Financial Report

Consolidated Income Statement

in CHF 1 000	Note	2017	%*	2016	%*
Net sales	3	579 853	100.0	533 650	100.0
Other operating income	4	1 285	0.2	1 767	0.3
Material expenses		– 238 798	– 41.2	– 220 797	– 41.4
Personnel expenses	5	– 157 877	– 27.2	– 146 354	– 27.4
Other operating expenses	6	– 67 075	– 11.6	– 57 987	– 10.9
Depreciation and amortization	14, 15	– 24 767	– 4.3	– 23 315	– 4.4
Operating income (EBIT)		**92 621**	**16.0**	**86 964**	**16.3**
Financial income	7	3 238	0.6	539	0.1
Financial expenses	7	– 1 427	– 0.2	– 2 153	– 0.4
Financial result		**1 811**	**0.3**	**– 1 614**	**– 0.3**
Income before taxes (EBT)		**94 432**	**16.3**	**85 350**	**16.0**
Income taxes	8	– 16 942	– 2.9	– 15 597	– 2.9
Net income		**77 490**	**13.4**	**69 753**	**13.1**
Attributable to shareholders of BELIMO Holding AG		77 490	13.4	69 753	13.1
Earnings per share in CHF	9	**126.06**		**113.51**	

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	2017	2016
Net income		**77 490**	**69 753**
Translation differences		– 2 092	1 857
Tax effect	8	23	
Items that are or may be reclassified subsequently to the income statement		**– 2 069**	**1 857**
Remeasurements of post-employment benefits	19	16 980	– 116
Tax effect	8	– 2 473	31
Items that will not be reclassified subsequently to the income statement		**14 507**	**– 86**
Other comprehensive income, net of tax		**12 438**	**1 771**
Total comprehensive income		**89 928**	**71 524**
Attributable to shareholders of BELIMO Holding AG		89 928	71 524

Consolidated Balance Sheet

	Note	12.31.2017	12.31.2016
in CHF 1 000			
Cash and cash equivalents	10	113 178	103 670
Trade receivables	11	83 587	74 501
Inventories	12	95 132	80 182
Other assets	13	10 030	8 256
Current tax assets		576	403
Current assets		**302 503**	**267 012**
Property, plant and equipment	14	166 029	166 925
Intangible assets	15	17 064	11 751
Financial assets	16	1 596	1 827
Post-employment benefits	19	2 466	
Deferred tax assets	8	2 228	4 354
Non-current assets		**189 383**	**184 857**
Assets		**491 886**	**451 869**
Trade payables		17 108	16 443
Other liabilities	17	38 250	34 593
Current tax liabilities		3 778	2 500
Current liabilities		**59 136**	**53 536**
Non-current financial liabilities	2	1 515	
Provisions	18	5 515	5 491
Post-employment benefits	19	747	14 023
Deferred tax liabilities	8	11 323	9 854
Non-current liabilities		**19 100**	**29 368**
Liabilities		**78 236**	**82 904**
Share capital	20	615	615
Treasury shares	20	– 262	– 521
Capital reserves	20	23 219	22 629
Retained earnings	20	390 078	346 242
Shareholders' equity		**413 650**	**368 965**
Liabilities and shareholders' equity		**491 886**	**451 869**

Consolidated Statement of Changes in Equity

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Translation differences	Other retained earnings	Total retained earnings	Shareholders' equity
As at January 1, 2016	**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**
Net income					77 490	77 490	77 490
Other comprehensive income, net of tax				–2 069	14 507	12 438	12 438
Total comprehensive income				–2 069	91 997	**89 928**	**89 928**
Sale of treasury shares		259	589				848
Dividends					–46 092	–46 092	–46 092
As at December 31, 2017	**615**	**–262**	**23 219**	–2 935	393 013	**390 078**	**413 650**

Consolidated Statement of Cash Flows

in CHF 1 000	Note	2017	2016
Net income		77 490	69 753
Income taxes	8	16 942	15 597
Interest result	7	– 511	– 427
Depreciation of property, plant and equipment	14	19 528	18 529
Amortization of intangible assets	15	5 239	4 786
Gain on sale of property, plant and equipment	14	– 227	– 156
Other non-cash items		1 256	1 432
Change in receivables and other current assets		– 11 231	– 7 788
Change in inventories		– 13 973	322
Change in payables and other current liabilities		4 254	5 338
Change in provisions	18	9	– 577
Income taxes paid		– 16 458	– 16 527
Cash flow from operating activities		**82 318**	**90 282**
Investments in property, plant and equipment	14	– 21 182	– 11 567
Investments in intangible assets	15	– 3 737	– 4 229
Sale/(Purchase) of financial assets		59	– 129
Sale of property, plant and equipment		313	255
Interest received	7	635	539
Acquisition of companies minus acquired cash and cash equivalents	2	– 3 549	
Cash flow used in investing activities		**– 27 461**	**– 15 131**
Purchase of treasury shares	20		– 171
Sale of treasury shares	20	848	594
Dividends paid	20	– 46 092	– 39 937
Interest paid		– 55	– 46
Cash flow used in financing activities		**– 45 299**	**– 39 560**
Translation differences arising from cash and cash equivalents		– 50	392
Change in cash and cash equivalents		**9 508**	**35 983**
Cash and cash equivalents at beginning of period		103 670	67 687
Cash and cash equivalents at end of period	10	**113 178**	**103 670**

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, 2017. 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
The adoption of the amended standards, which became effective in 2017, did not materially affect the consolidated financial statements of the Group.

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.

IFRS 15 Revenue from Contracts with Customers: The new standard for revenue recognition will replace IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Revenue is currently recognized at the time of delivery, when significant risks and rewards of ownership of the goods have been transferred to the customer. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Belimo has assessed the existing contracts with customers and the general terms and conditions. Performance obligations are satisfied at a point in time. With the current business model the timing of the revenue recognition will not change under IFRS 15 compared to IAS 18. Warranty conditions solely provide a customer with assurance that the related product complies with agreed-upon specifications. Con-

sequently, the accounting for the warranty remains unchanged, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Belimo will adopt the standard for the financial year commencing on January 1, 2018. As a result of the assessment, no impact is expected on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments: The new standard sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new financial instrument classifications, new rules for hedge accounting and a new impairment model for financial assets.
Belimo has reviewed its financial assets and liabilities. The financial assets currently classified as loans and receivables as well as the financial liabilities valued at amortized costs will be classified as financial instruments at amortized costs. The fair values of forward foreign exchange contracts will be classified as financial instruments at fair value through profit and loss. The new impairment model will have no significant impact on the consolidated financial statements of the Group. In accordance with IFRS 9, the simplified approach for trade receivables will be applied. Belimo will apply the new rules retrospectively as from January 1, 2018. Comparative periods will not be restated, in accordance with the transitional provisions of IFRS 9.

The impact of the other new and revised standards on the consolidated financial statements of Belimo has not yet been systematically analyzed. This means that the expected impact as disclosed at the bottom of the following table merely represents an initial assessment from management.

		Effective date	Planned application
New Standards and Interpretations			
IFRIC 22 Foreign Currency Transactions and Advance Consideration	*	01.01.2018	2018
IFRS 16 Leases	**	01.01.2019	2019
IFRIC 23 Uncertainty over Income Tax Treatments	**	01.01.2019	2019
Amendments of Standards			
Annual Improvements to IFRS 2014–2016 Cycle:			
IAS 28 Investments in Associates and Joint Ventures	*	01.01.2018	2018
Annual Improvements to IFRS 2015–2017 Cycle:			
IFRS 3 Business Combinations	*	01.01.2019	2019
IFRS 11 Joint Arrangements	*	01.01.2019	2019
IAS 12 Income Taxes	*	01.01.2019	2019
IAS 23 Borrowing Costs	*	01.01.2019	2019

* No or no significant impact is expected on the consolidated financial statements of Belimo.
** Belimo is in the process of evaluating the impact this new standard may have on its consolidated financial statements. The effects on the consolidated financial statements 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. Non-monetary 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

On July 1, 2017, Belimo acquired all shares of Belimo AB, a company distributing Belimo products in Sweden. Total purchase price amounted to CHF 5.6 million, of which CHF 4.2 million were settled in cash. The remainder, deferred consideration of CHF 1.4 million, due in 2019, was recognized as non-current financial liability.

The assets and liabilities recognized as a result of the acquisition are as follows:

in CHF 1 000	**2017 Belimo AB Fair value**
Cash and cash equivalents	646
Trade receivables	830
Inventories	603
Other current assets	114
Intangible assets: non-contractual customer relationships	6 227
Trade payables	– 904
Other current liabilities	– 559
Deferred tax liabilities	– 1 362
Net identifiable assets acquired	**5 595**
Negative goodwill on acquisition	– 2
Purchase price	**5 593**
Acquired cash and cash equivalents	– 646
Deferred consideration	– 1 398
Net cash outflow	**3 549**

The fair value of the acquired trade receivables did not differ from the gross contractual amount.
Identified intangible assets are non-contractual customer relationships. The fair value was determined using the multi-period excess earnings method. A discount rate of 7.5 percent was applied.
The acquired business contributed net sales of CHF 4.2 million and net income of CHF 1.3 million to the Group for the period from July 1, to December 31, 2017. If the acquisition had occurred on January 1, 2017, consolidated pro-forma net sales and net income for the reporting year would have been CHF 581.7 million and CHF 78.1 million, respectively.

There were no changes to the scope of consolidation in the previous year.

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.

In the reporting year, the definition of "Shared Services" and "Elimination" has been adjusted. Expenses for the Group Executive Committee and Board of Directors are no longer presented as part of "Elimination" but as "Shared Services". The prior year figures were adjusted accordingly. 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, logistics, customizing, the functions finance and administration as well as the expenses for the Group Executive Committee and the Board of Directors.

The performance of the geographic segments is measured using the cost-sales ratio (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.

	Europe	Americas	Asia Pacific	Shared Services	Elimination	Total
in CHF 1 000						
2017						
Income statement						
Net sales to third parties	280 834	226 460	72 559			579 853
Other operating income				831		831
Operating expenses	– 41 204	– 33 636	– 14 918	– 152 091	16 898	– 224 952
Depreciation and amortization	– 2 315	– 3 933	– 268	– 18 251		– 24 767
Segment profit	**237 314**	**188 891**	**57 374**	**– 169 511**	**16 898**	**330 966**
Unallocated other operating income						453
Unallocated material expenses						– 238 798
Unallocated financial result						1 811
Income before taxes (EBT)						**94 432**
Investments in property, plant and equipment and intangible assets	1 028	1 149	1 297	21 445		24 919
Balance sheet as at December 31, 2017						
Trade receivables	72 636	32 242	15 772		– 37 062	83 587
Property, plant and equipment and intangible assets	10 700	48 172	1 682	122 539		183 093
Unallocated assets						225 206
Total assets						**491 886**
2016						
Income statement						
Net sales to third parties	259 175	209 957	64 518			533 650
Other operating income				1 113		1 113
Operating expenses	– 37 792	– 31 597	– 13 465	– 137 472	15 984	– 204 341
Depreciation and amortization	– 2 171	– 3 922	– 235	– 16 988		– 23 315
Segment profit	**219 213**	**174 438**	**50 818**	**– 153 347**	**15 984**	**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**

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

	CHF	Local currencies
Europe	8.4%	8.1%
Americas	7.9%	6.9%
Asia Pacific	12.5%	13.1%
Group	**8.7%**	**8.2%**

Overall, movements in exchange rates had an effect of 0.5 percentage points on net sales (previous year +1.4 percentage points). Around 36 percent of net sales were denominated in US dollar, 29 percent in euro, 11 percent in Swiss franc and 24 percent in other currencies.

Europe contributed 48 percent (previous year 49 percent), Americas 39 percent (previous year 39 percent) and Asia Pacific 13 percent (previous year 12 percent) to the total net sales.

The net sales by applications were as follows:

	2017	Share	2016	Share
in CHF 1 000				
Air	329 602	57%	305 911	57%
Water	250 251	43%	227 739	43%
Total	**579 853**	**100%**	**533 650**	**100%**

In local currencies, net sales of air applications grew by 7.4 percent and net sales of water applications increased by 9.4 percent.

The following table shows information on geographic regions:

	Net sales to third parties		Property, plant and equipment, intangible assets	
	2017	2016	12.31.2017	12.31.2016
in CHF 1 000				
Switzerland	14 742	14 691	111 194	108 819
Germany	64 527	61 336	233	284
USA	180 907	169 888	58 805	63 933
Other regions	319 677	287 735	12 861	5 641
Total	**579 853**	**533 650**	**183 093**	**178 676**

4 Other Operating Income

Other operating income of CHF 1.3 million (previous year CHF 1.8 million) primarily contains capitalized development costs of CHF 0.8 million (previous year CHF 1.1 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	2017	2016
Wages and salaries	– 120 201	– 112 211
Social security contributions	– 17 368	– 15 907
Expenses related to post-employment defined benefit plans	– 8 613	– 8 290
Contributions to post-employment defined contribution plans	– 3 189	– 2 845
Post-employment benefit expenses	– 11 802	– 11 135
Other personnel expenses	– 8 506	– 7 101
Total	**– 157 877**	**– 146 354**

6 Other Operating Expenses

in CHF 1 000	2017	2016
Travel and representation	– 9 217	– 8 389
Lease expenses and cost of business premises	– 7 527	– 6 982
Consulting	– 8 380	– 7 381
Marketing	– 7 434	– 6 611
IT	– 6 941	– 6 164
External research and development	– 18 475	– 14 763
Other operating expenses	– 9 101	– 7 698
Total	**– 67 075**	**– 57 987**

Research and development costs of CHF 44.4 million (previous year CHF 37.7 million) are included mainly in personnel and in external research and development expenses. Thereof, CHF 0.8 million (previous year CHF 1.1 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.

	2017	2016
in CHF 1 000		
Interest income	635	539
Net gain from derivative financial instruments	412	
Foreign exchange gain (net)	2 192	
Financial income	**3 238**	**539**
Interest expenses	– 124	– 111
Net loss from derivative financial instruments		– 160
Foreign exchange loss (net)		– 680
Other financial expenses (bank charges)	– 1 302	– 1 202
Financial expenses	**– 1 427**	**– 2 153**
Total	**1 811**	**– 1 614**

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	2017	2016
Income taxes relating to current year	– 17 274	– 17 278
Adjustments from previous years	– 46	78
Current income taxes	**– 17 320**	**– 17 200**
Deferred taxes	**378**	**1 603**
Income tax recognized	**– 16 942**	**– 15 597**

in CHF 1 000	2017	2016
Income before taxes	**94 432**	**85 350**
Expected tax expenses	– 15 118	– 14 136
applicable tax rate	16.0%	16.6%
Non-deductible expenses	– 424	– 426
Tax-exempt income	64	37
Adjustments from previous years	– 46	78
Non-reclaimable withholding taxes	– 423	– 433
Effect of companies with mixed tax rates	– 794	– 723
Change in tax rate	– 192	– 1
Other	– 7	7
Income tax recognized	**– 16 942**	**– 15 597**
effective tax rate	17.9%	18.3%

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:

	12.31.2017			12.31.2016		
	Deferred tax			Deferred tax		
in CHF 1 000	assets	liabilities	net	assets	liabilities	net
Receivables	187	– 1 308	– 1 121	146	– 1 212	– 1 066
Inventories	431	– 2 148	– 1 718	374	– 2 062	– 1 688
Property, plant and equipment	720	– 5 196	– 4 477	707	– 5 374	– 4 667
Intangible assets		– 2 491	– 2 491		– 1 383	– 1 383
Post-employment benefits	92	– 359	– 267	2 073		2 073
Current liabilities	508		508	439	– 3	436
Provisions	23		23	6		6
Tax losses carried forward and tax credits	448		448	788		788
Total (gross)	**2 408**	**– 11 502**	**– 9 095**	**4 535**	**– 10 035**	**– 5 500**
Set-off of tax	– 180	180		– 181	181	
Total (net)	**2 228**	**– 11 323**	**– 9 095**	**4 354**	**– 9 854**	**– 5 500**

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

	2017	2016
in CHF 1 000		
As at January 1	**– 5 500**	**– 7 192**
Change in scope of consolidation	– 1 362	
Recognized in the income statement	378	1 603
Recognized in other comprehensive income	– 2 473	31
Translation differences	– 138	58
As at December 31	**– 9 095**	**– 5 500**

The Group has CHF 0.4 million (previous year CHF 0.8 million) deferred tax assets relating to utilizable tax losses carried forward and tax credits, all of them without expiry. There were no unrecognized deferred taxes on losses carried forward.

9 Earnings per Share

	2017	2016
Net income in CHF 1 000	77 490	69 753
Average number of outstanding shares	614 691	614 493
Earnings per share in CHF	**126.06**	**113.51**

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, 2017, 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.

	12.31.2017	12.31.2016
in CHF 1 000		
Trade receivables	85 619	76 264
Allowance	– 2 032	– 1 763
Total	**83 587**	**74 501**

Trade receivables by currency were as follows:

	12.31.2017	12.31.2016
in CHF 1 000		
in CHF	3 605	3 992
in EUR	18 936	17 420
in USD	31 147	28 421
in other currencies	29 900	24 668
Total	**83 587**	**74 501**

Trade receivables by market region were as follows:

	12.31.2017	12.31.2016
in CHF 1 000		
Europe	35 676	30 783
Americas	32 242	29 166
Asia Pacific	15 670	14 552
Total	**83 587**	**74 501**

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:

	2017	2016
in CHF 1 000		
As at January 1	**– 1 763**	**– 1 909**
Increase	– 335	– 219
Utilization	74	112
Reversals	59	246
Translation differences	– 67	7
As at December 31	**– 2 032**	**– 1 763**

As at December 31, 2017, the individual allowance amounted to CHF 1.1 million (previous year CHF 1.0 million).

The aging and allowance of trade receivables were as follows:

	12.31.2017		12.31.2016	
	Gross	Allowance	Gross	Allowance
in CHF 1 000				
Not due	66 572	– 4	60 906	– 36
Overdue 1 to 30 days	12 080	– 443	9 404	– 345
Overdue 31 to 60 days	4 454	– 245	3 622	– 195
Overdue 61 to 180 days	1 433	– 260	1 322	– 176
Overdue more than 180 days	1 080	– 1 080	1 010	– 1 010
Total	**85 619**	**– 2 032**	**76 264**	**– 1 763**

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.

	12.31.2017	12.31.2016
in CHF 1 000		
Raw materials and consumables	50 205	43 207
Work in progress	57	479
Finished goods	44 870	36 496
Total inventories (net)	**95 132**	**80 182**
Allowance on raw materials and consumables	– 3 241	– 3 016
Allowance on finished goods	– 4 715	– 4 744
Total allowance	**– 7 956**	**– 7 759**

The allowance amounted to 7.7 percent (previous year 8.8 percent) of the gross value of inventories.

Movements in allowance were as follows:

in CHF 1 000	2017	2016
As at January 1	**– 7 759**	**– 7 967**
Increase	– 2 333	– 2 118
Utilization	2 205	2 246
Reversals	5	19
Translation differences	– 75	61
As at December 31	**– 7 956**	**– 7 759**

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	12.31.2017	12.31.2016
Value-added taxes and social security credit balances	6 611	4 606
Advance payments	2 883	3 267
Fair value of derivative financial instruments	117	112
Other receivables and accruals	419	271
Total	**10 030**	**8 256**

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, 2016	**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**
Additions	6 035	8 605	4 565	1 976	**21 182**
Disposals	– 408	– 1 982	– 2 693		**– 5 084**
Reclassifications	65	418		– 484	
Translation differences	– 2 735	– 565	198	– 2	**– 3 104**
As at December 31, 2017	**186 623**	**99 630**	**23 616**	**2 003**	**311 872**
Accumulated depreciation					
As at January 1, 2016	**– 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**
Depreciation	– 7 416	– 9 194	– 2 918		**– 19 528**
Disposals	408	1 981	2 608		**4 998**
Translation differences	389	370	– 119		**640**
As at December 31, 2017	**– 52 155**	**– 78 160**	**– 15 528**		**– 145 843**
Carrying amounts					
As at January 1, 2016	141 923	23 031	6 479	964	**172 398**
As at December 31, 2016	**138 129**	**21 837**	**6 446**	**513**	**166 925**
As at December 31, 2017	**134 467**	**21 470**	**8 088**	**2 003**	**166 029**

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).

Commitments for investments in property, plant and equipment amounted to CHF 2.3 million (previous year CHF 4.5 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.

	Software, other intangible assets	Customer relation-ships	Internally generated intangible assets	Advance payments	Total
in CHF 1 000					
Costs					
As at January 1, 2016	**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**
Additions	2 238		831	668	**3 737**
Disposals	– 2 940		– 1 873		**– 4 814**
Reclassifications	1 571			– 1 571	
Change in scope of consoli-dation		6 414			**6 414**
Translation differences	– 110	832			**723**
As at December 31, 2017	**22 593**	**14 191**	**8 265**	**676**	**45 726**
Accumulated amortization					
As at January 1, 2016	**– 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**
Amortization	– 2 572	– 1 359	– 1 307		**– 5 239**
Disposals	2 940		1 873		**4 814**
Translation differences	82	– 403			**– 321**
As at December 31, 2017	**– 18 478**	**– 5 596**	**– 4 588**		**– 28 662**
Carrying amounts					
As at January 1, 2016	3 503	4 382	4 424		**12 309**
As at December 31, 2016	**2 907**	**3 111**	**4 153**	**1 579**	**11 751**
As at December 31, 2017	**4 116**	**8 595**	**3 677**	**676**	**17 064**

CHF 1.8 million (previous year CHF 1.0 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 1.4 million (previous year CHF 0.6 million).

16 Financial Assets

Non-current financial assets primarily comprise deposits relating to lease agreements for the business premises of various Group companies as well as loans to finance Belimo distribution 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	12.31.2017	12.31.2016
Value-added taxes, social security liabilities and accrued expenses	10 055	8 416
Advance payments	158	575
Fair value of derivative financial instruments	54	460
Other liabilities and accrued expenses	27 983	25 141
Total	**38 250**	**34 593**

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 2017	Total 2016
As at January 1	**5 022**	**469**	**5 491**	**6 067**
Increase	4 791	331	5 121	3 651
Utilization	– 3 682	– 250	– 3 932	– 3 573
Reversals	– 1 180		– 1 180	– 655
Translation differences		16	16	1
As at December 31	**4 950**	**565**	**5 515**	**5 491**

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 defined benefit asset/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.

Defined 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 defined benefit asset/liability with the discount rate) is recognized in the financial result. Remeasurements of the net defined benefit asset/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 and are not reclassified subsequently to the income statement. Asset surpluses are considered only to the extent of possible future reimbursement or reduction of contributions in accordance with IFRIC 14.

The calculation of the net defined benefit asset/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 as well as in the previous year, there were no amendments to the plan.

The net defined benefit asset/liability relates to funded and unfunded plans as follows:

	12.31.2017	12.31.2016
in CHF 1 000		
Present value of funded obligations	– 251 228	– 235 716
Fair values of plan assets	253 694	222 464
Surplus/(deficit) of funded plans	**2 466**	**– 13 252**
Present value of unfunded obligations	– 747	– 771
Total surplus/(deficit) of defined benefit pension plans	**1 719**	**– 14 023**
of which recognized as non-current asset	2 466	
of which recognized as non-current liability	– 747	– 14 023

In 2017, the return on plan assets of CHF 19.4 million (previous year CHF 8.3 million) resulted in a surplus of CHF 2.5 million for the Swiss pension plan. The asset ceiling, being the present value of any economic benefits available in the form of reductions in future contributions to the Swiss pension plan, exceeded the surplus. Consequently, the surplus was fully recognized as non-current asset as at December 31, 2017.

The movements in the net defined benefit asset/liability were as follows:

			2017			2016
	Defined benefit obligations	Fair value of plan assets	Net defined benefit asset/(liability)	Defined benefit obligations	Fair value of plan assets	Net defined benefit asset/(liability)
in CHF 1 000						
As at January 1	**– 236 487**	**222 464**	**– 14 023**	**– 217 519**	**204 972**	**– 12 548**
Movements included in the income statement						
Current service costs	– 8 613		– 8 613	– 8 290		– 8 290
Interest result (net)	– 1 401	1 354	– 47	– 1 940	1 874	– 66
Total movements included in the income statement	**– 10 014**	**1 354**	**– 8 660**	**– 10 230**	**1 874**	**– 8 356**
Movements included in other comprehensive income						
Change in demographic assumptions				2 419		2 419
Change in financial assumptions	1 700		1 700	– 9 240		– 9 240
Experience adjustments	– 2 777		– 2 777	317		317
Return on plan assets (excluding interest income)		18 057	18 057		6 388	6 388
Total remeasurement included in other comprehensive income	**– 1 077**	**18 057**	**16 980**	**– 6 504**	**6 388**	**– 116**
Translation differences	– 55		– 55	2		2
Total movements included in other comprehensive income	**– 1 132**	**18 057**	**16 925**	**– 6 502**	**6 388**	**– 114**
Other movements						
Employer contributions		7 401	7 401		6 920	6 920
Employee contributions	– 5 380	5 380		– 5 044	5 044	
Benefits paid from plan assets	962	– 962		2 733	– 2 733	
Benefits paid by the employer	76		76	75		75
Total other movements	**– 4 342**	**11 819**	**7 477**	**– 2 236**	**9 231**	**6 995**
As at December 31	**– 251 975**	**253 694**	**1 719**	**– 236 487**	**222 464**	**– 14 023**

The experience-based adjustments to pension obligations resulted in an actuarial loss of CHF 2.8 million (previous year gain of CHF 0.3 million) on the plan's projected benefit obligations. From 2016 on, Belimo applies the BVG 2015 generation tables for the demographic assumptions of the Swiss pension plan, as a result CHF 2.4 million were recognized as change in demographic assumptions in previous year.

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

19.4 Investment Portfolio

The major categories of plan assets are as follows:

	12.31.2017	12.31.2016
Shares	35.4%	33.2%
Bonds	45.4%	47.1%
Real estate	17.2%	18.1%
Cash and cash equivalents	1.0%	0.6%
Assets held by insurance company	1.0%	1.0%
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 2018 amount to CHF 8.2 million.

19.5 Actuarial Assumptions and Sensitivity Analyses

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

	12.31.2017	12.31.2016
Discount rate	0.7%	0.6%
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	22.50/24.54	22.38/24.43

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.

	12.31.2017	12.31.2016
Increase (+)/decrease (–) of the present value of defined benefit obligations		
Discount rate		
Increase by 25 basis points	– 3.2%	– 3.2%
Decrease by 25 basis points	3.4%	3.5%
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%	– 0.9%
Life expectancy		
Increase by 1 year	2.1%	2.1%
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, 2017, 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, 2016	615 000	– 575	**614 425**
Purchase		– 57	**– 57**
Sale		191	**191**
As at December 31, 2016	615 000	– 441	**614 559**
Sale		219	**219**
As at December 31, 2017	615 000	– 222	**614 778**

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 46.1 million (CHF 75 per share).

The Board of Directors proposes to the 2018 annual general meeting a dividend distribution of CHF 85 per share, which equates to a payout ratio of 67.5 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 of the non-current financial liabilities amounting to CHF 1.5 million (deferred consideration acquisition of Belimo AB, Sweden, including accrued interest) equaled to 1.6 years, all other financial liabilities were 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 main foreign exchange risk exposure for financial instruments whose currency differ from the functional currency of the Group company holding them.

	CAD	CHF	EUR	GBP	HKD	PLN	USD
in CHF 1 000							
As at December 31, 2017							
Cash and cash equivalents	3 888	645	5 818	993	264	194	20 301
Trade receivables	4 658	1 059	14 931	2 650	3 998	5 192	20 524
Other receivables and accruals	70		12		16		412
Financial assets			7	4	8		10
Trade payables		– 12 225	– 4 612		– 8		– 4 297
Other liabilities and accrued expenses qualifying as financial instruments		– 32	– 593				– 3 205
Currency exposure	**8 616**	**– 10 553**	**15 564**	**3 647**	**4 278**	**5 386**	**33 745**
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**

The currency-related sensitivity of these currencies is shown in the following table:

			12.31.2017		12.31.2016	
			Exchange		Exchange	
			gain	loss	gain	loss
in CHF 1 000						
CAD	+/–	5.0%	431	– 431	271	– 271
CHF	–/+	5.0%	528	– 528	298	– 298
EUR	+/–	5.0%	412	– 501	954	– 833
GBP	+/–	5.0%	182	– 182	175	– 175
HKD	+/–	5.0%	214	– 214	188	– 188
PLN	+/–	5.0%	269	– 269	210	– 210
USD	+/–	5.0%	1 011	– 948	– 442	– 811
Total			**3 047**	**– 3 073**	**1 654**	**– 2 785**

This analysis assumes that all other variables are held constant and takes into account hedging transactions. In the previous year the same assumptions were applied.

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

	12.31.2017	12.31.2016
in CHF 1 000		
Foreign currency hedging instruments		
in EUR	6 388	3 278
in USD	14 189	25 881
Total forward foreign exchange contracts	**20 577**	**29 159**
Fair values		
positive	117	112
negative	– 54	– 460
Total fair values	**63**	**– 348**

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, 2017, mature in 122 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	
	12.31.2017	12.31.2016
in CHF 1 000		
Loans and receivables		
Cash and cash equivalents	113 178	103 670
Trade receivables	83 587	74 501
Other receivables and accruals	419	271
Financial assets	1 596	1 827
Total	**198 781**	**180 269**
Financial assets held for trading		
Fair value of derivative financial instruments	117	112
Total	**117**	**112**
Financial liabilities valued at amortized cost		
Financial liabilities	1 515	
Trade payables	17 108	16 443
Other liabilities and accrued expenses qualifying as financial instruments	14 025	12 468
Total	**32 648**	**28 911**
Financial liabilities held for trading		
Fair value of derivative financial instruments	54	460
Total	**54**	**460**

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, 2017. 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 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, 2017	3 101	4 147	451	7 699
As at December 31, 2016	2 547	2 600	551	5 698

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, 2017.

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 34 to 37):

in CHF 1 000	2017	2016
Short-term employee benefits	3 999	3 801
Post-employment benefits	539	507
Total	**4 538**	**4 308**

Breakdown of remuneration by executive and non-executive members:

in CHF 1 000	2017	2016
Board of Directors (non-executive members)	786	756
Group Executive Committee (executive members)	3 752	3 552
Total	**4 538**	**4 308**

In total, 6 235 shares were held by related parties (previous year 2 855 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
	2017	2016	Change	2017	2016	Change
in CHF						
AUD	0.76	0.73	3.7%	0.75	0.73	3.3%
BRL	0.30	0.31	– 5.4%	0.31	0.28	10.4%
CAD	0.78	0.76	2.5%	0.76	0.74	2.5%
CNY	0.15	0.15	1.9%	0.14	0.15	– 3.0%
EUR	1.17	1.07	9.1%	1.10	1.09	1.1%
GBP	1.32	1.26	4.7%	1.26	1.35	– 6.7%
HKD	0.12	0.13	– 5.0%	0.13	0.13	0.1%
INR	0.02	0.02	1.9%	0.02	0.01	2.9%
NOK	0.12	0.12	0.6%	0.12	0.12	1.9%
PLN	0.28	0.24	14.8%	0.26	0.25	2.9%
SEK	0.12			0.11		
TRY	0.26	0.29	– 11.0%	0.27	0.33	– 17.4%
USD	0.98	1.02	– 4.2%	0.99	0.98	0.5%

26 Subsidiaries

BELIMO Holding AG held the following subsidiaries:

Company	Function	Shareholding interest and voting right 12.31.2017	Shareholding interest and voting right 12.31.2016	Currency	Share capital in 1 000 12.31.2017	Share capital in 1 000 12.31.2016
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	6 718
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 AB (Nacka, Sweden)	D	100% *		SEK	1 000	
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

* Acquired on July 1, 2017
** 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 21, 2018. They are subject to approval by the annual general meeting on April 9, 2018.

No events took place between December 31, 2017, and February 21, 2018, 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 2017 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 52 to 88) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

Inventory valuation

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 95.1 Mio as at 31 December 2017. 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 2017 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 2018 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	Dr. Shqiponja Isufi
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 21 February 2018

Income Statement

	Note	2017	2016
in CHF 1 000			
Dividend income – Group companies		57 047	54 675
License fees – Group companies		6 771	6 336
Other financial income	2.1	5 740	4 798
Revenue		**69 557**	**65 810**
Personnel expenses		– 1 128	– 784
Other operating expenses		– 825	– 502
Financial expenses	2.2	– 2 707	– 207
Direct taxes		– 1 058	– 1 189
Expenses		**– 5 719**	**– 2 681**
Net income		**63 838**	**63 129**

Balance Sheet

in CHF 1 000	Note	12.31.2017	12.31.2016
Cash and cash equivalents		48 719	41 809
Other current receivables – Group companies		30 428	15 124
Other current receivables – Third parties		197	133
Current assets		**79 344**	**57 066**
Financial assets – Group companies	2.2	130 404	139 161
Financial assets – Third parties		50	50
Investments – Group companies	2.3	55 632	50 037
Non-current assets		**186 086**	**189 248**
Assets		**265 430**	**246 314**
Other current liabilities – Third parties		146	468
Deferred income and accrued expenses		730	812
Current liabilities		**876**	**1 280**
Non-current interest-bearing liabilities – Third parties	2.4	1 515	
Provisions		100	100
Non-current liabilities		**1 615**	**100**
Liabilities		**2 491**	**1 380**
Share capital		615	615
Legal capital reserves		9 164	9 164
Legal retained earnings		580	580
Voluntary retained earnings		252 842	235 096
Treasury shares	2.5	– 262	– 521
Shareholders’ equity		**262 939**	**244 934**
Liabilities and shareholders’ equity		**265 430**	**246 314**

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

In the reporting year BELIMO Aircontrols (USA) Inc. has repaid USD 7.4 million to BELIMO Holding AG.
The measurement of the loans as at December 31, 2017, resulted in unrealized foreign exchange losses of CHF 2.6 million, which were recognized in the financial expenses. In 2016, this measurement resulted in unrealized foreign exchange gains that were not recorded.

2.3 Investments – Group Companies

BELIMO Holding AG held the following subsidiaries:

Company	Function	Shareholding interest and voting right 12.31.2017	Shareholding interest and voting right 12.31.2016	Currency	Share capital in 1 000 12.31.2017	Share capital in 1 000 12.31.2016
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	6 718
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 AB (Nacka, Sweden)	D	100% *		SEK	1 000	
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

* Acquired on July 1, 2017
** Investment held by BELIMO Aircontrols (USA), Inc.
H = Holding company
P = Production
D = Distribution
R&D = Research and development
I = Inactive

2.4 Non-Current Interest-Bearing Liabilities

The non-current interest-bearing liabilities comprise the deferred consideration of the purchase price of Belimo AB, Sweden, which has been acquired on July 1, 2017, and the accrued interest thereon.

2.5 Treasury Shares

		2017		2016
	Number of shares	Value in CHF 1 000	Number of shares	Value in CHF 1 000
As at January 1	**441**	**521**	**575**	**536**
Purchase			57	171
Sale	– 219	– 259	– 191	– 187
As at December 31	**222**	**262**	**441**	**521**

In the reporting year, the average selling price per share was CHF 3 895 (previous year CHF 3 134). In the previous year, the average transaction price of the treasury shares purchased amounted to CHF 3 007. 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, 2017.

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.

	12.31.2017	12.31.2016
Number of shares		
Board of Directors		
Prof. Adrian Altenburger	50	50
Patrick Burkhalter	3 565	130
Martin Hess	370	370
Prof. emer. Dr. Hans Peter Wehrli	1 300	1 400
Dr. Martin Zwyssig	25	25
Total Board of Directors	**5 310**	**1 975**
Group Executive Committee		
Lukas Eigenmann	200	200
James W. Furlong	45	45
Peter Schmidlin	630	605
Lars van der Haegen	50	30
Total Group Executive Committee	**925**	**880**

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:

	12.31.2017	12.31.2016
Gerda 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	12.31.2017
Balance carried forward from previous year	189 004
Net income	63 838
Available earnings	**252 842**
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 85 per share*	– 52 275
Balance carried forward	**200 567**

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

The Board of Directors proposes to the 2018 annual general meeting a dividend of CHF 85 per share.

The dividend is expected to be paid on April 13, 2018.

KPMG

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 2017, 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 93 to 99) for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

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	Dr. Shqiponja Isufi Licensed Audit Expert

Zurich, 21 February 2018

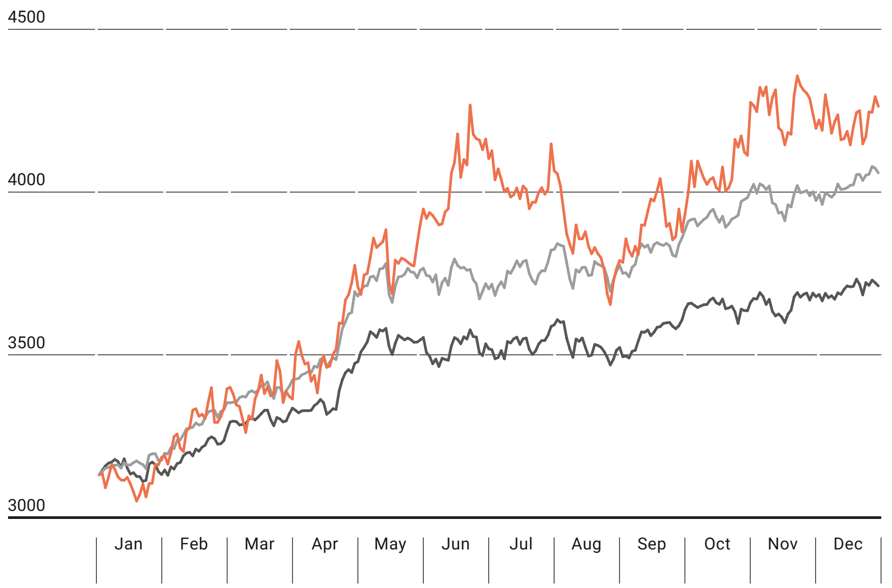
KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Stock Market Information from 2013 to 2017

	2017	2016	2015	2014	2013
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	614 691	614 493	614 407	613 540	610 372
Information per average outstanding share					
Earnings, in CHF	126	114	92	110	103
Cash flow from operating activities, in CHF	134	147	115	121	116
Operating income (EBIT), in CHF	151	142	121	132	133
Shareholders' equity, in CHF	673	600	548	517	471
Information per registered share					
Dividend, in CHF (as proposed by the Board of Directors for next year)	85	75	65	65	65
Return on dividend as at December 31, in percent	2.0%	2.4%	2.7%	2.8%	2.6%
Payout ratio, in percent of net income	67.5%	66.1%	71.1%	59.5%	63.8%
Price-earnings ratio as at December 31	33.9	27.1	26.8	21.1	24.2
Stock market prices in CHF					
High	4 380	3 408	2 458	2 576	2 475
Low	3 021	2 221	1 950	2 153	1 763
Year-end	4 266	3 078	2 450	2 310	2 460
Market capitalization in CHF million					
High	2 694	2 096	1 512	1 584	1 522
Low	1 858	1 366	1 199	1 324	1 084
Year-end	2 624	1 893	1 507	1 421	1 513
In percent of shareholders' equity as at December 31	634%	513%	447%	448%	526%
Average daily trading volume					
In number of shares	331	356	566	415	364

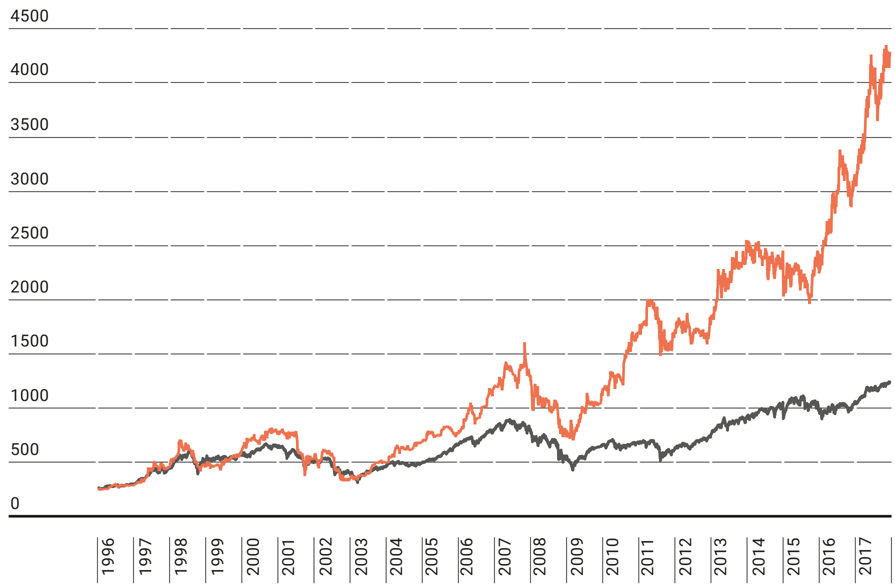
PERFORMANCE SINCE JANUARY 1, 2017

in CHF



PERFORMANCE SINCE IPO

in CHF



- BELIMO REGISTERED SHARE (ISIN: CH0001503199)
- SMCI (SWISS MIDDLE CAP INDEX), ADJUSTED
- SPI (SWISS PERFORMANCE INDEX), ADJUSTED

Five-Year Summary

Five-Year Summary of the Belimo Group

in CHF 1 000 (unless indicated otherwise)	2017	2016	2015	2014	2013
Income statement					
Net sales	579 853	533 650	493 299	493 919	472 859
Operating income (EBITDA)	117 388	110 280	95 818	99 603	98 535
in percent of net sales	20.2%	20.7%	19.4%	20.2%	20.8%
Operating income (EBIT)	92 621	86 964	74 630	81 250	81 318
in percent of net sales	16.0%	16.3%	15.1%	16.5%	17.2%
Personnel expenses	157 877	146 354	139 573	132 136	125 199
in percent of net sales	27.2%	27.4%	28.3%	26.8%	26.5%
Research and development	44 423	37 721	34 653	32 415	30 573
in percent of net sales	7.7%	7.1%	7.0%	6.6%	6.5%
Operating expenses	224 952	204 341	192 877	189 967	180 261
in percent of net sales	38.8%	38.3%	39.1%	38.5%	38.1%
Depreciation and amortization	24 767	23 315	21 188	18 352	17 217
in percent of net sales	4.3%	4.4%	4.3%	3.7%	3.6%
Net income	77 490	69 753	56 229	67 193	62 609
in percent of net sales	13.4%	13.1%	11.4%	13.6%	13.2%
Cash flow					
Cash flow from operating activities	82 318	90 282	70 371	74 080	70 574
in percent of net sales	14.2%	16.9%	14.3%	15.0%	14.9%
Free cash flow	54 857	75 151	37 038	18 546	34 921
in percent of net sales	9.5%	14.1%	7.5%	3.8%	7.4%
Investments in property, plant and equipment and intangible assets	24 919	15 796	34 031	55 141	36 676
Dividend distribution	46 092	39 937	39 936	39 908	36 606
Balance sheet					
Total assets	491 886	451 869	413 041	424 514	369 991
Cash and cash equivalents	113 178	103 670	67 687	92 345	104 482
in percent of total assets	23.0%	22.9%	16.4%	21.8%	28.2%
Current assets	302 503	267 012	224 542	246 235	238 299
in percent of total assets	61.5%	59.1%	54.4%	58.0%	64.4%
Net working capital	243 366	213 477	177 072	173 408	194 537
in percent of net sales	42.0%	40.0%	35.9%	35.1%	41.1%
Non-current assets	189 383	184 857	188 499	178 279	131 692
in percent of total assets	38.5%	40.9%	45.6%	42.0%	35.6%
Current liabilities	59 136	53 536	47 470	72 826	43 761
in percent of total assets	12.0%	11.8%	11.5%	17.2%	11.8%
Non-current liabilities	19 100	29 368	28 615	34 769	38 769
in percent of total assets	3.9%	6.5%	6.9%	8.2%	10.5%
Shareholders' equity	413 650	368 965	336 956	316 919	287 461
in percent of total assets	84.1%	81.7%	81.6%	74.7%	77.7%
Key figures					
Net sales year-on-year growth, in percent	8.7%	8.2%	– 0.1%	4.5%	6.4%
Net sales in local currencies year-on-year growth, in percent	8.2%	6.8%	3.6%	6.6%	6.4%
Return on equity (ROE), in percent	19.8%	19.8%	17.2%	22.2%	23.4%
Return on invested capital (ROIC), in percent	23.4%	23.8%	20.8%	23.4%	29.7%
Quick ratio, in percent	344.8%	342.1%	297.6%	227.3%	381.6%
Days sales outstanding (DSO)	50.3	49.1	50.6	46.7	43.2
Inventory period	132	131	138	129	125
Equity-to-fixed-assets ratio, in percent	228.5%	215.5%	193.9%	197.3%	247.7%
Number of employees (FTEs, yearly average)	1 483	1 416	1 387	1 357	1 278
Net sales per employee	391	377	356	364	370
Number of actuators shipped, in million items	6.3	5.9	5.6	5.6	5.3