.6 %).

Weighted average actuarial assumptions:

in %	**2012**	2011
Discount rate	2.2	2.9
Expected return on plan assets	3.9	3.9
Expected salary increase rate	2.1	2.2
Expected pension increase rate	0.4	0.6

The actuarial assumptions are determined at the end of the particular fiscal year. The actuarial assumptions disclosed under the respective fiscal year will be applied to determine the liabilities at year-end and the cost of defined benefit plans of the following year. The expected return on plan assets is based on the long-term historical performance of the asset categories of each defined pension plan with funded status.

The expected return on plan assets is based on the long-term historical performance of the asset categories of each defined funded plan.

Funding of defined benefit obligations and effect of experience adjustments:

million CHF	**2012**	2011	2010	2009	2008
Fair value of plan assets	1 293	1 173	1 209	1 245	1 181
Present value of defined benefit obligations	–1 593	–1 439	–1 410	–1 412	–1 402
Pension liability (–) / asset (+)	**–300**	–266	–201	–167	–221
Difference between expected and actual return on plan assets	90	–36	8	81	–254
Actuarial adjustments on plan liabilities	4	–6	9	21	9

The weighted average asset allocation of funded defined benefit plans:

in %	Long-term target	**2012**	2011
Equity securities	20–35	28	25
Debt securities	30–50	35	43
Real estate	10–30	29	25
Other financial assets	0–20	8	7
Total		**100**	100

The plan assets with funded status do not include treasury shares and real estate used by Georg Fischer.

Healthcare costs: There are no liabilities for healthcare payments after the termination of employment.

18 Other current liabilities

million CHF	**2012**	2011
Social security	16	20
Overtime, holiday, bonuses, and profit-sharing	77	85
Other non-interest-bearing liabilities	36	36
Derivative financial instruments for hedging purposes		3
Prepayments from customers	45	42
Accrued expenses and deferred income	77	73
Other interest-bearing liabilities	4	2
Total	**255**	261

19 Contingent liabilities

Contingent liabilities amount to CHF 9 million (previous year: CHF 8 million) and include obligations to take back leasing transactions entered into by third parties totaling CHF 6 million (previous year: CHF 7 million), as well as guarantees and securities granted to third parties of CHF 3 million (previous year: CHF 1 million).

20 Risk management

Enterprise risk management as a fully integrated risk management process was systematically applied in 2012 on all levels of the Corporation. The three divisions, the Corporate Management and all important Corporate Companies semi-annually prepared a risk map elaborating on the most important 25 to 30 risks with regard to the five topics markets, operations, management and resources, financials as well as strategy. The structure of the likelihood was classified into four categories. Whenever possible and suitable, the risks listed were quantified taking into consideration already planned and executed measurements. Alternatively, a qualification of the risk exposure was applied.

The Risk Council, consisting of representatives of the divisions and the Corporate Management and headed by the Chief Risk Officer met for two meetings and dealt with the following topics: aggregation and correlation of risks, coordination of all activities in the area of enterprise risk management, and analysis of risk maps.

During the year under review, the risk maps were presented to and discussed in workshops by the Executive Committee (twice) and the Board of Directors (once). The Executive Committee analyzed the main risks of the divisions and defined the top risks of the Corporation including the determination of adequate measures. The Board of Directors prepared its own risk map which was compared with the risk assessment of the Executive Committee and basis for defining measures in order to control and mitigate the main risks.

The stepwise procedure, including workshops on the levels of division management, Executive Committee and Board of Directors, has proven to be very effective. Additionally, having the Internal Auditing assessing risk maps prepared by Corporate Companies clearly lead to a raise of the reporting quality.

The following were identified as main risks: dependency of the Corporation on European markets and the very competitive situation of all three divisions in the area of innovation.

Clear measures in order to reduce the risk exposure of the above mentioned as well as other identified risks were defined and are in the process of execution. They are in line with strategic targets of the three divisions and the Corporation.

21 Financial risk management

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

The risk management principles are geared to identifying and analyzing the risks to which the Corporation is exposed and to establishing the appropriate control mechanisms. The principles of risk management and the processes applied are regularly reviewed, taking due regard of changes in the market and in the Corporation's activities. The ultimate goal is to develop controls, based on the existing training and management guidelines and processes, that ensure a disciplined and conscious approach to risks. The Audit Committee is supported by the Head of Finance & Controlling in this task.

Owing to its business activities, Georg Fischer is exposed to various financial risks such as credit risk, market risk (including currency, interest rate and price risk) and liquidity risk. The following sections provide an overview of the extent of the individual risks and the goals, principles and processes employed for measuring, monitoring and hedging the financial risks.

Credit risk

The credit risk is the risk of suffering financial loss if a customer or counterparty of a financial instrument fails to meet its contractual obligations. At Georg Fischer the main credit risks arise from trade accounts receivable and bank deposits.

Georg Fischer invests its cash worldwide and predominantly as deposits in leading Swiss and German banks with at least a single A rating. In accordance with the investment policy of Georg Fischer, these transactions are entered into only with credit-worthy commercial institutions. As a general rule, the investments have a maturity of less than three months. Besides, Corporate Companies hold current bank accounts. Cash is allocated on several banks to limit counterparty risk.

Transactions involving derivative financial instruments are also entered into only with important financial institutions with at least a single A rating. The purpose of such transactions is to hedge against currency risks for the Corporation.

The danger of cluster risks on trade accounts receivable is limited due to the large number and wide geographic spread of customers. The extent of the credit risk is determined mainly by the individual characteristics of each customer. Assessment of this risk involves a review of the customer's credit-worthiness based on his financial situation and past experience. In monitoring default risk, customers are classified according to relevant factors such as geographic location, sector, and past financial difficulties.

The maximum credit risk on financial instruments corresponds to the carrying amounts of the relevant financial assets. Georg Fischer has not entered into appreciable guarantees or similar obligations that would increase the risk over and above the carrying amounts. The maximum credit risk as per balance sheet date was as follows:

million CHF	**2012**	2011
Cash and cash equivalents	330	412
Other accounts receivable[1]	36	35
Trade accounts receivable	524	525
Derivative financial instruments	5	
Other financial assets[2]	12	5
Total	**907**	977

1 Without tax credits and prepayments to suppliers.
2 Relates to loans to third parties, security deposits, longterm invested securities for the settlement of pension liabilities, and prepaid employer contributions.

Market risk

Market risk is the risk that changes in market rates and prices, e.g. exchange rates, interest rates or share prices, may have an impact on the profit and market value of financial instruments held by Georg Fischer. The aim of managing such market risks is to monitor and control these risks in order to ensure that they do not exceed a defined limit.

Currency risk

Owing to its international activities, Georg Fischer is exposed to currency risks. These financial risks occur in connection with transactions (in particular the purchase and sale of goods) which are effected in currencies different from the functional currency of the company in question. Such transactions are effected mainly in Swiss francs, euros and US dollars.

Currency risks can be reduced by purchasing and producing goods in the functional currency ("congruency" rule). In some cases, US dollars or euros are hedged for a maximum of twelve months by means of currency futures.

The next table shows the currency risks arising from financial instruments at the balance sheet date in which the currency involved is not congruent with the functional currency of the Corporate Company which holds these financial instruments:

				2012				2011
million CHF	EUR	USD	CNY	CHF	EUR	USD	CNY	CHF
Loans to Corporate Companies (not part of the net investment)	74	210	3		33	69	4	
Trade accounts receivable	49	50	11	3	46	29	10	
Accounts receivable from Corporate Companies	69	49		6	73	39		4
Other accounts receivable	6	1	1		3		1	
Cash and cash equivalents	85	13	2		103	24	4	
Loans from Corporate Companies	–120	–38		–3	–138	–38		–3
Bank liabilities (non-current)					–1	–4		
Bank liabilities (current)		–1				–1		
Trade accounts payable	–44	–9	–2	–1	–48	–11	–3	
Accounts payable to Corporate Companies	–48	–47	–9	–22	–54	–23	–4	–20
Other current liabilities	–1	–1	–6		–1	–1	–4	
Foreign currency forward rate contracts, net – fair value hedges		–203				–55		
Foreign currency forward rate contracts, net – cash flow hedges		–11				–36		
Total currency exposure	**70**	**13**		**–17**	16	–8	8	–19

The fair value hedges relate to foreign currency forward rate contracts, which serve to hedge loans to Corporate Companies in foreign currencies. Unrealized gains and losses from changes to fair value are reported for these contracts in the financial result. The fair value hedges also include foreign currency forward rate contracts which serve to hedge currency risks on receivables. Like the currency effects on the underlying balance sheet item, gains and losses from changes to the fair value of these contracts are recognized in "Other operating income."

The cash flow hedges serve to hedge currency risks on future turnover in foreign currencies. The volume of the foreign currency forward rate contracts for which "Hedge accounting" within the meaning of IAS 39 applies is limited to maximal 70% of the expected turnover. This volume limitation results in 100% effectiveness. Unrealized gains and losses from changes to fair value are recognized directly in equity. They are transferred to the income statement when the service is performed and invoiced; as a result, the foreign currency forward rate contracts become fair value hedges.

A 10% change in exchange rates at 31 December 2012 would have increase or decrease net income by the amounts listed in the next table. The assumption underlying this analysis is that all other variables, in particular interest rates, remain unchanged. Substantially larger effects on the income statement can be caused by exchange rate changes related to current business transactions (transaction exposure), which are not in the scope of IFRS 7.

Sensitivity analysis

2012 million CHF	CHF/CNY	CHF/USD	CHF/EUR	CNY/USD	CNY/EUR	USD/EUR
Change +/–	10 %	10 %	10 %	10 %	10 %	10 %
Positive impact on income statement	0.2	2.5	7.6	2.7	0.1	0.0
Negative impact on income statement	–0.2	–2.5	–7.6	–2.7	–0.1	0.0

2011 million CHF	CHF/CNY	CHF/USD	CHF/EUR	CNY/USD	CNY/EUR	USD/EUR
Change +/–	10 %	10 %	10 %	10 %	10 %	10 %
Positive impact on income statement	0.5	0.1	2.8	2.2	0.5	0.1
Negative impact on income statement	–0.5	–0.1	–2.8	–2.2	–0.5	–0.1

A 1 % currency fluctuation of the Swiss franc against the invested equities in euro, US dollar or Chinese yuan as per 31 December 2012 would have increased or decreased the Corporation's equity by CHF 8 million (previous year: CHF 10 million). Loans which are part of the net investment in a foreign Corporate Company are included for the sensitivity analysis of the equity. The assumption underlying this analysis is that all other variables, in particular interest rates, remain unchanged.

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

Foreign currency forward rate contracts, net

million CHF	Fair value hedges	Cash flow hedges	**2012**	2011
Contract value	227	12	239	115
Replacement value[1]	–4	–1	–5	3
Market value	223	11	**234**	118

1 Corresponds to the carrying amount recognized as marketable securities (previous year as other current liabilities).

The fair value hedges cover not only US dollar contracts but also contracts for the Japanese yen and the other currencies. All open foreign currency forward rate contracts fall due and have an effect on liquidity and the income statement within six months after the balance sheet date. Assuming unchanged exchange rates, a cash outflow of CHF 234 million (gross) would be offset by a cash inflow of CHF 239 million (gross), giving a positive replacement value of CHF 5 million. Cash flow hedges account for cash outflows of CHF 11 million and cash inflows of CHF 12 million.

Contract values, net by currencies

million CHF	**2012**	2011
USD	219	88
JPY	14	14
SGD	4	5
SEK	2	5
Other		3
Total	**239**	115

Interest rate risk

The interest rate risk may involve either changes in future interest payments owing to fluctuations in market interest rates or the risk of a change in market value, i. e. the risk that the market value of a financial instrument will change owing to fluctuations in market interest rates.

Market value sensitivity analysis for interest-bearing financial instruments with a fixed interest rate:
Market value fluctuations of fixed-interest financial instruments are not recognized in the Corporation's income statement. Therefore, a change in interest rates would not have any effect on the income statement. "Hedge accounting" as defined by IAS 39 was not applied for interest rate hedging.

Cash flow sensitivity analysis for financial instruments with variable interest rates:
A one percentage point increase in interest rates would have increased net income by CHF 0.3 million (previous year: CHF 1.3 million). A reduction in the interest rate by the same percentage would have reduced net income by the same amount. The underlying assumption for this analysis is that all other variables remain unchanged.

Price risk

The securities held for trading of CHF 3 million are exposed to price risks (on the stock market). Since the value of the securities held for trading is modest, there is no great sensitivity to changes in share prices. The shares held are those of Swiss blue chip companies.

Liquidity risk

The liquidity risk is the risk that Georg Fischer 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 per 31 December 2012 was CHF 490 million. The credit lines are spread over several banks so that there is no excessive dependence on any one institution.

The following tables show the contractual maturities (including interest rates) of the financial liabilities held by Georg Fischer at the end of the reporting period and in the previous year:

million CHF	Carrying amount	Contractual cash flows	Up to 6 months	6 to12 months	1 to 5 years	More than 5 years
2012						
Trade accounts payable	348	348	348			
Other current/non-current liabilities [1]	219	219	211		7	1
Bonds	497	554	7	14	533	
Bank liabilities	143	150	82	40	28	
Total	**1 207**	**1 271**	**648**	**54**	**568**	**1**

million CHF	Carrying amount	Contractual cash flows	Up to 6 months	6 to12 months	1 to 5 years	More than 5 years
2011						
Trade accounts payable	379	379	379			
Other current/non-current liabilities	229	229	219		8	2
Bonds	496	575	7	14	554	
Bank liabilities	176	189	64	73	52	
Total	**1 280**	**1 372**	**669**	**87**	**614**	**2**

1 "Other current liabilities" include payments from customers, which are not in the scope of IAS 39 and thus are not included in this table. For more details see note 18.

22 Capital management

The capital managed by the Corporation consists of the consolidated equity. The Corporation has set the following goals for the management of its capital:

- maintaining a healthy and sound balance sheet structure based on continuing values;
- ensuring the necessary financial scope in order to be able to make investments and acquisitions in the future;
- achieving a return for investors that is appropriate to the risk.

The Corporation employs two ratios to monitor equity: the equity ratio and the return on equity. The equity ratio equates to equity as a percentage of total assets. Return on equity is obtained by measuring net profit as a percentage of average equity. These ratios are reported to the Executive Committee and the Board of Directors at regular intervals by internal financial reporting. The equity ratio as per 31 December 2012 was at 44 %. As an industrial group, Georg Fischer strives to have a strong statement of financial position with a high portion of equity. In the medium term, the Corporation aims for a slightly lower equity ratio of 35 % to 40 %. The medium-term target for return on equity is above 15 %.

The ratios are shown in the table below:

million CHF	**2012**	2011
Equity attributable to shareholders of Georg Fischer Ltd	1 242	1 178
Non-controlling interests	44	45
Equity	1 286	1 223
Total assets	2 899	2 925
Equity ratio	44 %	42 %
Average equity	1 255	1 174
Net profit from continued operations	155	168
Net profit	127	168
Return on equity	10 %	14 %

The Corporation does not have any financial covenants with minimal capital requirements.

The Board of Directors proposes the appropriation of retained earnings to the Annual Shareholders' Meeting. Georg Fischer pursues a results-oriented dividend policy and distributes about one third of the Corporation's consolidated net profit to shareholders. This may be distributed either in form of a dividend payment from the retained earnings or from the reserves from capital contributions or as a reduction in par value. The Board of Directors is proposing to the Annual Shareholders' Meeting a dividend payment out of the reserves from capital contributions of CHF 15 per registered share for the fiscal year 2012 (previous year: dividend payment out of the reserves from capital contributions of CHF 15). As of 31 December 2012 the par value of the Georg Fischer registered share amounts to CHF 10.

In the period under review translation adjustments are mainly due to the change of the euro and the Chinese yuan. Treasury shares are deducted from the share capital with their par value of less than CHF 1 million (previous year: less than CHF 1 million). The related surplus of CHF 5 million (previous year: CHF 7 million) is deducted from the share premium.

Regarding share capital and treasury shares see notes to the financial statements of Georg Fischer Ltd on page 114.

23 Leases

million CHF	2012	2011
Liabilities under leases up to 1 year	16	15
Liabilities under leases 1 to 5 years	35	33
Liabilities under leases over 5 years	13	20
Operating leases (nominal values)	**64**	68

Liabilities under financial lease contracts are below CHF 1 million.

24 Pledged assets

Assets pledged or restricted on title in part or whole amount to CHF 5 million (previous year: CHF 7 million). In both years these assets relate fully to accounts receivable. The assets are pledged or restricted on title to secure bank loans.

25 Other operating income

million CHF	2012	2011
Sales of material, waste, and scrap	14	17
Income from insurance contracts	6	5
Income from services (e.g. rental income)	9	7
Gains on disposal of property, plant and equipment	1	2
Foreign exchange gains/losses	–4	–3
Remaining other operating income	12	12
Total	**38**	40

26 Operating expenses

million CHF	2012	2011
External services[1]	154	161
Rent, leases	45	40
Utility services third parties	107	97
Selling costs, commissions	122	116
Advertisements, communication	87	82
Repair, maintenance	89	93
Other expenses	24	3
Total	**628**	592

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

The total research and development expenses (inclusive internal services) for 2012 amount to CHF 93 million (previous year: CHF 93 million).

27 Personnel expenses

million CHF	**2012**	2011
Salaries and wages	722	696
Employee benefits	36	38
Social security	125	119
Total	**883**	853

According to a plan established by the Board of Directors, a fixed number of registered shares of Georg Fischer Ltd is distributed to the members of the Executive Committee and the members of senior management as a long-term incentive. For the year under review 6,171 shares (previous year: 6,418) were issued and recognized as personnel expenses at their market value of CHF 2.3 million (previous year: CHF 2.1 million).

28 Financial result

million CHF	**2012**	2011
Interest income	2	4
Net gains on financial instruments at fair value through profit or loss	1	3
Financial income	**3**	7
Interest expenses	34	34
Other financial expenses	3	3
Financial expenses	**37**	37

Additions of accrued interest of bonds are recognized in the amount of CHF 1 million (previous year: CHF 1 million) under interest expenses.

Net gains on financial instruments at fair value through profit or loss include mainly gains on equity securities.

29 Income taxes

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

million CHF			2012	2011
Tax rate reconciliation	Total	Thereof current taxes	Thereof deferred taxes	Total
Profit before taxes	189			204
Expected income tax rate	21 %			22 %
Expected income tax expense	**39**	**46**	**–7**	44
Non-tax deductible expenses/ tax exempted income	–1	–1		
Use of unrecognized tax loss carryforwards	–10	–12	2	–18
Effect of non-recognition of tax losses in current year	4	4		5
Recognition of previously unrecognized tax loss carryforwards	–9		–9	
Depreciation of recognized tax loss carryforwards	10		10	3
Tax charges and credits related to prior periods, net	2	2		2
Other effects	–1	–1		
Effective income tax expense	**34**	**38**	**–4**	36
Effective income tax rate	18 %			18 %

The expected income tax expense of the Corporation corresponds to the weighted average tax rate which is based on the profit / loss before taxes and the income tax rate of each individual Corporate Company. The change of the expected income tax rate is due to the variation in profitability and the change of the tax rate of different Corporate Companies.

The effective income tax expense of previous year consisted of CHF 43 million current tax expense and CHF 7 million deferred tax income.

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

million CHF	2012	2011
Expiry unlimited	250	216
After 2015	44	86
2015	9	10
2014	2	5
2013	2	4
2012		
Total unrecognized tax loss carryforwards	**307**	321
Potential tax relief effect	84	82

The recognition of tax loss carryforwards is assessed on an annual basis and is based on current assumptions and estimates of the management. Tax loss carryforwards are recognized only to the extent that, within the next two to three years sufficient taxable profit is expected to be available to allow the deferred tax asset to be utilized. In countries or Corporate Companies where such utilization is not probable, tax loss carryforwards are not recognized. The potential tax relief effect from the unrecognized tax loss carryforwards amounts to CHF 84 million.

As per 31 December 2012, based on the aforementioned estimates, tax loss carryforwards of CHF 54 million were activated resulting in a deferred tax asset of CHF 13 million (previous year: CHF 16 million). Country-specific tax-relevant regulations and opportunities were hereby respected.

30 Discontinued operations

On 28 November 2012, the division GF Automotive signed an agreement for the sale of the "Aluminum Sand Casting" business, which includes the two foundries in Friedrichshafen and Garching, Germany. On all the conditions being met, the transaction was closed successfully on 30 November 2012.

CHF 0.1 million was paid immediately on conclusion of the transaction. Additional components of the sale price are the repayment of a loan made by Georg Fischer in the amount of CHF 4.3 million and an earn-out arrangement in the sales agreement. The divestment loss amounting to CHF 26 million includes negative accumulated exchange rate losses of CHF 10 million.

The foundries in Friedrichshafen and Garching have belonged to the Georg Fischer Corporation since 1999 and employ 260 and 190 people respectively. They specialize in aluminum sand castings for passenger and commercial vehicles and for industrial applications. The total sales of the two foundries came to CHF 127 million in 2011. The sales of GF Automotive totaled CHF 1,664 million in 2011.

Aluminum sand casting is a major technology that differs from the other casting technologies. This technology is used exclusively by these two divested companies and it forms a separate technology unit within GF Automotive. The importance of "Aluminum Sand Casting" is also reflected in the internal financial reports made to the Executive Committee and the Board of Directors: its figures are consolidated monthly and reported separately and are used in the business comments of GF Automotive and the Corporation respectively.

In Europe, GF Automotive is focusing its efforts on activities in which it has already achieved or in future expects to achieve a leading position. For this reason, the division has decided to concentrate mainly on its market-leading iron and aluminum die casting operations and to sell its entire "Aluminum Sand Casting" business, thereby reducing the number of production sites in Europe.

The criteria for classifying "Aluminum Sand Casting" as a discontinued operation have been met.

Information on the classification and valuation of discontinued operations can be found on page 73 in the accounting principles.

The results of "Aluminum Sand Casting" were reported in the income statement for the years 2012 and 2011 as discontinued operations. The previous year's figures were not restated in the statement of financial position in accordance with IFRS 5.

The income tax effect on the result of the discontinued operations is below CHF 1 million and therefore not reported separately in the following income statement.

million CHF	2012	%	2011	%
Sales	**118**	**100**	127	100
Cost of materials and products	–60		–67	
Changes in inventory	1		2	
Operating expenses	–26		–23	
Gross value added	**33**	**27**	39	31
Personnel expenses	–30		–33	
EBITDA	**3**	**2**	6	5
Depreciation	–4		–4	
EBIT	**–1**	**–1**	2	2
Interest expense	–1		–2	
Loss before taxes	**–2**	**–2**	0	
Income taxes				
Loss after taxes	**–2**	**–2**	0	
Result from divestment of discontinued operations	–26			
Loss from discontinued operations	**–28**	**–24**	0	
Loss per share from discontinued operations in CHF	–7		0	

The cash flow statement includes the cash flows from discontinued operations, though they are separately reported in summary in the present note.

million CHF	2012	2011
Cash flow from operating activities (discontinued operations)	4	–8
Cash flow from investing activities (discontinued operations)	–3	12
Cash flow from financing activities (discontinued operations)	–3	–5

31 Earnings per share

The earnings per share in the amount of CHF 30 (previous year: CHF 39) is calculated by dividing the portion of net profit attributable to Georg Fischer Ltd shareholders by the weighted average number of shares outstanding during the year under review (number of shares issued less number of treasury shares). The weighted average number of shares amounted to 4,082,287 in 2012 (previous year: 4,085,990). Not considering the loss from discontinued operations the earnings per share from continued operations amount to CHF 37 (previous year: CHF 39). The result of the discontinued operations charges the earnings per share by CHF 7.

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

32 Related parties

Related parties include members of the Executive Committee, the Board of Directors and their close family members. Also employee benefit plans or important shareholders as well as companies under their control belong to this group. Transactions with related persons and companies are generally conducted at arm's length.

The members of the Board of Directors are compensated with a fixed number of Georg Fischer registered shares and a cash remuneration, which, at their discretion, can also be settled with Georg Fischer registered shares. For special functions (e. g. Chairman, Vice Chairman, committee member, extraordinary meetings), an additional compensation commensurate with the time required is granted in the form of cash or Georg Fischer registered shares.

The members of the Board of Directors received cash compensation of CHF 854 thousand in the year under review (previous year: CHF 956 thousand). Of this amount, Board members drew on a voluntary basis 524 Georg Fischer registered shares with a par value of CHF 10, equivalent to a market value of CHF 0.2 million in 2012. The previous year, this draw had been 1,596 Georg Fischer registered shares with a par value of CHF 10, equivalent to a market value of CHF 0.5 million. In addition, a total of 1,603 Georg Fischer registered shares with a market value of CHF 0.6 million were allocated as share-related compensation (previous year: 1,600 Georg Fischer registered shares, equivalent to a market value of CHF 0.5 million). Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 1.6 million (previous year: CHF 1.6 million). This compensation is recognized in operating expenses.

The members of the Executive Committee received 1,750 Georg Fischer registered shares (par value of CHF 10) with a market value of CHF 0.6 million in the year under review (previous year: 1,750 Georg Fischer registered shares with a market value of CHF 0.6 million). In addition, the members of the Executive Committee received a cash compensation and social security and pension contributions of CHF 4.8 million for the year under review (previous year: CHF 4.7 million). The total compensation of the Executive Committee is included in personnel expenses (see note 27).

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.

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

1 000 CHF	**2012**	2011
Compensation	4 771	4 858
Employee benefit contributions	594	547
Social security	507	478
Share related compensation	1 234	1 076
Other long-term benefits		
Total compensation	**7 106**	6 959

Additional fees and remuneration // No member of the Executive Committee or the Board of Directors or any person closely associated with them received any fees or other payments for additional services to Georg Fischer Ltd or its Corporate Companies in the fiscal year 2012.

Loans to members of governing bodies // Neither Georg Fischer Ltd nor its Corporate Companies granted any guarantees, loans, advances or credit facilities to members of the Executive Committee or the Board of Directors or to any person closely associated with them.

The detailed disclosure of compensation and participation of the Board of Directors and the Executive Committee in accordance with Swiss law can be found in the financial statements of Georg Fischer Ltd on pages 116 to 118.

33 Joint ventures

The share of joint ventures in the consolidated statement of financial position and in the consolidated income statement is as follows:

million CHF	**2012**	2011
Share of assets and liabilities consolidated in the statement of financial position		
Current assets	123	122
Non-current assets	30	34
Current liabilities	63	55
Non-current liabilities	3	4
Share of income and expenses consolidated in the income statement		
Income	170	154
Expenses	156	138

34 Foreign exchange rates

		Average rates		**Spot rates**	
CHF		**2012**	2011	**2012**	2011
1	AED	0.255	0.242	0.249	0.256
1	ARS	0.206	0.216	0.186	0.219
1	AUD	0.971	0.914	0.951	0.955
1	BRL	0.481	0.531	0.446	0.504
1	CAD	0.938	0.897	0.921	0.922
1	CNY	0.149	0.137	0.147	0.149
1	EUR	1.205	1.233	1.207	1.217
1	GBP	1.485	1.423	1.479	1.452
1	HKD	0.121	0.114	0.118	0.121
1	INR	0.018	0.019	0.017	0.018
1	MXN	0.071	0.072	0.070	0.067
1	MYR	0.304	0.290	0.299	0.296
1	NZD	0.760	0.701	0.754	0.726
1	SGD	0.750	0.706	0.749	0.724
1	TRY	0.521	0.531	0.512	0.491
1	USD	0.937	0.888	0.916	0.940
100	CZK	4.800	5.017	4.806	4.725
100	DKK	16.189	16.500	16.184	16.372
100	JPY	1.176	1.114	1.064	1.212
100	KRW	0.083	0.080	0.086	0.081
100	NOK	16.131	15.810	16.365	15.665
100	PLN	28.867	30.035	29.594	27.680
100	SEK	13.859	13.657	14.030	13.610
100	THB	3.016	2.910	2.995	2.975
100	TWD	3.169	3.021	3.159	3.106

35 Events after the balance sheet date

The consolidated financial statements were approved and released for publication by the Board of Directors on 14 February 2013. They must also be approved at the Annual Shareholders' Meeting.

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