Financial Report

Consolidated Financial Statements

Consolidated Income Statement

in CHF 1 000	Note	2016	%*	2015	%*
Net sales	3	533 650	100.0	493 299	100.0
Other operating income	4	1 767	0.3	2 044	0.4
Material expenses		–220 797	–41.4	–206 648	–41.9
Personnel expenses	5	–146 354	–27.4	–139 573	–28.3
Other operating expenses	6	–57 987	–10.9	–53 304	–10.8
Depreciation and amortization	14, 15	–23 315	–4.4	–21 188	–4.3
Operating income (EBIT)		**86 964**	**16.3**	**74 630**	**15.1**
Financial income	7	539	0.1	540	0.1
Financial expenses	7	–2 153	–0.4	–7 664	–1.6
Financial result		**–1 614**	**–0.3**	**–7 124**	**–1.4**
Income before taxes (EBT)		**85 350**	**16.0**	**67 506**	**13.7**
Income taxes	8	–15 597	–2.9	–11 277	–2.3
Net income		**69 753**	**13.1**	**56 229**	**11.4**
Attributable to shareholders of BELIMO Holding AG		69 753	13.1	56 229	11.4
Earnings per share in CHF	9	**113.51**		**91.52**	

There are no options or other instruments that could have a dilutive effect.

* in percent of net sales

Consolidated Statement of Comprehensive Income

in CHF 1 000	Note	2016	2015
Net income		**69 753**	**56 229**
Translation differences		1 857	–1 553
Items that are or may be reclassified subsequently to the income statement		**1 857**	**–1 553**
Remeasurements of post-employment benefits	19	–116	6 217
Tax effect	8	31	–987
Items that will not be reclassified subsequently to the income statement		**–86**	**5 231**
Other comprehensive income, net of tax		**1 771**	**3 678**
Total comprehensive income		**71 524**	**59 907**
Attributable to shareholders of BELIMO Holding AG		71 524	59 907

Consolidated Balance Sheet

in CHF 1 000	Note	12.31.2016	12.31.2015
Cash and cash equivalents	10	103 670	67 687
Trade receivables	11	74 501	67 521
Inventories	12	80 182	80 682
Other assets	13	8 256	7 978
Current tax assets		403	674
Current assets		**267 012**	**224 542**
Property, plant and equipment	14	166 925	172 398
Intangible assets	15	11 751	12 309
Financial assets	16	1 827	983
Deferred tax assets	8	4 354	2 809
Non-current assets		**184 857**	**188 499**
Assets		**451 869**	**413 041**
Trade payables		16 443	13 774
Other liabilities	17	34 593	31 616
Current tax liabilities		2 500	2 080
Current liabilities		**53 536**	**47 470**
Provisions	18	5 491	6 067
Post-employment benefits	19	14 023	12 548
Deferred tax liabilities	8	9 854	10 000
Non-current liabilities		**29 368**	**28 615**
Liabilities		**82 904**	**76 085**
Share capital	20	615	615
Treasury shares	20	–521	–536
Capital reserves	20	22 629	22 222
Retained earnings	20	346 242	314 655
Shareholders’ equity		**368 965**	**336 956**
Liabilities and shareholders’ equity		**451 869**	**413 041**

Consolidated Statement of Changes in Equity

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Translation differences	Other retained earnings	Total retained earnings	Share-holders' equity
As at January 1, 2015	**615**	**–564**	**22 184**	–1 170	295 854	**294 684**	**316 919**
Net income					56 229	56 229	56 229
Other comprehensive income, net of tax				–1 553	5 231	3 678	3 678
Total comprehensive income				–1 553	61 460	**59 907**	**59 907**
Sale of treasury shares		28	38				66
Dividends					–39 936	–39 936	–39 936
As at December 31, 2015	**615**	**–536**	**22 222**	–2 723	317 378	**314 655**	**336 956**
Net income					69 753	69 753	69 753
Other comprehensive income, net of tax				1 857	–86	1 771	1 771
Total comprehensive income				1 857	69 667	**71 524**	**71 524**
Purchase of treasury shares		–171					–171
Sale of treasury shares		187	407				594
Dividends					–39 937	–39 937	–39 937
As at December 31, 2016	**615**	**–521**	**22 629**	–866	347 108	**346 242**	**368 965**

Consolidated Statement of Cash Flows

in CHF 1 000	Note	2016	2015
Net income		69 753	56 229
Income taxes	8	15 597	11 277
Interest result	7	–427	457
Depreciation of property, plant and equipment	14	18 529	16 597
Amortization of intangible assets	15	4 786	4 591
Gain on sale of property, plant and equipment	14	–156	–228
Other non-cash items		1 432	–110
Change in receivables and other current assets		–7 788	103
Change in inventories		322	–3 291
Change in payables and other current liabilities		5 338	–1 830
Change in provisions	18	–577	–178
Income taxes paid		–16 527	–13 246
Cash flow from operating activities		**90 282**	**70 371**
Investments in property, plant and equipment	14	–11 567	–29 434
Investments in intangible assets	15	–4 229	–4 597
(Purchase)/Sale of financial assets		–129	57
Sale of property, plant and equipment		255	261
Interest received	7	539	380
Cash flow used in investing activities		**–15 131**	**–33 333**
Purchase of treasury shares	20	–171	
Sale of treasury shares	20	594	66
Dividends paid	20	–39 937	–39 936
Interest paid		–46	–695
Repayment of financial liabilities			–20 000
Cash flow used in financing activities		**–39 560**	**–60 565**
Translation differences arising from cash and cash equivalents		392	–1 131
Change in cash and cash equivalents		**35 983**	**–24 658**
Cash and cash equivalents at beginning of period		67 687	92 345
Cash and cash equivalents at end of period	10	**103 670**	**67 687**

Notes to the Consolidated Financial Statements

1 General

1.1 Corporate Information

The Belimo Group (hereinafter referred to as “Belimo” or “the Group”) is a leading global manufacturer of innovative electrical actuator solutions, valve systems and sensors for heating, ventilation and air conditioning systems. The shares of BELIMO Holding AG have been traded on the SIX Swiss Exchange since 1995 (BEAN). The registered office is in Hinwil, Switzerland.

1.2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

1.3 Basis of Preparation

The reporting date for BELIMO Holding AG, all of its subsidiaries and for these consolidated financial statements is December 31, 2016. The consolidated financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. Due to rounding, amounts presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount. The consolidated financial statements are prepared on the historical cost basis, with the exception of the derivative financial instruments, which are stated at fair value. The consolidated financial statements are published exclusively in English.

The presentation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments in applying accounting policies. This may have an effect on the reported income, expenses, assets, liabilities and contingent liabilities. In the event that such estimates and assumptions made in good faith by management at the time at which the financial statements are prepared subsequently differ from the actual circumstances, the original estimates and assumptions will be adjusted accordingly in the reporting period during which the circumstances change.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the notes (see notes 8 Income Taxes, 18 Provisions and 19 Post-Employment Benefits).

1.4 Changes to Accounting Policies

Amendments to IAS 1 Disclosure Initiative became effective for annual periods beginning on or after January 1, 2016. To improve the effectiveness of disclosures according to the amended IAS 1, Belimo decided to change the order of the financial statements and the notes to aggregate immaterial or redundant line items in the financial statements and to consolidate the notes with the related content. The accounting policies are not disclosed in one note anymore, but are part of the note to which that accounting policy relates. The information disclosed in the notes was reassessed in respect of materiality and amended based on professional judgment. The prior year figures were adjusted accordingly.

The application of the other amended standards and interpretations, which became effective had no material impact on these consolidated financial statements.

The following new and revised standards and interpretations were issued but are not yet effective and have not been applied early in these consolidated financial statements.

The expected impact as disclosed at the bottom of this table merely represents an initial assessment from management.

		Effective date	Planned application
New Standards and Interpretations			
IFRS 15 Revenue from Contracts with Customers	**	01.01.2018	2018
IFRS 9 Financial Instruments	*	01.01.2018	2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	*	01.01.2018	2018
IFRS 16 Leases	***	01.01.2019	2019
Amendments of Standards			
Annual Improvements to IFRS Standards 2014 – 2016 Cycle:			
IFRS 12 Disclosure of Interests in Other Entities	*	01.01.2017	2017
IAS 28 Investments in Associates and Joint Ventures	*	01.01.2018	2018
Disclosure Initiative (Amendments to IAS 7)	*	01.01.2017	2017
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	*	01.01.2017	2017

* No or no significant impact is expected on the consolidated financial statements of Belimo.
** Primarily changes in presentation and additional disclosures in the consolidated financial statements of Belimo are expected.
*** The effects on the consolidated financial statements of Belimo cannot yet be predicted with sufficient certainty.

1.5 Basis of Consolidation

Scope of Consolidation

The consolidated financial statements include all companies that are controlled either directly or indirectly by BELIMO Holding AG (subsidiaries). Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the company and is able to affect those returns through its power over the company.

Subsidiaries that are acquired or sold during the course of the year are consolidated with effect from the date on which control commences and deconsolidated with a gain or loss included in the income statement from the date on which control is lost.

Eliminations

Assets, liabilities, income and expenses are recognized on a 100 percent basis using the full consolidation method. Intercompany income and expenses and intercompany receivables and payables are eliminated. Any unrealized profits arising from intercompany transactions are eliminated, affecting net income. Unrealized losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

1.6 Currency Translation

Transactions in Foreign Currency

Transactions in a foreign currency are translated into the functional currency at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Any foreign currency gains or losses resulting from transactions and from the translation of balance sheet items denominated in foreign currencies are recognized in the income statement. Nonmonetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign Operations
Financial statements of foreign operations are translated into Swiss francs as follows: for the balance sheet, at the exchange rates at the reporting date; for the income statement, the statement of comprehensive income and the statement of cash flows, at the average exchange rate. Any translation differences arising from the translation of the balance sheets, income statements and the statements of comprehensive income are recognized in other comprehensive income with no effect on the income statement. This also applies to loans that are part of a net investment in a foreign operation. The cumulative amount in the translation reserve is transferred to the income statement at the date of the loss of control over the foreign operation.

2 Changes to the Scope of Consolidation

In the reporting year, there were no changes to the scope of consolidation. In the previous year, BELIMO Turkey Otomasyon A.Ş. was founded in Istanbul, Turkey.

3 Segment Reporting

The reportable operating segments are determined using the management approach: external segment reporting is based on the Group's internal organization and management structure, as well as the internal financial reporting to the Chief Operating Decision Maker – the Board of Directors of BELIMO Holding AG.

Sales are measured net of sales tax, credits for returns and discounts and are recognized when the risks and rewards of ownership of the goods transfer to the customer. Generally, sales are recognized at the time of delivery, as defined in the general terms and conditions and in compliance with generally accepted incoterms.

Belimo develops, produces and distributes actuator solutions, valve systems and sensors for controlling heating, ventilation and air conditioning systems. All products are made from comparable materials and manufactured using similar processes.

The Group has four reportable operating segments which constitute its strategic divisions. With a view to maintaining a market presence in close proximity to its customers, the three geographical strategic Group divisions "Europe", "Americas" and "Asia/Pacific" are run by regional managers. The organization of the strategic Group division "Shared Services" is subdivided and managed centrally as a cost center by the Swiss company. No sales are therefore allocated to this segment.

The activities of the reportable segments are as follows:

Europe, Americas, Asia/Pacific. Distribution and sale of Belimo products in the respective market region.

Shared Services. Research and development activities, production, customizing, distribution as well as the functions finance and administration.

Expenses for the Group Executive Committee and the Board of Directors are presented in "Elimination".

The performance of the geographic segments is measured using the cost-sales ratio (personnel expenses, other operating expenses, depreciation and amortization as a percentage of sales). Material expenses cannot be reliably allocated to the segments due to the Group's principal structure. As a result of the group-wide application of a principal structure, the central production and sales company in Switzerland is the main risk carrier. The opportunities and risks of the sales companies are limited to their local market risk.

With regard to segment assets, only trade receivables, property, plant and equipment as well as intangible assets are allocated. The liabilities are only reported in full in the internal financial reporting and are not allocated to the reportable segments.

in CHF 1 000	Europe	Americas	Asia/Pacific	Shared Services	Elimination	Total
2016						
Income statement						
Net sales to third parties	259 175	209 957	64 518			533 650
Other operating income				1 113		1 113
Personnel and other operating expenses	–37 792	–31 597	–13 465	–131 262	9 775	–204 341
Depreciation and amortization	–2 171	–3 922	–235	–16 988		–23 315
Segment profit	**219 213**	**174 438**	**50 818**	**–147 137**	**9 775**	**307 107**
Unallocated other operating income						653
Unallocated material expenses						–220 797
Unallocated financial result						–1 614
Income before taxes (EBT)						**85 350**
Investments in property, plant and equipment and intangible assets	1 302	1 144	172	13 178		15 796
Balance sheet as at December 31, 2016						
Trade receivables	57 169	29 166	14 680		–26 514	74 501
Property, plant and equipment and intangible assets	5 075	53 165	637	119 800		178 676
Unallocated assets						198 692
Total assets						**451 869**
2015						
Income statement						
Net sales to third parties	244 029	191 902	57 368			493 299
Other operating income				1 752		1 752
Personnel and other operating expenses	–35 563	–28 499	–12 042	–125 577	8 804	–192 877
Depreciation and amortization	–2 208	–3 643	–269	–15 067		–21 188
Segment profit	**206 258**	**159 759**	**45 057**	**–138 893**	**8 804**	**280 986**
Unallocated other operating income						292
Unallocated material expenses						–206 648
Unallocated financial result						–7 124
Income before taxes (EBT)						**67 506**
Investments in property, plant and equipment and intangible assets	1 557	2 420	284	29 770		34 031
Balance sheet as at December 31, 2015						
Trade receivables	48 156	28 096	11 459		–20 190	67 521
Property, plant and equipment and intangible assets	6 079	54 567	702	123 358		184 707
Unallocated assets						160 813
Total assets						**413 041**

Sales development compared to the previous year in the market regions was as follows:

	CHF	Local currencies
Europe	6.2%	5.3%
Americas	9.4%	7.1%
Asia/Pacific	12.5%	12.1%
Group	**8.2%**	**6.8%**

Overall, movements in exchange rates had an effect of 1.4 percentage points on net sales (previous year –3.7 percentage points). Around 37 percent of net sales were denominated in US dollar, 30 percent in euro, 11 percent in Swiss franc and 22 percent in other currencies.

The contributions in Group net sales did not change year-on-year. Europe contributed 49 percent, Americas 39 percent and Asia/Pacific 12 percent.

The sales by applications were as follows:

in CHF 1 000	2016	Share	2015	Share
Air	305 911	57%	286 138	58%
Water	227 739	43%	207 161	42%
Total	**533 650**	**100%**	**493 299**	**100%**

In local currencies, net sales of air applications grew by 5.7 percent and net sales of water applications increased by 8.3 percent.

The following table shows information on geographic regions:

	Net sales to third parties		Property, plant and equipment, intangible assets	
in CHF 1 000	2016	2015	12.31.2016	12.31.2015
Switzerland	14 691	15 939	108 819	112 122
Germany	61 336	56 113	284	413
USA	169 888	155 112	63 933	65 710
Other regions	287 735	266 135	5 641	6 461
Total	**533 650**	**493 299**	**178 676**	**184 707**

In the reporting year, the definitions of the geographic regions Switzerland, United States and other regions have been adjusted in the internal reporting. The information shown in the table above has been adapted accordingly, with the total remaining the same.

4 Other Operating Income

Other operating income of CHF 1.8 million (previous year CHF 2.0 million) primarily contains capitalized development costs of CHF 1.1 million (previous year CHF 1.8 million).

5 Personnel Expenses

In the case of defined contribution plans, the expenses recognized in the income statement correspond to the contributions paid by the employer.

in CHF 1 000	2016	2015
Wages and salaries	–112 211	–107 681
Social security contributions	–15 907	–14 993
Expenses related to post-employment defined benefit plans	–8 290	–7 296
Contributions to post-employment defined contribution plans	–2 845	–2 507
Post-employment benefit expenses	–11 135	–9 803
Other personnel expenses	–7 101	–7 096
Total	**–146 354**	**–139 573**

6 Other Operating Expenses

in CHF 1 000	2016	2015
Travel and representation	–8 389	–7 130
Lease expenses and cost of business premises	–6 982	–7 575
Consulting	–7 381	–6 968
Marketing	–6 611	–5 167
IT	–6 164	–5 883
Other expenses	–22 461	–20 583
Total	**–57 987**	**–53 304**

Research and development costs of CHF 37.7 million (previous year CHF 34.7 million) are included mainly in personnel and in other expenses. Thereof, CHF 1.1 million (previous year CHF 1.8 million) were capitalized.

7 Financial Result

The financial result is composed primarily of interest expenses on borrowings based on the effective interest method, interest income, foreign exchange gains and losses as well as gains and losses on hedging instruments. Interest income is recognized in accordance with the effective interest method.

in CHF 1 000	2016	2015
Interest income	539	380
Net gain from derivative financial instruments		161
Financial income	**539**	**540**
Interest expenses	–111	–836
Net loss from derivative financial instruments	–160	
Foreign exchange loss (net)	–680	–5 799
Other financial expenses (bank charges)	–1 202	–1 029
Financial expenses	**–2 153**	**–7 664**
Total	**–1 614**	**–7 124**

The net foreign exchange loss in the previous year was mainly attributable to movements in exchange rates on cash and cash equivalents, trade receivables and trade payables.

8 Income Taxes

Income taxes include current and deferred income taxes. Normally, income taxes are recognized in the income statement unless they relate to an item which is recognized in other comprehensive income or directly in equity.

Current income taxes are determined with regard to taxable profit, based on the tax rates in force as of the reporting date, including tax expenses for previous periods.

Deferred taxes are calculated using the balance sheet liability method on all temporary differences between the tax basis and the IFRS carrying amounts. No deferred taxes are recognized for the following temporary differences: initial recognition of assets or liabilities in a transaction that neither affects taxable nor accounting profit and investments in subsidiaries if it is probable that the temporary differences will not be reversed in the foreseeable future. Deferred tax assets, including the tax benefits from deductible tax losses carried forward, are only recognized if it is probable that the temporary differences or losses carried forward can be offset against future taxable profits.

Estimates are required to determine the total liabilities for current and deferred taxes. There are transactions and calculations for which the final tax assessment is uncertain by the end of the reporting period. Where the actual outcome of final tax assessments or tax audits of such matters differs from the amounts that were initially recognized, such differences may materially impact the income tax and deferred tax positions in the period in which such a determination is made.

Income tax expenses consist of the following:

in CHF 1 000	2016	2015
Income taxes relating to current year	–17 278	–11 717
Adjustments from previous years	78	828
Current income taxes	**–17 200**	**–10 889**
Deferred taxes	**1 603**	**–388**
Income tax recognized	**–15 597**	**–11 277**

in CHF 1 000	2016	2015
Income before taxes	**85 350**	**67 506**
Expected tax expenses	–14 136	–11 350
applicable tax rate	16.6%	16.8%
Non-deductible expenses	–426	–323
Tax-exempt income	37	30
Adjustments from previous years	78	828
Non-reclaimable withholding taxes	–433	–213
Effect of companies with mixed tax rates	–723	–247
Change in tax rate	–1	–1
Other	7	0
Income tax recognized	**–15 597**	**–11 277**
effective tax rate	18.3%	16.7%

Some Group companies are taxed at different rates depending on the source of income. The effect of these mixed tax rates is presented as a separate item in the reconciliation above.

The deferred tax assets and liabilities were attributable to the following balance sheet items:

	12.31.2016			12.31.2015		
	Deferred tax			Deferred tax		
in CHF 1 000	assets	liabilities	net	assets	liabilities	net
Receivables	146	–1 212	–1 066	169	–994	–825
Inventories	374	–2 062	–1 688	324	–1 970	–1 646
Property, plant and equipment	707	–5 374	–4 667	221	–5 554	–5 333
Intangible assets		–1 383	–1 383	0	–1 656	–1 656
Current liabilities	439	–3	436	186	–193	–7
Provisions	6		6	43		43
Post-employment benefits	2 073		2 073	1 743		1 743
Tax losses carried forward and tax credits	788		788	490		490
Total (gross)	**4 535**	**–10 035**	**–5 500**	**3 176**	**–10 367**	**–7 192**
Set-off of tax	–181	181		–367	367	
Total (net)	**4 354**	**–9 854**	**–5 500**	**2 809**	**–10 000**	**–7 192**

The following table summarizes the movements in the net deferred tax position:

in CHF 1 000	2016	2015
As at January 1	**–7 192**	**–5 811**
Recognized in the income statement	1 603	–388
Recognized in other comprehensive income	31	–987
Translation differences	58	–7
As at December 31	**–5 500**	**–7 192**

The Group has the following deferred tax assets relating to utilizable tax losses carried forward and tax credits. There were no unrecognized deferred taxes on losses carried forward.

in CHF 1 000	Expiry in 2–5 years	No expiry	12.31.2016	12.31.2015
Deferred tax assets on tax losses carried forward and tax credits	19	769	**788**	**490**

9 Earnings per Share

	2016	2015
Net income in CHF 1 000	69 753	56 229
Average number of outstanding shares	614 493	614 407
Earnings per share in CHF	**113.51**	**91.52**

There are no options or other instruments that could have a dilutive effect.

10 Cash and Cash Equivalents

Cash and cash equivalents are measured at their nominal value.

As at December 31, 2016, cash and cash equivalents consisted of cash, postal and bank balances.

11 Trade Receivables

Trade receivables are measured at amortized cost which generally corresponds to the nominal value less any allowances for amounts that cannot be collected. The recoverable amount of receivables corresponds to the present value of the estimated future cash flows.

The allowance consists of individual allowances for specifically identified items for which there is objective evidence that the outstanding amount will not be received in full, as well as general allowances for groups of receivables with similar risk profiles. The general allowances cover losses that, in the assessment of management, have occurred but are not yet known. General allowances are based on historical data on the receivables' payment statistics. As soon as there is sufficient evidence that a receivable will definitely not be paid, the receivable is written off directly or set off against the individual allowance created for this purpose. Previously recognized impairment losses on receivables are reversed if the increase in the recoverable amount can be attributed to an event occurring in a period after the impairment was recognized.

in CHF 1 000	12.31.2016	12.31.2015
Trade receivables	76 264	69 430
Allowance	–1 763	–1 909
Total	**74 501**	**67 521**

Trade receivables by currency were as follows:

in CHF 1 000	12.31.2016	12.31.2015
in CHF	3 992	2 486
in EUR	17 420	15 939
in USD	28 421	28 447
in other currencies	24 668	20 649
Total	**74 501**	**67 521**

Trade receivables by market region were as follows:

in CHF 1 000	12.31.2016	12.31.2015
Europe	30 783	28 067
Americas	29 166	28 096
Asia/Pacific	14 552	11 358
Total	**74 501**	**67 521**

There were no cluster risks. The receivables in the Americas related mainly to the United States.

Movements in allowance for doubtful trade receivables were as follows:

in CHF 1 000	2016	2015
As at January 1	**–1 909**	**–1 898**
Increase	–219	–242
Utilization	112	88
Reversals	246	67
Translation differences	7	76
As at December 31	**–1 763**	**–1 909**

As at December 31, 2016, the individual allowance amounted to CHF 1.0 million (previous year CHF 1.2 million).

The aging and allowance of trade receivables were as follows:

in CHF 1 000	12.31.2016 Gross	12.31.2016 Allowance	12.31.2015 Gross	12.31.2015 Allowance
Not due	60 906	–36	55 601	–204
Overdue 1 to 30 days	9 404	–345	8 301	–330
Overdue 31 to 60 days	3 622	–195	3 519	–201
Overdue 61 to 180 days	1 322	–176	995	–159
Overdue more than 180 days	1 010	–1 010	1 014	–1 014
Total	**76 264**	**–1 763**	**69 430**	**–1 909**

Based on past experience, Belimo does not expect any additional defaults.

12 Inventories

Items of inventory are measured at the lower of cost of acquisition or production costs and net realizable value. The net realizable value is the expected average selling price less the expected costs of completion and the estimated costs necessary to make the sale.

Purchased inventories are measured at acquisition cost, internally generated products at cost of production. These latter costs include direct material and production costs and directly attributable overhead expenses. The overhead production expenses are calculated on the basis of normal capacity of production facilities. Inventories are measured on the basis of average prices. Based on a range analysis, items with a slow rate of turnover are written down by 20 to 100 percent.

in CHF 1 000	12.31.2016	12.31.2015
Raw materials and consumables	43 207	46 132
Work in progress	479	257
Finished goods	36 496	34 293
Total inventories (net)	**80 182**	**80 682**
Allowance on raw materials and consumables	–3 016	–3 430
Allowance on finished goods	–4 744	–4 537
Total allowance	**–7 759**	**–7 967**

The allowance amounted to 8.8 percent (previous year 9.0 percent) of the gross value of inventories.

Movements in allowance were as follows:

in CHF 1 000	2016	2015
As at January 1	**–7 967**	**–7 469**
Increase	–2 118	–2 447
Utilization	2 246	1 808
Reversals	19	28
Translation differences	61	114
As at December 31	**–7 759**	**–7 967**

13 Other Assets

Derivative financial instruments are measured at fair value with any changes therein recognized in the financial result. The fair value of forward exchange contracts is the quoted market price at the reporting date or the net present value of the forward contract.

in CHF 1 000	12.31.2016	12.31.2015
Value-added taxes and social security credit balances	4 606	4 871
Advance payments	3 267	1 925
Fair value of derivative financial instruments	112	159
Other receivables and accruals	271	1 024
Total	**8 256**	**7 978**

Based on past experience, Belimo does not expect any defaults on other assets.

14 Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Significant parts of an item of property, plant and equipment with different useful lives are accounted for separately. Subsequent expenditure is capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Expenditure for maintenance and repair is recognized in the income statement. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, or the shorter lease term.

The estimated useful lives applied by the Group are as follows:

Land, buildings	Land	Unlimited
	Buildings (components with different useful lives)	10 – 60 years
Tools, machinery	Transportation equipment, tools and machinery, workshop and warehouse facilities	5 – 9 years
	Tools at suppliers and testing equipment	3 – 5 years
Furniture, fixtures and movable equipment	Furniture and fixtures	2 – 8 years
	Leasehold improvements	5 – 10 years
	Motor vehicles, office machinery and IT equipment	2 – 5 years

The expected residual value, if not immaterial, is reviewed annually. If there is any impairment indication at the reporting date, the recoverable amount is estimated. The recoverable amount is the higher of the asset’s fair value less costs of disposal and its value in use. To determine the value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. An impairment loss is recognized in the income statement, if the carrying amount of an asset or of the cash-generating unit to which the asset belongs exceeds the recoverable amount.

in CHF 1 000	Land, buildings	Tools, machinery	Furniture, fixtures, movable equipment	Advance payments, assets under construction	Total
Costs					
As at January 1, 2015	**147 282**	**82 882**	**19 975**	**14 969**	**265 108**
Additions	18 420	6 983	3 137	894	**29 434**
Disposals	–279	–4 725	–2 572		**–7 576**
Reclassifications	14 465	530	–96	–14 899	
Translation differences	213	–15	–608	1	**–409**
As at December 31, 2015	**180 101**	**85 655**	**19 837**	**964**	**286 557**
Additions	1 871	6 596	2 606	494	**11 567**
Disposals		–279	–1 084		**–1 363**
Reclassifications		825	120	–945	
Translation differences	1 693	356	67	1	**2 117**
As at December 31, 2016	**183 665**	**93 154**	**21 546**	**513**	**298 878**
Accumulated depreciation					
As at January 1, 2015	**–32 699**	**–58 908**	**–13 797**		**–105 404**
Depreciation	–5 618	–8 423	–2 555		**–16 597**
Disposals	269	4 720	2 554		**7 544**
Translation differences	–131	–12	441		**298**
As at December 31, 2015	**–38 178**	**–62 624**	**–13 357**		**–114 159**
Depreciation	–7 108	–8 714	–2 707		**–18 529**
Disposals		259	1 006		**1 264**
Translation differences	–250	–237	–41		**–528**
As at December 31, 2016	**–45 536**	**–71 317**	**–15 099**		**–131 952**
Carrying amounts					
As at January 1, 2015	114 584	23 974	6 178	14 969	**159 704**
As at December 31, 2015	**141 923**	**23 031**	**6 479**	**964**	**172 398**
As at December 31, 2016	**138 129**	**21 837**	**6 446**	**513**	**166 925**

There were no impairment losses. The sale of property, plant and equipment resulted in a gain of CHF 0.2 million (previous year CHF 0.2 million).

The reclassifications of advance payments and assets under construction in the previous year mainly concerned the expansion building in Hinwil, which was completed in 2015.

Commitments for investments in property, plant and equipment amounted to CHF 4.5 million (previous year CHF 3.0 million).

15 Intangible Assets

The Group’s intangible assets comprise acquired software, acquired non-contractual customer relationships, as well as internally generated intangible assets. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. They are amortized on a straight-line basis over their estimated useful lives from the time at which they become available for use.

The estimated useful lives applied by the Group are as follows:

Software, other intangible assets	2 – 5 years
Customer relationships	3 – 9 years
Internally generated intangible assets	2 – 5 years

Internally generated intangible assets include capitalized development costs. Development costs incurred to obtain new or substantially improved products and processes are capitalized if the resulting products and processes are technically and commercially feasible and if it is probable that they will generate future economic benefits. In addition, the Group must intend and have sufficient resources available to complete the development and to use or sell the asset. Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs of projects that have not yet been completed are not amortized but subject to an annual impairment test. Research costs incurred to gain new basic or technological knowledge and understanding are recognized in the income statement.

Subsequent expenditure in intangible assets is capitalized if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized in the income statement when they are incurred.

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. The impairment process is similar to the one described in note 14 Property, Plant and Equipment.

in CHF 1 000	Software, other intangible assets	Customer relation-ships	Internally generated intangible assets	Advance payments	Total
Costs					
As at January 1, 2015	**18 240**	**16 415**	**6 442**		**41 097**
Additions	2 527	317	1 752		**4 597**
Disposals	−490	−3 307			**−3 797**
Translation differences	2	−1 612			**−1 609**
As at December 31, 2015	**20 280**	**11 814**	**8 194**		**40 288**
Additions	1 536		1 113	1 579	**4 229**
Disposals	−59	−4 841			**−4 900**
Translation differences	78	−28			**50**
As at December 31, 2016	**21 835**	**6 945**	**9 307**	**1 579**	**39 666**
Accumulated amortization					
As at January 1, 2015	**−15 381**	**−10 305**	**−2 478**		**−28 164**
Amortization	−1 887	−1 414	−1 291		**−4 591**
Disposals	490	3 307			**3 797**
Translation differences	1	980			**980**
As at December 31, 2015	**−16 776**	**−7 432**	**−3 770**		**−27 978**
Amortization	−2 151	−1 251	−1 385		**−4 786**
Disposals	59	4 841			**4 900**
Translation differences	−60	9			**−51**
As at December 31, 2016	**−18 928**	**−3 834**	**−5 154**		**−27 915**
Carrying amounts					
As at January 1, 2015	2 860	6 110	3 963		**12 933**
As at December 31, 2015	**3 503**	**4 382**	**4 424**		**12 309**
As at December 31, 2016	**2 907**	**3 111**	**4 153**	**1 579**	**11 751**

CHF 1.0 million (previous year CHF 1.2 million) of internally generated intangible assets (capitalized development costs) are not yet available for use and have not been amortized yet.

The conducted impairment tests did not show any need for impairment.

Commitments for investments in intangible assets amounted to CHF 0.6 million (previous year CHF 0.1 million).

16 Financial Assets

Non-current financial assets primarily comprise deposits relating to lease agreements for the business premises of various Group companies.

17 Other Liabilities

Liabilities other than derivative financial instruments are measured at their nominal value. In case of non-derivative financial liabilities this corresponds generally to their amortized cost. Derivative financial instruments are measured at fair value with any changes therein recognized in the financial result. The fair value of forward exchange contracts is the quoted market price at the reporting date or the net present value of the forward contract.

in CHF 1 000	12.31.2016	12.31.2015
Value–added taxes, social security liabilities and accrued expenses	8 416	8 003
Advance payments	575	431
Fair value of derivative financial instruments	460	348
Other liabilities and accrued expenses	25 141	22 834
Total	**34 593**	**31 616**

Other liabilities and accrued expenses essentially consist of volume rebates to customers, overtime balances and cost of bonus plans for employees.

18 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, an outflow of resources embodying economic benefits is probable and the amount of the obligation can be reliably estimated. They are discounted if the effect is material.

Provisions are measured at the reporting date based on the best estimate of the future outflow of economic benefits. Depending on the development and outcome of the events, claims may arise which are lower or higher than the recognized provision or which are not or only partially covered by a corresponding insurance benefit. The actual payments may therefore differ from the provisions.

in CHF 1 000	Warranties	Others	Total 2016	Total 2015
As at January 1	**5 602**	**465**	**6 067**	**6 275**
Increase	3 375	275	3 651	4 202
Utilization	–3 304	–269	–3 573	–3 656
Reversals	–652	–3	–655	–723
Translation differences		1	1	–30
As at December 31	**5 022**	**469**	**5 491**	**6 067**

Provisions for warranties were calculated on the basis of returns in the past and generally cover a warranty period of five years. Other provisions included, in particular, estimated costs for pending legal proceedings, the outcome of which was unknown at the time of preparing the financial statements.

19 Post-Employment Benefits

The present value of the defined benefit obligation and the fair value of the plan assets are determined annually by independent actuaries for each plan and are recognized as a net pension liability. The present value of the defined benefit obligation is calculated using the projected unit credit method. The discount rate is based on the interest rate of high quality corporate bonds with terms approximating to the terms of the related defined benefit obligation.

Post-employment benefit expenses recognized in the income statement include current service costs (service costs in the reporting period) and past service costs (gains/losses from plan amendments and curtailments). The net interest result (multiplication of the net pension liability with the discount rate) is recognized in the financial result. Remeasurements of the net pension liability which comprise actuarial gains and losses on the defined benefit obligation and the return on plan assets, excluding amounts included in the net interest result are recognized in other comprehensive income.

The calculation of the post-employment benefit liability is based on partially long-term actuarial assumptions. These can differ from the actual future results. The discount rate and the life expectancy are material assumptions for the actuarial calculation.

19.1 General

In addition to state social security schemes, some Group companies offer additional post-employment benefit plans, covering approximately half of all employees. Under some of these post-employment benefit plans, employees must make contributions, which are supplemented by corresponding employer contributions. The funding is made in accordance with local legal and fiscal requirements. Employees receive benefits in the event of death, disability or retirement. The most significant post-employment benefit plans exist in Switzerland, accounting for 99.7 percent of the defined benefit obligation and 100 percent of the plan assets.

19.2 Post-Employment Benefit Plan of BELIMO Automation AG

Swiss pension schemes are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and their implementing regulations. The BVG defines the minimum insured salary, the minimum retirement credits, as well as the interest rate applied to these credits and the conversion rate. On the basis of these legal provisions and the plan structure, the employer is exposed to actuarial risks such as investment risk, interest rate risk and the risk of disability, as well as the risk of longevity. The employee and employer contributions are defined by the board of trustees. In the case of a statutory underfunding, measures for its elimination must be taken. Possible measures could be an adjustment to the conversion rate or restructuring contributions from both the employer and the employees.

The Swiss pension plan of Belimo is organized via an autonomous foundation. The plan is classified as a defined benefit plan in accordance with IAS 19 and as a defined contribution plan in accordance with the BVG. The most senior management body is the board of trustees, which is composed of an equal number of employee and employer representatives. It is legally obliged to act in the interests of the plan participants. The board of trustees is responsible for defining the investment strategy, effecting changes to the post-employment benefit plan regulations and determining the funding of pension plan benefits. The investment strategy is reviewed at least once a year. An additional post-employment benefit plan at a collective foundation in Switzerland exists for the Group Executive Committee.

Employer contributions to the pension scheme are defined in the applicable regulations as a fixed percentage of the insured salaries and include both savings and risk components. Retirement benefits are determined on the basis of the retirement assets held at the time of retirement. The insured individual can choose between a life-long annuity and a lump-sum payment. The annuity is calculated by multiplying the retirement savings capital by the conversion rate as defined in the regulations. The annual retirement contributions and interest thereon are credited to the retirement savings capital. When employees leave the company, their retirement savings capital is transferred to the pension scheme of the new employer or a vested benefits plan.

19.3 Details of Calculations

In the reporting year, there were no amendments to the plan. In the previous year, the board of trustees of the post-employment benefit plan of BELIMO Automation AG decided about amendments to the existing plan. As of January 1, 2016, a reduced conversion rate was applied, and at the same time the retirement contributions were increased and a one-time credit to the retirement savings capital was granted.

in CHF 1 000	12.31.2016	12.31.2015
Defined benefit obligations		
Present value of defined benefit obligations from funded plans	235 716	216 769
Fair values of plan assets	–222 464	–204 972
Deficit of funded plans	**13 252**	**11 797**
Present value of defined benefit obligations from unfunded plans	771	751
Recognized post-employment benefits in the balance sheet	**14 023**	**12 548**

The movements in the net defined benefit obligations were as follows:

in CHF 1 000	2016 Defined benefit obligations	2016 Fair value of plan assets	2016 Net defined benefit obligations	2015 Defined benefit obligations	2015 Fair value of plan assets	2015 Net defined benefit obligations
As at January 1	**217 519**	**–204 972**	**12 548**	**209 717**	**–191 603**	**18 113**
Movements included in the income statement						
Current service costs	8 290		8 290	7 836		7 836
Past service costs				–540		–540
Interest result (net)	1 940	–1 874	66	2 285	–2 144	141
Total movements included in the income statement	**10 230**	**–1 874**	**8 356**	**9 581**	**–2 144**	**7 437**
Movements included in other comprehensive income						
Change in demographic assumptions	–2 419		–2 419	–96		–96
Change in financial assumptions	9 240		9 240	4 729		4 729
Experience adjustments	–317		–317	–5 608		–5 608
Return on plan assets (excluding interest income)		–6 388	–6 388		–5 242	–5 242
Total remeasurement included in other comprehensive income	**6 504**	**–6 388**	**116**	**–975**	**–5 242**	**–6 217**
Translation differences	–2		–2	–89		–89
Total movements included in other comprehensive income	**6 502**	**–6 388**	**114**	**–1 064**	**–5 242**	**–6 306**
Other movements						
Employer contributions		–6 920	–6 920		–6 623	–6 623
Employee contributions	5 044	–5 044		4 644	–4 644	
Benefits paid from plan assets	–2 733	2 733		–5 285	5 285	
Benefits paid by the employer	–75		–75	–74		–74
Total other movements	**2 236**	**–9 231**	**–6 995**	**–715**	**–5 982**	**–6 697**
As at December 31	**236 487**	**–222 464**	**14 023**	**217 519**	**–204 972**	**12 548**

The effect from changes in the financial assumptions is primarily due to adjustments to the discount rate. From 2016 on, Belimo applies the BVG 2015 generation tables for the demographic assumptions of the Swiss pension plan (previous year BVG 2010 generation tables).

The cash flow for annuity payments and other obligations can be planned reliably. The weighted average duration of the defined benefit obligations is 17.0 years (previous year 16.8 years). The investment strategy ensures the availability of liquidity at all times.

19.4 Investment Portfolio

Composition of the pension scheme's plan assets:

	12.31.2016	12.31.2015
Shares	33.2%	34.1%
Bonds	47.1%	48.0%
Real estate	18.1%	16.0%
Cash and cash equivalents	0.6%	0.8%
Assets held by insurance company	1.0%	1.1%
Total	**100.0%**	**100.0%**

The shares and bonds have quoted market prices on an active market. Real estate includes listed real estate funds and shares of real estate companies investing in residential and office properties. The Group does not use any pension scheme assets.

The expected employer contributions for 2017 amount to CHF 7.5 million.

19.5 Actuarial Assumptions and Sensitivity Analyses

The following were the principal actuarial assumptions applied for the calculation of the post-employment benefits:

	12.31.2016	12.31.2015
Discount rate	0.6%	0.9%
Interest rate used in projecting retirement benefits	1.8%	1.8%
Expected salary increases	2.0%	2.0%
Expected pension increases	0.0%	0.0%
Life expectancy as at age of 65 in years: male/female	22.38/24.43	21.59/24.06

The following sensitivity analysis shows the impact of a reasonably possible change in the principal actuarial assumptions on the present value of the defined benefit obligations at the reporting date. Each change was analyzed separately. Interdependencies were not taken into account.

	12.31.2016	12.31.2015
Increase (+)/decrease (–) of the present value of defined benefit obligations		
Discount rate		
Increase by 25 basis points	–3.2%	–3.1%
Decrease by 25 basis points	3.5%	3.3%
Interest rate used in projecting retirement benefits		
Increase by 25 basis points	0.4%	0.4%
Decrease by 25 basis points	–0.4%	–0.4%
Expected salary increases		
Increase by 50 basis points	0.9%	0.9%
Decrease by 50 basis points	–0.9%	–1.0%
Life expectancy		
Increase by 1 year	2.1%	2.0%
Decrease by 1 year	–2.1%	–2.1%

20 Share Capital and Reserves

Shares are a component of equity, as they are not redeemable and there is no dividend guarantee. Each share entered in the share register as a voting share at the date determined in advance by the Board of Directors entitles the holder to one vote at the annual general meeting.

Purchased shares (purchase price and directly attributable transaction costs) are classified as treasury shares and deducted as a negative item from equity.

As at December 31, 2016, the share capital was divided into 615 000 registered shares (fully paid). Each share has a nominal value of CHF 1.00.

	Issued shares	Treasury shares	Total outstanding shares
As at January 1, 2015	615 000	–605	**614 395**
Sale		30	**30**
As at December 31, 2015	615 000	–575	**614 425**
Purchase		–57	**–57**
Sale		191	**191**
As at December 31, 2016	615 000	–441	**614 559**

The capital reserves mainly correspond to the premium resulting from the capital increase at the time of the initial public offering in 1995 and the gains from the sale of treasury shares.

Translation differences contain the accumulated foreign exchange differences arising from the translation of the financial statements of foreign Group companies and intercompany loans which form part of a net investment in a foreign operation.

Other retained earnings include the remeasurements of the post-employment benefits and their tax effect as well as accumulated retained earnings.

The amount available for dividend distribution is based on the available distributable retained earnings of BELIMO Holding AG determined in accordance with the legal requirements of the Swiss Code of Obligations. Dividends are reported as liabilities as soon as they are approved by the annual general meeting.

In the reporting year, BELIMO Holding AG paid a dividend of CHF 39.9 million (CHF 65 per share).

The Board of Directors proposes to the 2017 annual general meeting a dividend distribution of CHF 75 per share, which equates to a payout ratio of 66.1 percent. No dividends are paid on treasury shares.

21 Financial Risk Management

21.1 General

Due to the nature of its activities, Belimo is exposed to a number of financial risks: credit risk, market risk (foreign currency and interest rate risk) and liquidity risk.

Financial risk management is based on guidelines issued by the Board of Directors concerning the objectives, principles, tasks and responsibilities of financial management. The Board of Directors has assigned the Group Treasury to monitor financial risks. Group Treasury regularly reports to the Group Executive Committee and the Board of Directors on existing risks.

The risk management policies are established to identify and to analyze the risks to which the Group is exposed, to define appropriate limits, to establish controls and to monitor the risks and compliance with limits. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and in the Group’s activities.

21.2 Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk of Belimo mainly arises from trade receivables and cash and cash equivalents.

Belimo invests its cash and cash equivalents worldwide in deposit accounts held mainly with major, creditworthy Swiss, German and English banks. These deposits generally have terms of less than three months. Transactions involving derivative financial instruments are also entered into only with major financial institutions, and Belimo does not have significant open positions with any of these.

The credit risk from trade receivables is limited, since the Group’s customer base is broad and spread over a variety of geographical areas. Credit risk is mainly influenced by the specific characteristics of each individual customer. The risk assessment includes an analysis of the creditworthiness, taking into account a variety of factors such as past financial history. Credit limits are set according to regional aspects. Certain new customers are only supplied against payment in advance.

The maximum default risk is the carrying amount of the individual assets as of the reporting date (see table in note 21.5 Categories of Financial Instruments). There are no guarantees or similar obligations that could lead to an increase in the risk beyond the carrying amounts.

21.3 Liquidity Risk
It is the aim of Belimo to have sufficient liquidity and unused credit lines available at all times so that it can meet its financial obligations when due, both under normal and stressed conditions.

Liquidity is centrally managed and controlled by Group Treasury. The subsidiaries are adequately financed by intercompany loans to meet their ongoing commitments.

Within the credit lines provided by the framework agreements of CHF 57 million, Belimo can draw down loans at fixed rates for various terms, based on its short- and medium-term liquidity needs. Belimo aims to preserve maximum flexibility in its liquidity planning through flexible use of the general credit lines and by staggering the maturity dates of the individual amounts.

Inflows and outflows from foreign currency hedging instruments depend on exchange rate movements and may not occur.

At the reporting date, the contractual maturities (including interest payments) of the financial liabilities are due within 12 months.

21.4 Market Risk
Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will have an impact on the Group's income or the value of the financial instruments held by the Group. Monitoring and controlling these risks ensures that the exposure does not exceed a certain level.

Foreign Currency Risk
The Group's international operations expose it to foreign currency risks. These risks arise from transactions that are denominated in currencies other than the functional currency of the respective Group companies, particularly from the purchase and sale of goods. Such transactions are mainly denominated in euro and US dollar.

In order to limit the risks arising from movements in exchange rates for merchandise transactions, Belimo primarily aims to achieve natural hedging by matching cash inflows and outflows in a specific currency as far as possible. Invoices between Group companies are mainly denominated in the currency of the company receiving the invoice. Foreign Group companies procure almost all their goods from the Swiss central production and distribution company BELIMO Automation AG and invoice their sales to third parties mainly in local currency. Foreign currency risks thus almost exclusively affect the Swiss company which facilitates the management of these risks.

In order to hedge the remaining net positions, Group Treasury enters into forward foreign exchange contracts mainly for the euro and the US dollar. There is regularly a surplus of cash inflows for these currencies.

The following table shows the foreign exchange risk exposure for financial instruments whose currency differs from the functional currency of the Group company holding them.

in CHF 1 000	CAD	CHF	EUR	GBP	HKD	PLN	USD
As at December 31, 2016							
Cash and cash equivalents	1 301	483	13 709	1 330	172	817	20 526
Trade receivables	4 028	1 372	12 290	2 161	3 582	3 384	16 283
Other receivables and accruals	94		110	5	11		246
Financial assets			34				
Trade payables		–7 815	–4 961		–11		–3 938
Other liabilities and accrued expenses qualifying as financial instruments		–2	–101				–2 919
Currency exposure	**5 423**	**–5 962**	**21 081**	**3 496**	**3 753**	**4 201**	**30 197**
As at December 31, 2015							
Cash and cash equivalents	1 216	4	5 610	1 748	8	22	14 539
Trade receivables	3 068	425	12 958	2 214	2 778	3 296	12 301
Other receivables and accruals	115		10	6	15		178
Financial assets							30
Trade payables		–8 280	–3 866		–6		–3 252
Other liabilities and accrued expenses qualifying as financial instruments		–1 016	–2				–3 343
Currency exposure	**4 400**	**–8 866**	**14 710**	**3 967**	**2 794**	**3 318**	**20 453**

A five percent change of these currencies against the Swiss franc as at the reporting date would have the following impact on the income statement, taking into account hedging transactions. This analysis assumes that all other variables are held constant. The sensitivity analysis for the previous year was based on the same assumptions.

			12.31.2016		12.31.2015	
			Exchange		Exchange	
in CHF 1 000			gain	loss	gain	loss
CAD	+/–	5.0%	271	–271	220	–220
EUR	+/–	5.0%	954	–833	218	–278
GBP	+/–	5.0%	175	–175	198	–198
HKD	+/–	5.0%	188	–188	140	–140
PLN	+/–	5.0%	210	–210	166	–166
USD	+/–	5.0%	–442	–811	–349	336
Total			**1 356**	**–2 487**	**593**	**–666**

At the reporting date, the following foreign currency hedging instruments were held:

in CHF 1 000	12.31.2016	12.31.2015
Foreign currency hedging instruments		
in EUR	3 278	9 715
in USD	25 881	27 295
Total forward foreign exchange contracts	**29 159**	**37 011**
Fair values		
positive	112	159
negative	–460	–348
Total fair values	**–348**	**–189**

Forward foreign exchange contracts are the only financial instruments held by Belimo that are measured at fair value. In the fair value hierarchy according to IFRS 13, these measurements are allocated to level 2. They are not based on quoted prices in active markets, but are derived directly or indirectly from observable inputs.

The positive fair values are included in other assets, the negative fair values in other liabilities. The changes in fair values recognized in the income statement are included in the financial result (see note 7 Financial Result). The foreign currency hedging instruments as at December 31, 2016, mature in 244 days or less.

Interest Rate Risk
The interest rate risk includes the risk that changes in interest rates have an impact on future cash flows (cash flow interest rate risk) and the risk that changes in interest rates affect the fair value of financial instruments (fair value interest rate risk). The interest-bearing financial assets and liabilities held by the Group mainly relate to cash and cash equivalents. Therefore, Belimo has no material exposure to a cash flow interest rate risk.

21.5 Categories of Financial Instruments

The following table shows the carrying amounts of all financial instruments by category:

	Carrying amounts	
in CHF 1 000	12.31.2016	12.31.2015
Loans and receivables		
Cash and cash equivalents	103 670	67 687
Trade receivables	74 501	67 521
Other receivables and accruals	271	1 024
Financial assets	1 827	983
Total	**180 269**	**137 215**
Financial assets held for trading		
Fair value of derivative financial instruments	112	159
Total	**112**	**159**
Financial liabilities valued at amortized cost		
Trade payables	16 443	13 774
Other liabilities and accrued expenses qualifying as financial instruments	12 468	11 227
Total	**28 911**	**25 002**
Financial liabilities held for trading		
Fair value of derivative financial instruments	460	348
Total	**460**	**348**

21.6 Capital Management

Belimo aims to maintain an equity ratio that is in line with its strategy and stable over time, in order to secure the confidence of investors, creditors and other market players and strengthen the future development of its business activities. This entails refinancing that is adapted to the asset structure, and an equity-to-liability ratio that is adequate to the level of risk.

The Board of Directors monitors the shareholder structure and the return on equity. The company strives for a diversified and international shareholder base. The return on equity (defined as net income as a proportion of the average equity held) was 19.8 percent as at December 31, 2016. The objective is to maintain or increase this ratio. Furthermore, the Board of Directors strives to achieve a continuous payout ratio. However, it may diverge from this policy based on the economic outlook at any particular time or because of planned future investment activities. In the past five years, the payout ratio has been between 59.5 percent and 71.1 percent.

Belimo can buy or sell treasury shares on the market. Its current holdings of treasury shares are not earmarked for any specific purpose and can be sold on the market at any time.

22 Leases

The Group leases business premises and vehicles. These lease agreements are classified as operating leases. Payments for operating leases are recognized in the income statement on a straight-line basis over the lease term.

The future minimum lease payments are payable as follows:

in CHF 1 000	Less than 1 year	1–5 years	More than 5 years	Total
As at December 31, 2016	2 547	2 600	551	**5 698**
As at December 31, 2015	2 324	2 677	129	**5 130**

The lease terms range between one and ten years. No contingent rent was paid in the reporting year.

23 Contingent Liabilities

There were no contingent liabilities as at December 31, 2016.

24 Related Parties

Related parties include the members of the Group Executive Committee and the Board of Directors as well as individuals or companies related to them (see corporate governance, notes 3 and 4) and the Group's post-employment benefit plans.

The remuneration of the Board of Directors and Group Executive Committee consists of the following (see remuneration report, pages 32 to 35):

in CHF 1 000	2016	2015
Short-term employee benefits	3 801	3 880
Post-employment benefits	507	525
Total	**4 308**	**4 405**

Breakdown of remuneration by executive and non-executive members:

in CHF 1 000	2016	2015
Board of Directors (non-executive members)	756	756
Group Executive Committee (executive members)	3 552	3 649
Total	**4 308**	**4 405**

In total, 2855 shares were held by related parties (previous year 2767 shares). No shares were granted to related parties during the reporting period.

25 Foreign Exchange Rates

The consolidated financial statements are based on the following year-end and average exchange rates (rounded):

	Year-end rates			Average rates		
in CHF	2016	2015	Change	2016	2015	Change
AUD	0.73	0.72	1.4%	0.73	0.72	0.9%
BRL	0.31	0.25	22.5%	0.28	0.30	–7.1%
CAD	0.76	0.72	6.0%	0.74	0.75	–1.9%
CNY	0.15	0.15	–3.9%	0.15	0.15	–1.4%
EUR	1.07	1.08	–1.0%	1.09	1.07	2.4%
GBP	1.26	1.47	–14.4%	1.35	1.46	–7.3%
HKD	0.13	0.13	2.6%	0.13	0.12	2.9%
INR	0.02	0.02	0.2%	0.01	0.01	–2.1%
NOK	0.12	0.11	4.8%	0.12	0.12	–2.5%
PLN	0.24	0.25	–3.9%	0.25	0.26	–1.6%
TRY	0.29	0.34	–14.7%	0.33	0.34	–1.6%
USD	1.02	0.99	2.7%	0.98	0.95	3.0%

26 Subsidiaries

BELIMO Holding AG held the following subsidiaries:

Company	Function	Shareholding interest and voting right 12.31.2016	Shareholding interest and voting right 12.31.2015	Currency	Share capital in 1 000 12.31.2016	Share capital in 1 000 12.31.2015
BELIMO Actuators Pty. Ltd. (Mulgrave, Melbourne, Australia)	D	100%	100%	AUD	10	10
BELIMO Automation Handelsgesellschaft m.b.H. (Vienna, Austria)	D	100%	100%	EUR	36	36
BELIMO Brasil – Comércio de Automação Ltda. (São Paulo, Brazil)	D	100%	100%	BRL	6 718	211
BELIMO Aircontrols (CAN), Inc. (Mississauga, Canada)	D	100%	100%	CAD	95	95
BELIMO Actuators Ltd. (Hong Kong, People's Republic of China)	D	100%	100%	HKD	10	10
BELIMO Actuators (Shanghai) Trading Ltd. (Shanghai, People's Republic of China)	P, D	100%	100%	CNY	13 940	13 940
BELIMO Customization (Shanghai) Co. Ltd. (Shanghai, People's Republic of China)	I	100%	100%	CNY	765	765
BELIMO Finland Oy (Helsinki, Finland)	D	100%	100%	EUR	100	100
BELIMO SARL (Courtry, France)	D	100%	100%	EUR	80	80
BELIMO Stellantriebe Vertriebs GmbH (Stuttgart, Germany)	D	100%	100%	EUR	205	205
BELIMO Automation UK Ltd. (Shepperton, Great Britain)	D	100%	100%	GBP	0.1	0.1
BELIMO Actuators (India) Pve Ltd. (Mumbai, Republic of India)	D	100%	100%	INR	773	773
BELIMO Italia S.r.l. (Grassobbio, Italy)	D	100%	100%	EUR	47	47
BELIMO Servomotoren B.V. (Vaassen, Netherlands)	D	100%	100%	EUR	18	18
BELIMO Automation Norge A/S (Oslo, Norway)	D	100%	100%	NOK	501	501
BELIMO Silowniki S.A. (Warsaw, Poland)	D	100%	100%	PLN	500	500
BELIMO Ibérica de Servomotores S.A. (Madrid, Spain)	D	100%	100%	EUR	301	301
BELIMO Automation AG (Hinwil, Switzerland)	P, D, R&D	100%	100%	CHF	500	500
Belimo Turkey Otomasyon A.Ş. (Istanbul, Turkey)	D	100%	100%	TRY	1 000	1 000
BELIMO Automation FZE (Dubai, United Arab Emirates)	D	100%	100%	USD	273	273
BELIMO Aircontrols (USA), Inc. (Danbury, United States of America)	D, H	100%	100%	USD	200	200
BELIMO Customization (USA), Inc. (Danbury, United States of America)	P	100% *	100% *	USD	45	45
BELIMO Technology (USA), Inc. (Danbury, United States of America)	R&D	100% *	100% *	USD	30	30

* Investment held by BELIMO Aircontrols (USA), Inc.

H = Holding company
P = Production
D = Distribution
R&D = Research and development
I = Inactive

27 Events after the Reporting Date

The consolidated financial statements were authorized for issue by the Board of Directors on February 23, 2017. They are subject to approval by the annual general meeting on April 3, 2017.

No events took place between December 31, 2016, and February 23, 2017, that would require adjustments to the carrying amounts of the assets or liabilities in these consolidated financial statements or would need to be disclosed here.

Statutory Auditor's Report

To the General Meeting of BELIMO Holding AG, Hinwil

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion the consolidated financial statements (pages 44 to 78) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Inventory valuation

Revenue recognition

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

KPMG

Inventory valuation

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 80.2 Mio as at 31 December 2016. The valuation of self-made products is underlying management judgements with regards to planned production capacities which impacts standard costs.

The provision for slow moving items is set up based on historical experience and management's judgement on reversals of such provisions based on projected future sales and usages of such items. This judgement directly affects the carrying value of inventories.

Our response

Our audit procedures in this area included, amongst others:

— We challenged the Group's calculation of production costs for self-made products. This includes the allocation of overhead production costs by comparing the parameters used for the calculation to underlying actual data and an evaluation of underlying labour costs by comparing actual rates to budget rates and the deviations thereof.

— We evaluated the Group's historical experience on slow moving inventory items and compared them to the amounts used for the calculation of the slow moving provision and evaluated consistency of application.

— We evaluated the Group's controls on profit margins by sample testing key controls for operating effectiveness. We have discussed such analyses with management.

For further information on inventory valuation refer to the following:

— Note 12 to the consolidated financial statements

Revenue recognition

Key Audit Matter

Revenue is the basis to evaluate the course of business of the Group and is thus a focus area of internal target setting and external third party expectations. These expectations create potential pressure on management to achieve the set targets, which leads to an increased risk in revenue recognition. The correct application of the accrual principle comprises significant risks in revenue recognition.

Our response

We have analysed the processes set up to ensure a correct application of the accrual principle. We have identified internal controls with regards to revenue recognition and have tested operating effectiveness of selected controls applying a sampling method.

Furthermore, we have, amongst others, performed the following audit procedures:

— Evaluation of the accrual principle as of 31 December 2016 by comparing invoices to delivery papers and evaluating incoterms.

— Evaluation of profit margins and deviation analyses for significant product groups and geographical markets, identifying deviations to prior year and to our expectations. We have discussed such analyses with management.

— Assessing completeness and accuracy of recognition of revenue deductions by evaluating credit notes issued in 2017 on the one hand, and by applying retrospective procedures evaluating charge-backs actually paid out compared to prior year on the other hand.

For further information on revenue recognition refer to the following:

— Note 3 to the consolidated financial statements

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans Licensed Audit Expert Auditor in Charge	Raphael Gähwiler Licensed Audit Expert

Zurich, 23 February 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Financial Statements of BELIMO Holding AG

Income Statement

in CHF 1 000	Note	2016	2015
Dividend income – Group companies		54 675	46 041
License fees – Group companies		6 336	5 438
Other financial income	2.1	4 798	3 164
Revenue		**65 810**	**54 643**
Personnel expenses		–784	–795
Other operating expenses		–502	–466
Financial expenses		–207	–894
Direct taxes		–1 189	–562
Expenses		**–2 681**	**–2 717**
Net income		**63 129**	**51 926**

Balance Sheet

in CHF 1 000	Note	12.31.2016	12.31.2015
Cash and cash equivalents		41 809	32 355
Other current receivables – Group companies		15 124	6 052
Other current receivables – Third parties		133	184
Current assets		**57 066**	**38 591**
Financial assets – Group companies	2.2	139 161	135 899
Financial assets – Third parties		50	50
Investments – Group companies	2.3	50 037	48 237
Non-current assets		**189 248**	**184 186**
Assets		**246 314**	**222 777**
Other current liabilities – Third parties		468	355
Deferred income and accrued expenses		812	595
Current liabilities		**1 280**	**950**
Provisions		100	100
Non-current liabilities		**100**	**100**
Liabilities		**1 380**	**1 050**
Share capital		615	615
Legal capital reserves		9 164	9 164
Legal retained earnings		580	580
Voluntary retained earnings		235 096	211 904
Treasury shares	2.4	–521	–536
Shareholders’ equity		**244 934**	**221 727**
Liabilities and shareholders’ equity		**246 314**	**222 777**

Notes to the Financial Statements

1 Accounting Policies

1.1 General Information
The financial statements of BELIMO Holding AG, Hinwil, are prepared according to the policies of the Swiss Law on Accounting and Financial Reporting. While the consolidated financial statements provide information regarding the economic situation of the Group as a whole, the information contained in these financial statements refers solely to the parent company.

1.2 Financial Assets
Financial assets include long-term loans. Loans denominated in foreign currencies are translated at the rate at the reporting date, whereby unrealized losses are recorded but any unrealized gains are not recognized.

1.3 Treasury Shares
At the acquisition date, treasury shares are recognized at acquisition cost and deducted from shareholders' equity. In case of a resale, the gain or loss is recognized in the income statement as financial income or financial expense.

1.4 Foregoing a Statement of Cash Flows and Additional Disclosures in the Notes
As BELIMO Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to refrain from presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a statement of cash flows in accordance with the law.

2 Information on Items in the Income Statement and Balance Sheet

2.1 Other Financial Income
Other financial income consists mainly of interest income from loans to Group companies.

2.2 Financial Assets – Group Companies
The measurement of the loans as at December 31, 2016, and 2015, resulted in unrealized foreign exchange gains that were not recognized.

2.3 Investments – Group Companies

BELIMO Holding AG held the following subsidiaries:

Company	Function	Shareholding interest and voting right 12.31.2016	Shareholding interest and voting right 12.31.2015	Currency	Share capital in 1 000 12.31.2016	Share capital in 1 000 12.31.2015
BELIMO Actuators Pty. Ltd. (Mulgrave, Melbourne, Australia)	D	100%	100%	AUD	10	10
BELIMO Automation Handelsgesellschaft m.b.H. (Vienna, Austria)	D	100%	100%	EUR	36	36
BELIMO Brasil – Comércio de Automação Ltda. (São Paulo, Brazil)	D	100%	100%	BRL	6 718	211
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BELIMO Actuators (Shanghai) Trading Ltd. (Shanghai, People's Republic of China)	P, D	100%	100%	CNY	13 940	13 940
BELIMO Customization (Shanghai) Co. Ltd. (Shanghai, People's Republic of China)	I	100%	100%	CNY	765	765
BELIMO Finland Oy (Helsinki, Finland)	D	100%	100%	EUR	100	100
BELIMO SARL (Courtry, France)	D	100%	100%	EUR	80	80
BELIMO Stellantriebe Vertriebs GmbH (Stuttgart, Germany)	D	100%	100%	EUR	205	205
BELIMO Automation UK Ltd. (Shepperton, Great Britain)	D	100%	100%	GBP	0.1	0.1
BELIMO Actuators (India) Pve Ltd. (Mumbai, Republic of India)	D	100%	100%	INR	773	773
BELIMO Italia S.r.l. (Grassobbio, Italy)	D	100%	100%	EUR	47	47
BELIMO Servomotoren B.V. (Vaassen, Netherlands)	D	100%	100%	EUR	18	18
BELIMO Automation Norge A/S (Oslo, Norway)	D	100%	100%	NOK	501	501
BELIMO Silowniki S.A. (Warsaw, Poland)	D	100%	100%	PLN	500	500
BELIMO Ibérica de Servomotores S.A. (Madrid, Spain)	D	100%	100%	EUR	301	301
BELIMO Automation AG (Hinwil, Switzerland)	P, D, R&D	100%	100%	CHF	500	500
Belimo Turkey Otomasyon A.Ş. (Istanbul, Turkey)	D	100%	100%	TRY	1 000	1 000
BELIMO Automation FZE (Dubai, United Arab Emirates)	D	100%	100%	USD	273	273
BELIMO Aircontrols (USA), Inc. (Danbury, United States of America)	D, H	100%	100%	USD	200	200
BELIMO Customization (USA), Inc. (Danbury, United States of America)	P	100% *	100% *	USD	45	45
BELIMO Technology (USA), Inc. (Danbury, United States of America)	R&D	100% *	100% *	USD	30	30

* Investment held by BELIMO Aircontrols (USA), Inc.

H = Holding company
P = Production
D = Distribution
R&D = Research and development
I = Inactive

2.4 Treasury Shares

	2016		2015	
	Number of shares	Value in CHF 1 000	Number of shares	Value in CHF 1 000
As at January 1	**575**	**536**	**605**	**564**
Purchase	57	171		
Sale	–191	–187	–30	–28
As at December 31	**441**	**521**	**575**	**536**

In the reporting year, the average transaction price of the treasury shares purchased was CHF 3007 and the average selling price per share CHF 3134 (previous year CHF 2209). In the previous year, no shares were purchased. These values corresponded to the fair values.

3 Other Information

3.1 Full-Time Equivalents

BELIMO Holding AG does not have any employees.

3.2 Covenants, Contingent Liabilities and Collaterals for Third-Party Liabilities

The framework agreements with a credit limit of CHF 57 million in total (on which either BELIMO Holding AG or BELIMO Automation AG may draw) are not subject to any covenants.

There were no contingent liabilities as at December 31, 2016.

The company is part of the Belimo value-added tax group in Switzerland and is jointly and severally liable for its value-added tax liabilities to the tax authorities.

3.3 Shares held by the Members of the Board of Directors and the Group Executive Committee

The following shares were held by the members of the Board of Directors and the Group Executive Committee as well as their related parties.

Number of shares	12.31.2016	12.31.2015
Board of Directors		
Prof. Adrian Altenburger	50	50
Patrick Burkhalter	130	130
Martin Hess	370	370
Prof. Dr. Hans Peter Wehrli	1 400	1 400
Dr. Martin Zwyssig	25	25
Total Board of Directors	**1975**	**1975**

Number of shares	12.31.2016	12.31.2015
Group Executive Committee		
Lukas Eigenmann	200	200
James W. Furlong	45	*
Peter Schmidlin	605	572
Lars van der Haegen	30	20
Total Group Executive Committee	**880**	**792**

* No related party at the corresponding reporting date (see corporate governance, notes 3 and 4).

No shares or options were granted to the members of the Board of Directors or Group Executive Committee and none of the members held conversion or option rights.

3.4 Significant Shareholders

The following shareholders and shareholder groups owned more than five percent of the voting rights:

	12.31.2016	12.31.2015
Werner Roner	5.69%	5.69%
Group Linsi	19.28%	19.28%

3.5 Events after the Reporting Date

No events took place after the reporting date that would require adjustments to the carrying amounts of the assets or liabilities in these financial statements or would need to be disclosed here.

Appropriation of Available Earnings

in CHF 1 000	12.31.2016
Balance carried forward from previous year	171 967
Net income	63 129
Available earnings	**235 096**
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 75 per share*	–46 125
Balance carried forward	**188 971**

* Shares held by BELIMO Holding AG at the time of dividend distribution are not entitled to dividends.

The Board of Directors proposes to the 2017 annual general meeting a dividend of CHF 75 per share.

The dividend is expected to be paid on April 7, 2017.

Statutory Auditor's Report

To the General Meeting of BELIMO Holding AG, Hinwil

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BELIMO Holding AG, which comprise the balance sheet as at 31 December 2016 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 83 to 89) for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

KPMG

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Jürg Meisterhans Licensed Audit Expert Auditor in Charge	Raphael Gähwiler Licensed Audit Expert

Zurich, 23 February 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

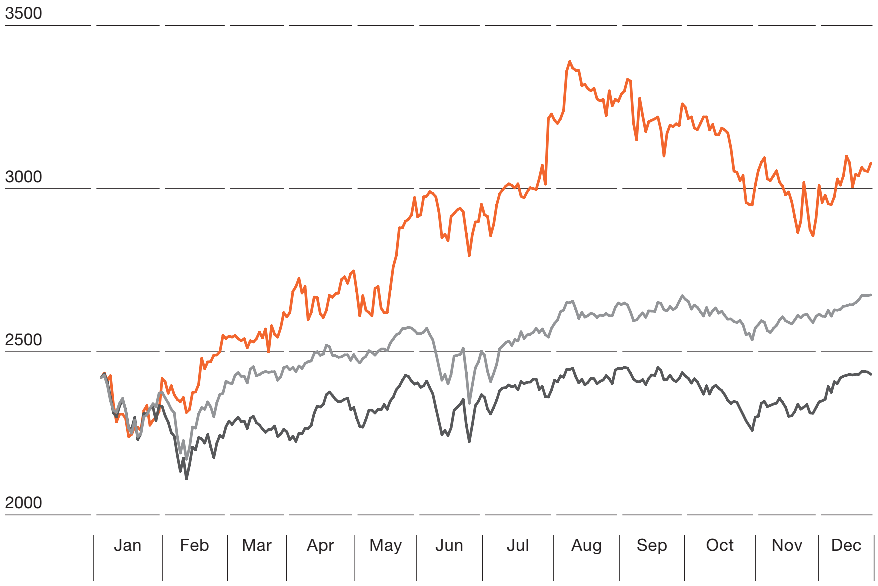
Information for Investors

Belimo Registered Share

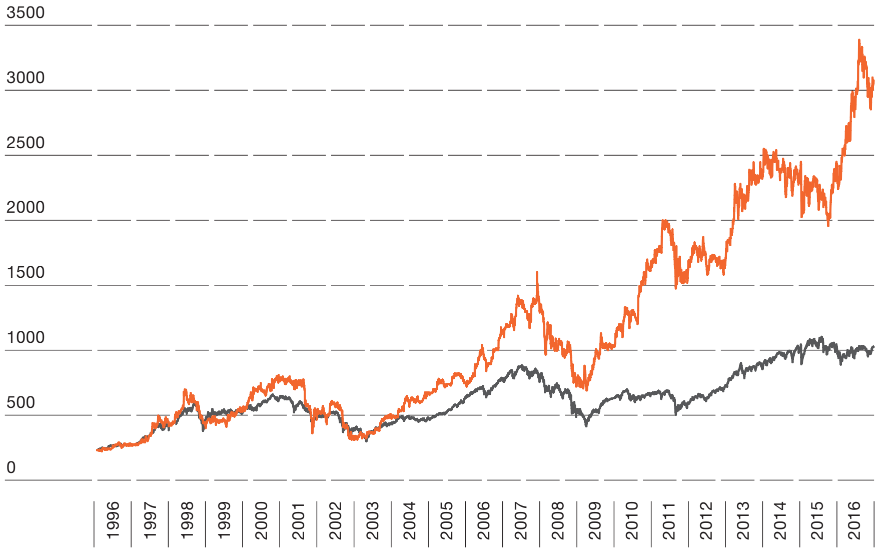
SMCI (Swiss Middle Cap Index), adjusted

SPI (Swiss Performance Index), adjusted

Performance since January 1, 2016, in CHF



Performance since IPO, in CHF



Opting out: see Corporate Governance, note 7.1

Limitation of transferability: see Corporate Governance, note 2.6

ISIN number: CH0001503199

Stock Market Information from 2012 to 2016

	2016	2015	2014	2013	2012 Restated*
Share capital					
Number of registered shares as at December 31	615 000	615 000	615 000	615 000	615 000
Average number of outstanding shares	614 493	614 407	613 540	610 372	609 761
Information per registered share					
Earnings, in CHF	114	92	110	103	99
Cash flow from operating activities, in CHF	147	115	121	116	136
Operating income (EBIT), in CHF	142	121	132	133	124
Shareholders' equity, in CHF	600	548	517	471	406
Dividend, in CHF (as proposed by the Board of Directors for next year)	75	65	65	65	60
Return on dividend as at December 31, in percent	2.4%	2.7%	2.8%	2.6%	3.4%
Payout ratio, in percent of net income	66.1%	71.1%	59.5%	63.8%	60.9%
Price-earnings ratio as at December 31	27.1	26.8	21.1	24.2	17.9
Stock market prices in CHF					
High	3 408	2 458	2 576	2 475	1 870
Low	2 221	1 950	2 153	1 763	1 559
Year-end	3 078	2 450	2 310	2 460	1 763
Market capitalization in CHF million					
High	2 096	1 512	1 584	1 522	1 150
Low	1 366	1 199	1 324	1 084	959
Year-end	1 893	1 507	1 421	1 513	1 084
In percent of shareholders' equity as at December 31	513%	447%	448%	526%	437%
Average daily trading volume					
In number of shares	356	566	415	364	359

* Restatement due to the revised accounting standard IAS 19 Employee Benefits.

Five-Year Summary

Five-Year Summary of the Belimo Group

in CHF 1 000 (unless indicated otherwise)	2016	2015	2014	2013	2012 Restated*
Income statement					
Net sales	533 650	493 299	493 919	472 859	444 623
Operating income (EBITDA)	110 280	95 818	99 603	98 535	91 137
in percent of net sales	20.7%	19.4%	20.2%	20.8%	20.5%
Operating income (EBIT)	86 964	74 630	81 250	81 318	75 540
in percent of net sales	16.3%	15.1%	16.5%	17.2%	17.0%
Personnel expenses	146 354	139 573	132 136	125 199	117 662
in percent of net sales	27.4%	28.3%	26.8%	26.5%	26.5%
Research and development	37 721	34 653	32 415	30 573	27 344
in percent of net sales	7.1%	7.0%	6.6%	6.5%	6.1%
Operating expenses	204 341	192 877	189 967	180 261	166 944
in percent of net sales	38.3%	39.1%	38.5%	38.1%	37.5%
Depreciation and amortization	23 315	21 188	18 352	17 217	15 596
in percent of net sales	4.4%	4.3%	3.7%	3.6%	3.5%
Net income	69 753	56 229	67 193	62 609	60 612
in percent of net sales	13.1%	11.4%	13.6%	13.2%	13.6%
Cash flow					
Cash flow from operating activities	90 282	70 371	74 080	70 574	82 818
in percent of net sales	16.9%	14.3%	15.0%	14.9%	18.6%
Free cash flow	75 151	37 038	18 546	34 921	60 513
in percent of net sales	14.1%	7.5%	3.8%	7.4%	13.6%
Investments in property, plant and equipment and intangible assets	15 796	34 031	55 141	36 676	19 864
Dividend distribution	39 937	39 936	39 908	36 606	30 494
Balance sheet					
Total assets	451 869	413 041	424 514	369 991	345 922
Cash and cash equivalents	103 670	67 687	92 345	104 482	105 371
in percent of total assets	22.9%	16.4%	21.8%	28.2%	30.5%
Current assets	267 012	224 542	246 235	238 299	230 511
in percent of total assets	59.1%	54.4%	58.0%	64.4%	66.6%
Net working capital	213 477	177 072	173 408	194 537	185 926
in percent of net sales	40.0%	35.9%	35.1%	41.1%	41.8%
Non-current assets	184 857	188 499	178 279	131 692	115 411
in percent of total assets	40.9%	45.6%	42.0%	35.6%	33.4%
Current liabilities	53 536	47 470	72 826	43 761	44 586
in percent of total assets	11.8%	11.5%	17.2%	11.8%	12.9%
Non-current liabilities	29 368	28 615	34 769	38 769	53 493
in percent of total assets	6.5%	6.9%	8.2%	10.5%	15.5%
Shareholders' equity	368 965	336 956	316 919	287 461	247 843
in percent of total assets	81.7%	81.6%	74.7%	77.7%	71.6%
Key figures					
Net sales year-on-year growth, in percent	8.2%	–0.1%	4.5%	6.4%	6.9%
Net sales in local currencies year-on-year growth, in percent	6.8%	3.6%	6.6%	6.4%	5.4%
Return on equity (ROE), in percent	19.8%	17.2%	22.2%	23.4%	25.3%
Return on invested capital (ROIC), in percent	23.8%	20.8%	23.4%	29.7%	29.8%
Quick ratio, in percent	342.1%	297.6%	227.3%	381.6%	365.8%
Days sales outstanding (DSO)	49.1	50.6	46.7	43.2	43.7
Inventory period	131	138	129	125	130
Fixed-assets-to-equity ratio, in percent	215.5%	193.9%	197.3%	247.7%	261.1%
Number of employees (FTE's, yearly average)	1 416	1 387	1 357	1 278	1 209
Net sales per employee	377	356	364	370	368
Number of actuators shipped, in million items	5.9	5.6	5.6	5.3	4.9

* Restatement due to the revised accounting standard IAS 19 Employee Benefits.