

# Preface



**Prof. Dr. Hans Peter Wehrli**  
Chairman of the Board of Directors

Dear Shareholders

The past year was very challenging for the Swiss economy. The unexpected abandonment of the minimum exchange rate of CHF 1.20 per euro and the subsequent strong appreciation of the Swiss franc had a negative impact on the sales growth and profitability of the Belimo Group.

Under these circumstances it is pleasing that sales in Swiss francs could be held on previous year level and, adjusted for currencies, grew by 3.6 percent to CHF 493.3 million. If calculated at previous year's exchange rates, sales would come to CHF 511.8 million.

The Europe market region was hit with a decline in sales of 0.9 percent on a currency-adjusted basis, due in part to the market situation in Russia, while sales in the Americas and Asia/Pacific rose by 9.7 percent and 7.2 percent respectively.

Thanks to continuous investments in efficiency-increasing measures over the past few years, a healthy operating income (EBIT) of CHF 74.6 million, which equates to an EBIT margin of 15.1 percent, was reached. At CHF 56.2 million, net income however was below previous year due to negative currency effects.

The expansion of the logistics building at the Hinwil site, which was completed at the end of 2015, provides the basis for future growth and will further improve processing efficiency in manufacturing and distribution.

Belimo founded a subsidiary in Turkey, which commenced operations on January 1, 2016. The founding of this company allows Belimo to further intensify efforts in the Turkish market.

Lars van der Haegen, formerly Head of Americas and member of the Group Executive Committee, took over from Dr. Jacques Sanche as CEO with effect from July 1, 2015. As from March 1, 2016, James W. Furlong is the new Head of Americas and member of the Group Executive Committee. His many years of professional experience in the heating, ventilation and air conditioning industry will be key in further developing the Americas market.

The procurement and sales markets will continue to be influenced by uncertain currency and market trends. Belimo will meet these challenges using the specialized expertise of its employees as well as a distinct growth strategy.

Belimo is positioning itself as an innovative market and technology leader. In the year under review the successfully introduced new generation of fire damper actuators, pressure-independent control valves and compact zone valves support this objective. We are also expecting additional sales growth from the strengthening of the sensor business.

# Preface

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 65 per share. At the closing price of CHF 2450 on December 31, 2015, this corresponds to a return of 2.7 percent per share.

On behalf of the Board of Directors of BELIMO Holding AG, I would like to thank our customers and suppliers for the constructive cooperation. I would also like to thank all our employees for the motivated manner in which they have overcome the various challenges they faced, as well as the Group Executive Committee for their unswerving commitment.

I also thank our shareholders for the trust in BELIMO Holding AG.

A handwritten signature in black ink, appearing to read 'Wehrli', followed by a horizontal line.

Hans Peter Wehrli  
Chairman of the Board of Directors

# Report of the Group Executive Committee



Lars van der Haegen  
CEO

In 2015, Belimo increased sales in local currencies by 3.6 percent while maintaining sales in Swiss francs at the same level as the previous year. The Americas and Asia/Pacific achieved higher sales in the second half-year compared to the first, while Europe stagnated. The operating margin was a healthy 15.1 percent. The negative financial result prevented the achievement of a better net income margin, which was with 11.4 percent below previous year.

## Europe

Sales in the Europe market region fell by 9.7 percent, or 0.9 percent on a currency-adjusted basis. This trend can be mainly attributed to the happenings surrounding the euro and the economic situation in Eastern Europe. Overall, market share could be expanded.

### Economic environment and markets

Growth in individual countries varied significantly based on the respective investment activity. The low oil price resulted in restrained investment activity in the Middle East and in the decline in the Central European heating market as investments in alternative energy solutions were scaled back. The political instability and currency devaluation in Russia had a significant negative impact on the HVAC market.

Belimo performed convincingly in particular in Poland and France. Poland benefited from robust market growth and the increasing number of production facilities relocating from Western to Eastern Europe. In France, Belimo was awarded a number of major projects with zone applications, among them the “Le Nuovo” office building, equipped with more than 2600 6-way valves. The markets in the United Kingdom and Italy made a considerable contribution to growth. In Italy, market share in the contracting business was expanded by improved support for consulting engineers.

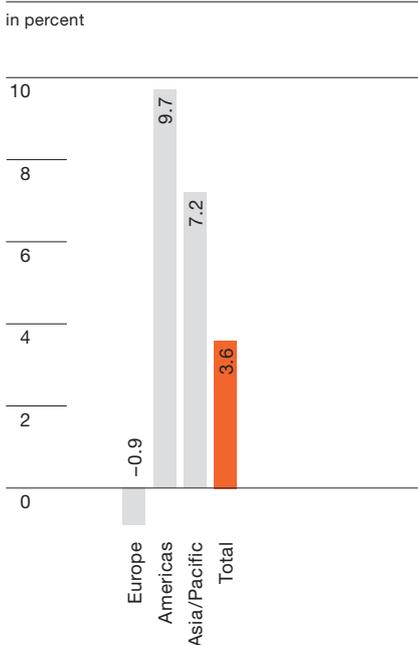
The developments in Russia resulted in a considerable local decline in sales for Belimo, but also had an impact on Western European countries, where exports to Russia and Central Asia fell sharply. Austria and Germany suffered in particular from the declining heating market. The Middle East enjoyed moderate growth due to a worse economic environment. The Swiss market was affected by the strength of the Swiss franc against the euro and was hit by a drop in sales.

### Customers and products

Sales of water applications grew on a year-by-year basis. The new products for zone applications and the new valves for pressure-independent applications in particular recorded encouraging growth. Sales of air applications fell short of the previous year’s figure as a result of the decline experienced in the heating sector and the situation in Russia. The OEM customer segment was particularly affected by this development. The launched fire damper actuators were very well accepted on the market.

On the ISH, one of the world’s leading trade fairs for building, energy and air conditioning systems, held in Frankfurt, Germany, Belimo presented the pressure-independent characterized control valve (PIQCV) and the new fire damper actuators to a wide audience.

Sales growth 2015  
in local currencies



## Americas

Sales in the Americas market region grew by 12.3 percent, or 9.7 percent on a currency-adjusted basis. Every market contributed to this positive result.

### Economic environment and markets

The United States economy continued its positive trend, while growth in Canada slowed down as investments in oil extraction tumbled. In return, a weaker Canadian dollar ensured higher exports. There was also continued investment in sectors other than oil. In Latin America, Mexico enjoyed further growth, while the economy in Brazil found itself in bad shape.

Modernization of plants and strong demand for energy-efficient HVAC systems lead to above-average growth in the sector. This is supported by legislative measures as well as by market-based instruments, such as building certification programs. Another factor in the above-average market growth was digitization. This technology simplifies the measuring and optimizing of air and water flows in buildings and accordingly increases comfort and operational safety.

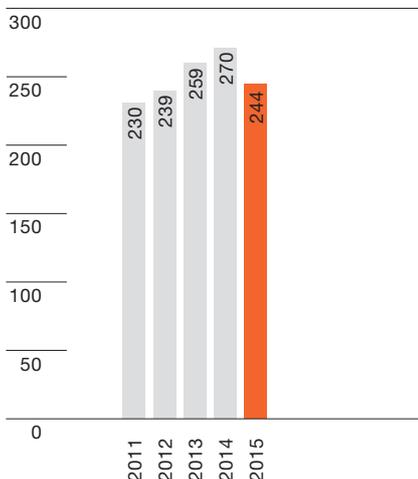
Belimo enjoyed strong growth in all regions. Above-average growth was recorded in the contracting business in the United States. Canada and Latin America made a significant contribution to the sales increase with double digit growth rates. A large number of challenging major projects were again awarded, including the 326-meter-tall “Salesforce Tower” in San Francisco, which will be the tallest building on the west coast of North America after completion.

### Customers and products

Sales of water applications developed very well thanks to the greater focus on OEM customers and a number of major plant engineering contracts. Sales of pressure-independent control valves also increased sharply; for example, Belimo Energy Valves™ were installed in the new building for the “School of Medicine and Biomedical Sciences” at the State University of New York in Buffalo in the United States as well as in the new “Rogers Place” ice hockey stadium in Edmonton, Canada, which will be completed in 2016. Sales of the new ZoneTight™ zone valve product range were above expectations.

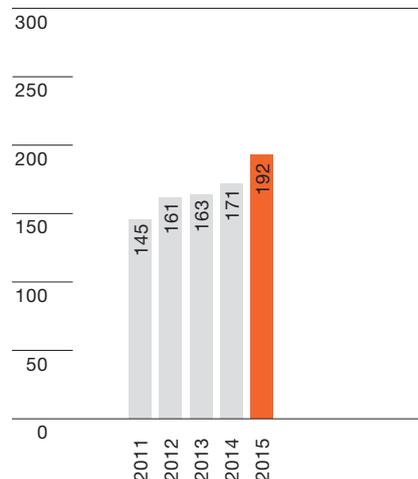
### Net sales Europe

in CHF million



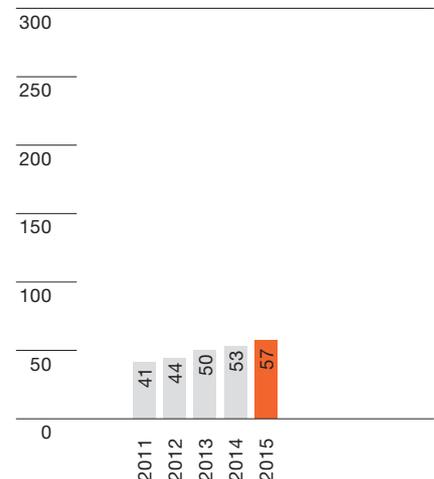
### Net sales Americas

in CHF million



### Net sales Asia/Pacific

in CHF million



# Report of the Group Executive Committee

The contracting customer segment recorded the best performance, while the OEM business grew only modestly on a high level after several years of strong growth.

## Asia/Pacific

Sales in the Asia/Pacific region increased by 9.0 percent, or 7.2 percent on a currency-adjusted basis.

Sales 2015 by application



■ Air 58%  
■ Water 42%

### Economic environment and markets

Economic growth in China slowed considerably, with the economies of Australia and South Korea also suffering a decline. Southeast Asian countries in particular suffered from the strengthened US dollar, which had a negative effect on investment activities.

Despite the rapid economic slowdown in China, and India performing below expectations, satisfactory growth was achieved. In China, Belimo recorded strong growth in the OEM business, mainly as a result of entering the market for the control of volumetric air flows in server rooms. Sales of damper actuators increased in the rail industry.

Solid growth was also recorded in Japan, as several projects were won. In Hong Kong and Macau, sales exceeded expectations, as there was an increase in project activities after an extremely difficult previous year.

Belimo was confronted with a noticeable drop in investment activity throughout South-East Asia due to weak currencies. South Korea and the Philippines recorded disappointing results. South Korea suffered from the outbreak of the MERS epidemic, which visibly diminished investor confidence.

Sales 2015 by region



■ Europe 49%  
■ Americas 39%  
■ Asia/Pacific 12%

### Customers and products

Water applications grew stronger than air applications, which was mainly attributable to Belimo Energy Valves™ and electronic pressure-independent characterized control valves. Among air applications, fire protection products and VAV systems recorded good growth rates, whereas sales of products without spring-returns stagnated.

The OEM business was the most important growth driver, particularly in China and India. The contracting business suffered from the weakness of the Chinese market and had to settle for moderate growth as a result of the decreasing number of commercial construction projects.

There was a marked increase in demand for Belimo Energy Valves™ and electronic pressure-independent valves from data center operators.

## Innovation

In 2015, Belimo successfully launched the new generation of fire damper actuators with the patented Safety Position Lock™ function on the European market. This function reliably keeps the fire dampers in the safety position in the event of fire and is built-in as standard. The development project has been completed and the gradual customer changeover to the new product range is going well.

Also in focus in 2015 was the introduction of the compact Belimo ZoneTight™ zone valves. This product range allows for energy-efficient room and zone

# Report of the Group Executive Committee

control in tight spaces. It has many advantages, such as up to 95 percent less power consumption by the actuators than competing products. The product range also includes fail-safe actuators, which, thanks to the built-in electrical energy storage device (SuperCap technology), can still drive open or close in the event of a power outage.

Pressure-independent zone valves ensure that end devices (heating and cooling elements) are constantly supplied with the precise amount of water required. This feature forms the basis for optimal room comfort, a high level of energy efficiency and simpler planning and installation. As the trend of using pressure-independent valves is picking up speed, Belimo launched the pressure-independent 6-way zone valve. The combination of existing components (actuator, valve, flow sensor) and logic allowed for a rapid market launch.

Another innovation is the so-called bypass damper actuator that is used in the American residential construction sector. Based on the Belimo Shared Logic platform, this device optimizes air flows in a fully automated process in line with the changing pressure conditions in the air duct system.

The Belimo Energy Valve™ product range was expanded with a version for higher pressure levels, which is used in tall buildings and special facilities. The further development of the product range is being pursued intensively. Direct web integration helps ensure that plants can be operated in an energy-efficient manner. Furthermore, the information gained by means of integrated data logging is used by Belimo as an important source for the improvement of energy-saving algorithms.

Digitization and the Internet of Things are employed throughout the “Apartimentum” pilot project, a multi-family house in Hamburg, Germany. Each room is provided with fresh air, heated or cooled as needed to ensure individual comfort and well-being. The cloud-based technology ensures a high level of comfort, simple commissioning, energy efficiency and operational safety.

## Outlook

The fundamental trend toward urbanization is continuing. The cities of the future will be more versatile, more networked, better places to live and greener in every respect. This will lead to high-density construction and investment in new and existing buildings. Buildings consume approximately 40 percent of the energy we use. The amendment of standards and laws concerning indoor air quality and efficiency of heating, ventilation and air conditioning systems is worldwide in full progress and will support the changes.

The successful market launch of the fire damper actuators and zone valves that took place in the year under review will further be pushed. Additionally, Belimo will for the first time launch a newly developed actuator and valve combination for larger flows. This innovation will strengthen the market position of Belimo for central heating and cooling plants.

Digitization will remain the focus of product and software development. The outstanding market acceptance of the Belimo Energy Valve™ proves its additional benefits for customers. Cloud services are being tested and further developed in pilot systems. As digital communication and the seamless integration of HVAC actuator and sensor technology in building automation systems are becoming more important, new sensors are constantly being added to the Belimo product

## Employees 2015 by region



- Europe 57%
- Americas 29%
- Asia/Pacific 14%

## Employees 2015 by function



- Assembly, logistics 46%
- Sales, marketing and distribution 32%
- Research, development 11%
- Administration, management 11%

# Report of the Group Executive Committee

range, for example the ultrasonic flow meters that have been available for a few months now.

In the Europe market region uncertainty regarding the future development of the euro and the performance of the Russian economy remains. On the other hand, the expansion of the sales and logistics organization in the Middle East, Turkey and other countries should have a positive impact.

In the Americas market region, the United States economy should further grow. The outlook for Canada and Mexico is currently also positive, while development is uncertain in Brazil.

Despite growth slowing in Asia/Pacific, particularly in China, infrastructure projects will continue to make up a large share of the gross national product and will present opportunities for us to improve our market position.

Worldwide needs concerning room comfort, indoor air quality, energy efficiency and CO<sub>2</sub> reduction require more actuators and thereby help Belimo generate constant growth and ensure solid results.

This report contains comments relating to future developments which are based on assumptions and estimates of BELIMO Holding AG. Although the Company assumes the expectations of these prospective comments to be realistic, they contain risks. These can lead to the actual results being significantly different from the prospective comments. Among the factors which can cause such differences are changes in the economic and business environment, exchange rate and interest rate changes, the introduction of competing products, inadequate acceptance of new products or services and changes in the business strategy.

BELIMO Holding AG neither plans nor commits itself to keep these prospective comments up to date.

# Logistics and distribution



## Logistics and production sites in Hinwil and Danbury

Belimo made significant investments over recent years in its sites at Hinwil (Switzerland, headquarters) and Danbury (CT, USA). In Hinwil it has constructed logistics buildings with automated warehouses, which went into operation at the start of 2016. The newly built production, logistics and administration building in Danbury was occupied at the end of 2014. The investment of around CHF 95 million lays the basis for future growth and ensures better use of production areas as well as a more efficient and cost-effective flow of materials between receipt, assembly and shipping.

### Hinwil



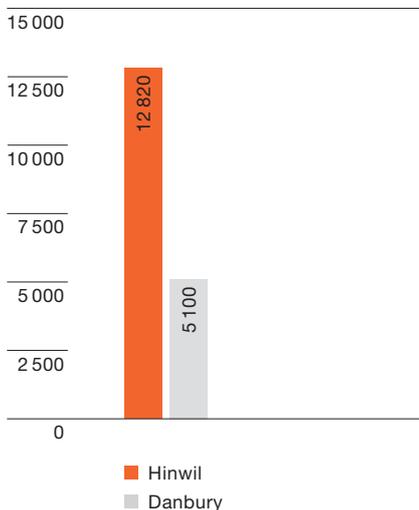
The core of the expansion project is the logistics extension and the optimization of production and transshipment areas at the Hinwil production site. A two-storey logistics building, an automated high-bay warehouse and an automated small components warehouse were added to the existing premises. The optimized processes allow higher flexibility at a lower logistics unit cost.

A logistical special feature is that half-pallets can also be automatically stored, repacked and transported. The assembly cells are supplied from the warehouses several times a day. This means intermediate storage on the shop floor can be reduced. The space freed up in the existing buildings can now be used for offices and production.

Deliveries from suppliers now come in re-usable cardboard packaging. This is good for the environment and permits the redistribution processes to be automated. Automated conveyor belts, transverse shuttles and goods lifts keep the materials flowing rapidly. Once the system is up and running, manual transport of goods will fall by over 40 percent. The rapid and efficient flow of materials ensures that the manufacturing cells are kept supplied on a continuous basis and the set-up is ergonomic. As a result, smooth customer supply and a high level of supply capability are guaranteed.

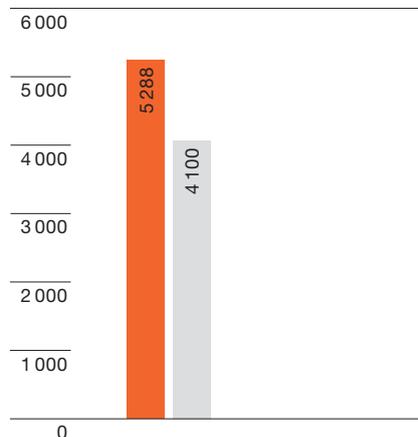
#### Additional logistics/production area

in m<sup>2</sup>



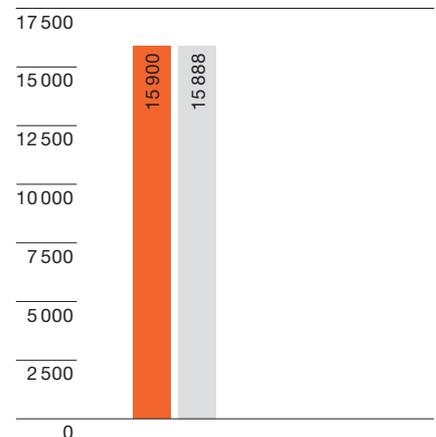
#### High-bay warehouse

Number of pallets



#### Small components warehouse

Number of boxes



# Logistics and distribution

A robot takes over goods from the high-bay warehouse and stacks the packages on half-pallets which then move on to assembly and delivery. The robot also acts as an interface between the warehouses and automatically keeps the small components warehouse supplied.

Deliveries are prepared in the new shipping area. Over 70 percent of goods reach employees directly via conveyor technology and are then packed in the packing area ready to be shipped. The process is further visually supported by a light display. The number of manual transfer procedures can be cut by more than 40 percent. Goods for export are declared to customs digitally and notified to the carrier directly.

Information technology was also brought fully up-to-date as part of the project. All logistics facilities are now managed and monitored centrally by a materials flow computer. Goods flows are optimized and delivered on a time-controlled schedule.

## Danbury



In the Danbury building completed in 2014, all logistics processes have been redefined and, in some cases, automated. Production and customizing was re-arranged and gradually switched over to lean manufacturing principles.

The automated small components warehouse forms the core of the intralogistics system. Prepared goods move via a conveyor system directly to the assembly benches for customizing. Larger quantities are transported in the traditional manner directly on pallets and half-pallets from the manual high-bay warehouse to the assembly areas.

After assembly, many of the assembled combinations are transported by the conveyor system to the packing area along with the finished articles for packing and shipping.