Financial Report

Consolidated Financial Statements

Consolidated Income Statement

	Note	2020	% [1]	2019 restated [2]	% [1]
in CHF 1 000					
Net sales	3	661 226	100.0	692 680	100.0
Material expenses		– 267 872	– 40.5	– 282 377	– 40.8
Changes in inventories		1 278	0.2	3 491	0.5
Personnel expenses	4	– 192 020	– 29.0	– 188 263	– 27.2
Other operating income/expenses	5	– 63 276	– 9.6	– 71 307	– 10.3
EBITDA [3]		**139 337**	**21.1**	**154 224**	**22.3**
Depreciation, amortization and impairment	13, 14	– 31 272	– 4.7	– 30 355	– 4.4
EBIT		**108 065**	**16.3**	**123 869**	**17.9**
Financial income	6	251	–	479	0.1
Financial expenses	6	– 1 921	– 0.3	– 2 175	– 0.3
Foreign exchange gain/loss	6	– 5 606	– 0.8	– 2 390	– 0.3
Financial result		**– 7 277**	**– 1.1**	**– 4 086**	**– 0.6**
Earnings before tax (EBT)		**100 788**	**15.2**	**119 783**	**17.3**
Income taxes	7	– 14 148	– 2.1	1 320	0.2
Net income		**86 641**	**13.1**	**121 103**	**17.5**
Attributable to shareholders of BELIMO Holding AG		86 715	13.1	121 144	17.5
Attributable to non-controlling interests		– 74	–	– 41	–
Earnings per share in CHF	**8**	**141.02**		**197.00**	

There are no options or other instruments that could have a dilutive effect.
[1] in % of net sales
[2] see note 1.3
[3] Alternative performance measures that are not defined or specified in IFRS, are described under the following link: www.belimo.com/financial-summary

Consolidated Statement of Comprehensive Income

	Note	2020		2019	
in CHF 1 000					
Net income		**86 641**		**121 103**	
Currency translation adjustment		– 9 881		– 2 567	
Tax effect	7	307		53	
Items that are or may be reclassified subsequently to the income statement		**– 9 574**		**– 2 513**	
Remeasurement of post-employment benefits	19	– 3 711		16 352	
Tax effect	7	667		– 3 443	
Items that will not be reclassified subsequently to the income statement		**– 3 044**		**12 909**	
Other comprehensive income, net of tax		**– 12 619**		**10 395**	
Total comprehensive income		**74 022**		**131 499**	
Attributable to shareholders of BELIMO Holding AG		74 097		131 540	
Attributable to non-controlling interests		– 75		– 41	

Consolidated Balance Sheet

in CHF 1 000	Note	December 31, 2020	December 31, 2019
Cash and cash equivalents	9	164 942	172 563
Trade receivables	10	81 269	88 638
Inventories	11	105 461	103 475
Other assets	12	9 361	9 731
Current tax assets		283	490
Current assets		**361 316**	**374 897**
Property, plant and equipment	13	186 671	190 916
Intangible assets	14	17 571	13 178
Non-current financial assets	15	2 861	1 885
Non-current employee benefit assets	19	2 550	9 003
Deferred tax assets	7	12 490	12 123
Non-current assets		**222 142**	**227 105**
Assets		**583 458**	**602 002**
Trade payables		18 831	15 660
Other liabilities	16	45 228	46 418
Current financial liabilities	17	4 565	4 016
Current provisions	18	4 297	3 987
Current tax liabilities		5 444	7 667
Current liabilities		**78 364**	**77 748**
Non-current financial liabilities	17	9 375	9 698
Non-current provisions	18	1 098	1 084
Non-current employee benefit liabilities	19	3 874	3 950
Deferred tax liabilities	7	1 485	2 178
Non-current liabilities		**15 831**	**16 910**
Liabilities		**94 195**	**94 658**
Equity attributable to shareholders of BELIMO Holding AG	8	489 283	507 289
Equity attributable to non-controlling interests	8	– 20	55
Shareholders’ equity		**489 263**	**507 344**
Liabilities and shareholders’ equity		**583 458**	**602 002**

Consolidated Statement of Changes in Equity

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Currency translation adjustment	Retained earnings	Attributable to shareholders of BELIMO Holding AG	Attributable to non-controlling interests	Total shareholders' equity
As at January 1, 2019	**615**	**–67**	**23 814**	**–4 588**	**417 469**	**437 243**	**–**	**437 243**
Net income					121 144	121 144	–41	121 103
Other comprehensive income, net of tax				–2 513	12 909	10 395	–	10 395
Total comprehensive income				**–2 513**	**134 053**	**131 540**	**–41**	**131 499**
Equity contribution by non-controlling interests							96	96
Dividends					–61 494	–61 494	–	–61 494
As at December 31, 2019	**615**	**–67**	**23 814**	**–7 101**	**490 028**	**507 289**	**55**	**507 344**
Net income					86 715	86 715	–74	86 641
Other comprehensive income, net of tax				–9 573	–3 044	–12 618	–1	–12 619
Total comprehensive income				**–9 573**	**83 671**	**74 097**	**–75**	**74 022**
Purchase of treasury shares		–3 673				–3 673	–	–3 673
Treasury shares awarded for share-based payments		3 516	295			3 811	–	3 811
Dividends					–92 241	–92 241	–	–92 241
As at December 31, 2020	**615**	**–224**	**24 110**	**–16 675**	**481 457**	**489 283**	**–20**	**489 263**

Consolidated Statement of Cash Flows

in CHF 1 000	Note	2020	2019
Net income		86 641	121 103
Income taxes	7	14 148	– 1 320
Interest result	6	1 071	640
Depreciation of property, plant and equipment	13	25 542	24 255
Amortization of intangible assets	14	5 730	6 100
Gain on sale of property, plant and equipment	13	– 243	– 208
Non-cash items non-current employee benefits	19	2 723	1 003
Other non-cash items		– 334	– 369
Expenses for share-based payments	4	1 233	–
Deferred compensation share-based payments	4	2 052	–
Change in net working capital		3 030	– 11 638
Change in other current receivables and assets		3 284	– 746
Change in other current payables and liabilities		– 2 443	5 628
Change in provisions	18	307	– 1 066
Income taxes paid		– 17 071	– 17 984
Cash flow from operating activities		**125 668**	**125 400**
Investments in property, plant and equipment	13	– 22 790	– 35 958
Investments in intangible assets	14	– 6 174	– 4 694
Purchase of financial assets		– 1 076	– 10 188
Sale of financial assets		24	10 076
Sale of property, plant and equipment		267	259
Interest received	6	71	356
Acquisition of companies minus acquired cash and cash equivalents	2	– 2 716	– 1 399
Cash flow used in investing activities		**– 32 394**	**– 41 549**
Purchase of treasury shares	8	– 3 673	–
Cash contribution share-based payments	4, 8	636	–
Dividends paid	8	– 92 241	– 61 494
Interest paid	17	– 908	– 885
Increase of financial borrowings	17	1 285	–
Repayment of lease liabilities	13, 17	– 3 713	– 3 576
Equity contribution by non-controlling interests	2	–	96
Cash flow used in financing activities		**– 98 614**	**– 65 860**
Currency translation adjustment		– 2 281	– 567
Change in cash and cash equivalents		**– 7 621**	**17 425**
Cash and cash equivalents at beginning of period		172 563	155 138
Cash and cash equivalents at end of period	9	**164 942**	**172 563**

Notes to the Consolidated Financial Statements

1 General

1.1 Corporate Information

The Belimo Group (hereinafter referred to as "Belimo" or "the Group") is a leading global manufacturer of innovative electrical actuator solutions, valve systems and sensors for heating, ventilation and air conditioning (HVAC) 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 Basis of Preparation

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

The reporting date for BELIMO Holding AG, all of its subsidiaries and for these consolidated financial statements is December 31, 2020. 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, unless a standard or interpretation prescribes another measurement basis for a particular caption, in which case this is explicitly stated in the accounting policies. 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 7 Income Taxes, 13 Property, Plant and Equipment, 17 Financial Liabilities, 18 Provisions and 19 Non-current Employee Benefits).

The COVID-19 pandemic has a significant impact on the global economic environment. In light of these changes, Belimo has reviewed all areas involving significant accounting estimates and assumptions. In this process, the valuation of trade receivables and inventories were assessed for impairments. There was no impairment loss as a result of the review. In addition, the COVID-19 pandemic has no material impact on the significant accounting estimates and assumptions.

1.3 Changes in presentation

Belimo re-assessed the presentation of the consolidated income statement. Other operating income and expenses are now shown as one line item, with details presented in the corresponding note. Moreover, to improve transparency changes in inventories are presented in a separate line item.

	2019 Reported	Restatement	2019 Restated
in CHF 1 000			
Material expenses	–278 886	–3 491	–282 377
Changes in inventories	–	3 491	3 491

Furthermore, Belimo decided to disclose EBITDA, that includes EBIT before deduction of depreciation, amortization and impairments, as separate line item in the income statement. Comparative figures have been adjusted accordingly.

1.4 Changes to Accounting Policies

In the previous year, Belimo has initially applied IFRS 16 Leases with the modified retrospective approach, resulting in a transition impact as of January 1, 2019 of CHF 12.9 million.

The adoption of the amended standards, which became effective in 2020, did not materially affect the consolidated financial statements of the Group.

A number of new and revised standards and interpretations get effective on January 1, 2021 or later and earlier application is permitted. Belimo has not early adopted these standards. The impact of these standards and interpretations 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
Amendments of Standards		
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16) 1)	01.01.2021	2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) 1)	01.01.2022	2022
Annual Improvements to IFRS Standards 2018-2020 1)	01.01.2022	2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) 1)	01.01.2022	2022
Reference to the Conceptual Framework (Amendments to IFRS 3) 1)	01.01.2022	2022
Classification of liabilities as current or non-current (Amendments to IAS 1) 1)	01.01.2023	2023

1) No or no significant impact is expected on the consolidated financial statements of Belimo

1.5 Basis of Consolidation

Scope of Consolidation

The consolidated financial statements include all companies (subsidiaries) that are controlled either directly or indirectly by BELIMO Holding AG. 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.

Group Companies

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 consolidated income statement. This also applies to loans that are part of a net investment in a foreign operation. At the date of the loss of control over a foreign operation, the associated cumulative exchange differences are reclassified to the income statement.

	Year-end rates		Average rates	
	2020	2019	2020	2019
in CHF				
CAD	0.69	0.75	0.70	0.75
CNY	0.13	0.14	0.14	0.14
EUR	1.08	1.09	1.07	1.12
PLN	0.24	0.26	0.24	0.26
USD	0.88	0.97	0.95	0.99

2 Changes to the Scope of Consolidation

On December 1, 2020, Belimo acquired all shares of Opera Electronics Inc., a specialist in air quality and gas sensors. Subsequent to the acquisition, Opera Electronics Inc. was merged into the newly incorporated subsidiary BELIMO Sensors Inc. The acquisition has increased the Group’s market shares in the sensor business and further extended the existing product range.

Purchase Consideration

In addition to the base purchase price of CHF 2.7 million, Belimo has agreed to pay the selling shareholders within one years’ time additional consideration if certain quantitative and qualitative targets are reached. The recorded contingent consideration reflects the maximal contractual payable amount. The outstanding deferred and contingent consideration is recognized as current financial liability. In December 2020, CHF 0.1 million of the contingent consideration has been paid. The fair value of the remaining contingent consideration remained unchanged. Acquisition-related costs of CHF 0.3 million are included in other operating expenses in the income statement and in cash flows from operating activities in the statement of cash flows. The following table summarizes the acquisition date fair value of each major class of purchase consideration:

in CHF 1 000	2020
Base purchase price	2 723
Contingent and deferred consideration	552
Total purchase consideration	**3 275**
Acquired cash and cash equivalents	– 111
Outstanding contingent and deferred consideration	– 448
Net outflow of cash (investing activities)	**2 716**

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

in CHF 1 000	Fair value
Cash and cash equivalents	111
Trade receivables	358
Inventories	419
Intangible assets: non-contractual customer relationships	2 459
Intangible assets: technology	991
Other assets	43
Other liabilities	– 192
Deferred tax liabilities	– 914
Net identifiable assets acquired	**3 275**
Goodwill on acquisition	–
Total purchase consideration	**3 275**

The fair value of the acquired trade receivables did not differ from the gross contractual amount. The fair value of the identified intangible assets was determined using the relief-from-royalty method (technology) and multi-period excess earnings method (non-contractual customer relationships). The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the technology being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships over their estimated economic life, by excluding any cash flows related to contributory assets. A discount rate of 13.0 percent was applied for both methods.

The acquired business contributed immaterial net sales and net income to the Group for the period from December 1, to December 31, 2020. If the acquisition had occurred on January 1, 2020, consolidated pro-forma net sales and net income for the reporting year would have been CHF 663.3 million and CHF 86.8 million respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and the subsidiary, and for additional amortization on intangible assets.

In 2019, the Group founded BELIMO InnoVision AG in Switzerland, BELIMO Automation Deutschland GmbH in Germany, invested in BEREVA S.r.l. in Italy and merged BELIMO Actuators (Shanghai) Trading Ltd. into BELIMO Automation (Shanghai) Co. Ltd. Furthermore, CHF 1.5 million deferred consideration of the acquisition of BELIMO AB in Sweden in 2017 and accumulated interest thereon was settled 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 control of the goods transfers to the customer. Due to the current business model, the performance obligations are satisfied at a point in time. Generally, sales are recognized upon shipment or upon delivery, as defined in the general terms and conditions and in compliance with generally accepted incoterms. Performance obligations in contracts with customers have a duration of one year or less. Warranty conditions solely provide a customer with assurance that the related product complies with agreed-upon specifications. Consequently, the accounting for the warranty is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Payment terms are adapted to the local market conditions. For the major part of the revenue recognition payment terms of 1 to 60 days are applied.

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

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

The activities of the reportable segments are as follows:

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

Shared Services. Research and development activities, production, logistics, customizing, the functions finance and administration, strategy and brand management 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.

in CHF 1 000	Europe	Americas	Asia Pacific	Shared Services	Elimination	Total
2020						
Income statement						
Net sales to third parties	322 285	253 875	85 067	–	–	661 226
Other operating income	–	–	–	430	–	430
Operating expenses	– 44 629	– 35 417	– 17 059	– 173 263	13 996	– 256 372
Depreciation and amortization	– 3 426	– 4 355	– 2 060	– 21 431	–	– 31 272
Segment profit	**274 230**	**214 103**	**65 947**	**– 194 263**	**13 996**	**374 013**
Unallocated other operating income						646
Unallocated material expenses including changes in inventories						– 266 594
Unallocated financial result						– 7 277
Earnings before tax (EBT)						**100 788**
Cash effective investments in property, plant and equipment and intangible assets	1 061	2 223	1 492	24 188	–	28 964
Balance sheet as at December 31, 2020						
Trade receivables	60 328	31 412	15 635	–	– 26 106	81 269
Property, plant and equipment and intangible assets	11 241	42 083	8 521	142 397	–	204 241
Unallocated assets						297 948
Total assets						**583 458**
2019						
Income statement						
Net sales to third parties	328 777	272 849	91 054	–	–	692 680
Other operating income	–	–	–	558	–	558
Operating expenses	– 46 498	– 38 289	– 19 015	– 173 737	17 067	– 260 472
Depreciation and amortization	– 3 833	– 4 449	– 2 047	– 20 025	–	– 30 355
Segment profit	**278 446**	**230 110**	**69 992**	**– 193 204**	**17 067**	**402 412**
Unallocated other operating income						343
Unallocated material expenses including changes in inventories						– 278 886
Unallocated financial result						– 4 086
Earnings before tax (EBT)						**119 783**
Cash effective investments in property, plant and equipment and intangible assets	1 953	1 284	3 787	33 627	–	40 652
Balance sheet as at December 31, 2019						
Trade receivables	62 417	34 543	19 408	–	– 27 729	88 638
Property, plant and equipment and intangible assets	13 258	44 162	8 588	138 086	–	204 094
Unallocated assets						309 270
Total assets						**602 002**

Net sales growth by market regions was as follows:

	2020				2019			
	Net Sales	% 1)	Growth in CHF	Growth in local currencies	Net Sales	% 1)	Growth in CHF	Growth in local currencies
in CHF 1 000								
Europe	322 285	49%	– 2.0%	1.8%	328 777	48%	3.6%	6.8%
Americas	253 875	38%	– 7.0%	– 1.8%	272 849	39%	12.3%	11.0%
Asia Pacific	85 067	13%	– 6.6%	– 1.1%	91 054	13%	10.7%	12.7%
Total	**661 226**	**100%**	**– 4.5%**	**0.0%**	**692 680**	**100%**	**7.8%**	**9.2%**

1) Contribution to total net sales

Overall, movements in exchange rates had an effect of – 4.5 percentage points on net sales (previous year – 1.4 percentage points). Around 34 percent of net sales were denominated in US dollar, 30 percent in euro, 10 percent in Swiss franc and 26 percent in other currencies (previous year 36 percent in US dollar, 29 percent in euro, 10 percent in Swiss franc and 25 percent in other currencies).

The net sales by applications were as follows:

	2020				2019			
	Net Sales	% 1)	Growth in CHF	Growth in local currencies	Net Sales	% 1)	Growth in CHF	Growth in local currencies
in CHF 1 000								
Air	368 415	56%	– 4.4%	0.0%	385 480	56%	5.5%	7.1%
Water	292 812	44%	– 4.7%	– 0.1%	307 200	44%	10.9%	11.9%
Total	**661 226**	**100%**	**– 4.5%**	**0.0%**	**692 680**	**100%**	**7.8%**	**9.2%**

1) Contribution to total net sales

The following table shows information on geographic regions:

	Net sales to third parties		Property, plant and equipment, intangible assets	
	2020	2019	December 31, 2020	December 31, 2019
in CHF 1 000				
Germany	69 005	69 781	14 259	12 964
Central Eastern Europe	49 333	51 197	366	477
France	21 060	22 369	837	966
Italy	20 853	22 877	1 513	1 181
Switzerland	20 770	21 246	116 184	112 815
Others	141 265	141 308	8 606	10 180
Europe	**322 285**	**328 777**	**141 766**	**138 582**
USA	199 804	215 818	48 552	54 366
Canada	45 785	46 887	3 795	521
Others	8 287	10 143	133	250
Americas	**253 875**	**272 849**	**52 479**	**55 137**
China	44 913	44 575	3 041	3 785
Others	40 154	46 479	6 954	6 590
Asia Pacific	**85 067**	**91 054**	**9 996**	**10 375**
Total	**661 226**	**692 680**	**204 241**	**204 094**

4 Personnel Expenses

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

Received grants from governments in relation to the COVID-19 pandemic are recognized in line with the recognition of the expenses that the grant intends to compensate.

Share-based payments
The share purchase plan gives the employees of Belimo (including Members of the Group Executive Committee and extended Executive Committee) an opportunity to purchase shares of BELIMO Holding AG at preferential conditions. These shares are subject to a restriction period of three years.

The share-based payment transactions are classified as equity-settled share-based payments within IFRS 2. The cost of equity-settled transactions is measured with reference to the fair value at the date on which they are granted. The fair value is determined indirectly based on observable market prices of the shares of BELIMO Holding AG, reduced by the contribution of the employee. Upon transfer of the shares, the employee will have full shareholder rights (including voting and dividend rights) and as such, the restriction period has no impact on the fair value. The fair value is not subsequently re-measured after the grant date.

in CHF 1 000	2020	2019
Wages and salaries	– 146 777	– 144 719
Expenses for share-based payments	– 1 233	–
Social security contributions	– 21 724	– 20 342
Defined benefit expenses	– 11 523	– 9 380
Defined contribution expenses	– 3 629	– 4 067
Other personnel expenses	– 7 134	– 9 754
Total personnel expenses	**– 192 020**	**– 188 263**

In 2020, Belimo introduced an employee share purchase plan. It gives eligible employees in Switzerland, in the United States and in Hong Kong the possibility to purchase Belimo shares up to a maximum of 20 percent of their variable remuneration or at least one share. For the Members of the Group Executive Committee and extended Executive Committee the mandatory contribution to the employee share purchase plan amounts to 40 percent of the variable remuneration paid in December, with the option to voluntarily further participate up to 100 percent of the variable remuneration paid in December.

The purchase price per share shall generally be equal to 70 percent of the lower of the average closing price one month before the purchase date or the closing price at the purchase date of BELIMO Holding AG shares at the SIX Swiss Exchange.

The shares are granted with the final approval of the execution of the share-based payment transactions by the Board of Directors close before or at the purchase date. The Board of Directors may amend, suspend or terminate the employee share purchase plan at any time in any respect the Board of Directors deems necessary or advisable. No purchase rights may be granted under the employee share purchase plan while the employee share purchase plan is suspended or after it is terminated. The plan includes a vesting condition (service condition between the grant date and the purchase date), but no option features.

During the reporting period, employees subscribed to 498 of restricted shares. The market price of the BELIMO Holding AG share at the purchase date was CHF 7 710 and the average fair value of the share-based payments granted was CHF 2 313.

Personnel expenses (including fees) recognized for share-based payments during the year amounted to CHF 1.2 million and the employee contribution amounted to CHF 2.7 million. The employee contribution settled through salary deductions amounted to CHF 2.1 million and is treated in the cash flow statement as non-cash transaction (deferred compensation share-based payments).

Other personnel expenses comprise incidental costs of staff recruitment, training and development as well as external staff costs.

In the reporting period, Belimo received government subsidies in form of wage compensation, reduction of social security contributions and defined contribution expenses in the amount of CHF 1.2 million (previous year none) due to the COVID-19 pandemic.

5 Other Operating Income/Expenses

	2020	2019
in CHF 1 000		
Own work capitalized	430	558
Other income	646	343
Total other operating income	**1 076**	**901**

	2020	2019 restated
in CHF 1 000		
Travel and representation	– 4 212	– 10 251
Rental and maintenance	– 6 016	– 5 855
Consulting	– 10 196	– 9 032
Marketing	– 6 054	– 8 417
IT	– 8 493	– 8 430
External research and development	– 14 301	– 15 890
Miscellaneous expenses	– 15 081	– 14 333
Total other operating expenses	**– 64 352**	**– 72 208**
Total other operating income/expenses	**– 63 276**	**– 71 307**

Research and development costs of CHF 53.8 million (previous year CHF 50.7 million) are included mainly in personnel and in external research and development expenses. Thereof, CHF 0.4 million (previous year CHF 0.6 million) were capitalized. Miscellaneous expenses include freight expenses, packaging material, warranty expenses, insurance as well as changes in allowances for doubtful trade receivables.

In the reporting period, the definition of external research and development expenses has been re-assessed. As a consequence, certain positions within this category are now presented under rental and maintenance as well as miscellaneous expenses. Comparative figures have been adjusted accordingly.

6 Financial Result

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

	2020	2019
in CHF 1 000		
Interest income	103	359
Net gain from derivative financial instruments	–	120
Other financial income	148	–
Total financial income	**251**	**479**
Interest expenses	– 1 174	– 1 000
Net loss from derivative financial instruments	– 236	–
Other financial expenses (bank charges)	– 511	– 1 175
Total financial expenses	**– 1 921**	**– 2 175**
Foreign exchange gain/loss	**– 5 606**	**– 2 390**
Total	**– 7 277**	**– 4 086**

7 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 assets and 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, e.g. the final step-up amount. 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	2020	2019
Income taxes relating to current year	– 15 065	– 20 708
Adjustments from previous years	– 503	394
Current income taxes	**– 15 568**	**– 20 314**
Deferred taxes	**1 421**	**21 634**
Income tax recognized	**– 14 148**	**1 320**

in CHF 1 000	2020	2019
Income before taxes	**100 788**	**119 783**
Expected tax expenses	– 20 076	– 19 578
applicable tax rate	19.9%	16.3%
Non-deductible expenses	– 952	– 434
Tax-exempt income	7 416	26 938
Adjustments from previous years	– 503	394
Non-reclaimable withholding taxes	– 376	– 933
Effect of companies with mixed tax rates	– 699	– 371
Change in tax rate	1 159	– 4 622
Other	– 116	– 73
Income tax recognized	**– 14 148**	**1 320**
effective tax rate	14.0%	– 1.1%

On January 1, 2020, the Swiss federal law on the tax reform and old-age and survivors’ insurance (AHV) financing (TRAF) entered into force. Belimo used to benefit from tax regulations that have been abolished by TRAF. To reduce disadvantages the Canton of Zurich, where Belimo is headquartered, introduced certain provisions in the cantonal tax laws (e.g. patent box, additional R&D deductions) including transitional measures (step-up mechanism or dual rate approach). At Belimo, these transitional measures will compensate the cash effects of the entry costs into the patent box introduced by TRAF in the medium-term.

In the financial year 2019, the tax reform impacted income taxes positively by CHF 22.1 million, without affecting cash flow (effects included in line items tax-exempt income and change in tax rate). Meanwhile, in the balance sheet deferred taxes on intangible assets of CHF 26.8 million were recognized. From financial year 2020 onwards, these tax assets are amortized, thus increasing deferred tax expenses.

As Belimo operates in several jurisdictions the applicable tax rate is computed as the weighted average of the applicable tax rate per jurisdiction. Based on the different treatment of the previous tax provisions and the measures introduced by TRAF under IFRS, the applicable tax rate increases by 3.6 percentage points in the financial year 2020. In all material aspects, the change in applicable tax rate is explained by the Swiss tax reform. While the tax benefits valid until December 31, 2019 reduced the applicable tax rate, the measures introduced by TRAF are presented as reconciling items in the line tax-exempt income of the tax rate reconciliation. There have been no changes in the structure of Belimo Group impacting the applicable tax rate.

Tax-exempt income includes an update of the valuation of the step-up by CHF 2.8 million as well as additional R&D deductions of CHF 3.7 million thanks to Belimo's strong R&D base in Switzerland.

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.

As part of TRAF, the Canton of Zurich reduced its corporate income tax rate as per January 1, 2021. This reduction leads to an effect in line item change in tax rate in the financial year 2020 and a reduction of the applicable tax rate in financial year 2021. The effect from change in tax rate in the financial year 2019 resulted from the change in applicable tax rate of 3.6 percentage points described above.

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

			December 31, 2020			December 31, 2019
			Deferred tax			Deferred tax
	assets	liabilities	net	assets	liabilities	net
in CHF 1 000						
Receivables	215	– 2 172	– 1 957	297	– 2 670	– 2 373
Inventories	379	– 4 363	– 3 984	390	– 4 589	– 4 199
Property, plant and equipment	262	– 9 032	– 8 770	258	– 8 552	– 8 294
Intangible assets	26 805	– 2 034	24 771	26 852	– 1 504	25 348
Non-current employee benefits	–	– 500	– 500	60	– 1 896	– 1 836
Current liabilities	650	–	650	525	–	525
Non-current financial liabilities	319	–	319	250	–	250
Tax losses carried forward and tax credits	477	–	477	825	–	825
Deferred taxes associated with investments in subsidiaries	–	–	–	–	– 300	– 300
Total (gross)	**29 106**	**– 18 101**	**11 005**	**29 459**	**– 19 514**	**9 945**
Set-off of tax	– 16 616	16 616	–	– 17 335	17 335	–
Total (net)	**12 490**	**– 1 485**	**11 005**	**12 123**	**– 2 178**	**9 945**

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

	2020	2019
in CHF 1 000		
As at January 1	**9 945**	**– 8 250**
Change in scope of consolidation	– 914	–
Recognized in the income statement	1 421	21 634
Recognized in other comprehensive income	667	– 3 443
Translation differences	– 115	4
As at December 31	**11 005**	**9 945**

The Group has CHF 0.5 million (previous year CHF 0.8 million) deferred tax assets relating to utilizable tax losses carried forward and tax credits, thereof CHF 0.3 million expiring after a minimum of 5 years and CHF 0.2 million with no expiry.

No deferred income tax assets have been recognized for losses carried forward in the amount of CHF 1.4 million (previous year none), thereof CHF 0.6 million expiring within 5 years, CHF 0.6 million after 5 years and CHF 0.2 million with no expiry. In addition, no deferred income tax assets have been recognized from deductible temporary differences in the amount of CHF 0.5 million (previous year none).

8 Shareholders' Equity and Earnings per Share

Shares are a component of equity, as they are not redeemable and there is no dividend guarantee. Treasury shares are recorded as a deduction from equity. Capital reserves correspond to premiums from capital increases and the gains or losses from treasury share sales as well as from share-based payment awards. Currency translation adjustments 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. Retained earnings include the remeasurement of the post-employment benefits and their tax effect, as well as of share-based payment transactions and accumulated retained earnings of prior periods.

		2020	2019
Net income attributable to shareholders of BELIMO Holding AG	in CHF 1 000	86 715	121 144
Average outstanding shares	Number	614 924	614 943
Dividend per registered share [1]	in CHF	150	150
Total dividend [1]	in CHF 1 000	92 250	92 250
Earnings per share	in CHF	141.02	197.00

[1] 2020: Proposed by the Board of Directors

The average number of outstanding shares is calculated based on the number of shares issued, less the average number of treasury shares held.

Share Capital

		December 31, 2020	December 31, 2019
Par value per share	in CHF	1.00	1.00
Outstanding shares	Number	614 971	614 943
Treasury shares	Number	29	57
Total registered shares	**Number**	**615 000**	**615 000**

The share capital of BELIMO Holding AG consists of one class of voting rights.

Treasury Shares

	2020	2019
Number of shares		
As at January 1	**57**	**57**
Purchases of treasury shares	470	–
Treasury shares awarded for share-based payments	– 498	–
As at December 31	**29**	**57**

Capital Reserves and Retained Earnings

	December 31, 2020	December 31, 2019
in CHF 1 000		
Capital reserves	24 110	23 814
Retained earnings (incl. CTA)	464 782	482 927
Total	**488 892**	**506 741**

9 Cash and Cash Equivalents

Cash and cash equivalents are measured at amortized cost. They are also subject to the impairment requirements of IFRS 9.

	December 31, 2020	December 31, 2019
in CHF 1 000		
Cash	104 942	152 563
Cash equivalents	60 000	20 000
Total	**164 942**	**172 563**

Cash consists of bank and postal accounts and cash on hand. Cash equivalents include term deposits with a maturity of three months or less. The impairment assessment in the reporting period and previous year showed no need for an adjustment.

10 Trade Receivables

Trade receivables are initially recognized at the transaction price. Belimo holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost. Loss allowances are always measured at an amount equal to lifetime expected credit losses. The Group uses an allowance matrix to determine the expected credit loss. The loss rates are based on actual credit loss experience over recent years, amended by current conditions and the Group's view of economic conditions. For specifically identified trade receivables with an objective default evidence, individual allowances are recognized. The gross carrying amount of trade receivable assets is written off when the Group has no reasonable expectations of recovering financial assets in their entirety or a portion thereof.

	December 31, 2020	December 31, 2019
in CHF 1 000		
Trade receivables	83 031	90 813
Allowance	– 1 763	– 2 175
Total	**81 269**	**88 638**

Trade receivables by market region were as follows:

	December 31, 2020	December 31, 2019
in CHF 1 000		
Europe	34 311	34 856
Americas	31 412	34 543
Asia Pacific	15 546	19 240
Total	**81 269**	**88 638**

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:

	2020	2019
in CHF 1 000		
As at January 1	**– 2 175**	**– 2 385**
Increase	– 182	– 266
Utilization	227	194
Reversals	219	219
Translation differences	148	63
As at December 31	**– 1 763**	**– 2 175**

The aging and allowance of trade receivables were as follows:

	December 31, 2020			December 31, 2019	
	Default rate	Gross	Allowance	Gross	Allowance
in CHF 1 000					
Not due	0.5%	65 252	– 335	67 944	– 357
Overdue 1 to 30 days	3.0%	11 794	– 350	15 028	– 451
Overdue 31 to 60 days	4.9%	3 366	– 166	4 662	– 233
Overdue 61 to 180 days	10.0%	1 898	– 190	2 272	– 227
Total trade receivables measured using the provision matrix		**82 310**	**– 1 041**	**89 906**	**– 1 268**
Individual allowances	100.0%	722	– 722	907	– 907
Total		**83 031**	**– 1 763**	**90 813**	**– 2 175**

11 Inventories

Inventories are measured at the lower of cost and net realizable value. The costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. 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.

Based on a range analysis, items with a slow rate of turnover are written down by 20 to 100 percent.

in CHF 1 000	December 31, 2020	December 31, 2019
Raw materials and consumables	52 179	51 471
Work in progress	430	352
Finished goods	52 851	51 652
Total inventories (net)	**105 461**	**103 475**
Allowance on raw materials and consumables	– 2 582	– 2 067
Allowance on finished goods	– 5 918	– 5 383
Total allowance	**– 8 501**	**– 7 450**

The allowance amounted to 7.5 percent (previous year 6.7 percent) of the gross value of inventories.

Movements in allowance were as follows:

in CHF 1 000	2020	2019
As at January 1	**– 7 450**	**– 8 679**
Increase	– 3 301	– 1 928
Utilization	2 002	2 830
Reversals	153	269
Translation differences	95	59
As at December 31	**– 8 501**	**– 7 450**

12 Other Assets

Derivative financial instruments are measured at fair value through profit or loss with any changes therein recognized in the financial result. Other receivables qualifying as financial instruments and accruals are recognized at amortized costs. They are also subject to the impairment requirements of IFRS 9.

in CHF 1 000	December 31, 2020	December 31, 2019
Non-income tax receivables	4 618	5 955
Advance payments and deferred expenses	4 330	3 264
Fair value of derivative financial instruments	78	257
Other receivables	335	255
Total	**9 361**	**9 731**

The impairment assessment in the reporting period and previous year showed no need for an adjustment.

13 Property, Plant and Equipment

Owned 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 for leasehold improvements.

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.

Leased Property, Plant and Equipment

Belimo assesses whether a contract is or contains a lease at inception of the contract. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are measured at cost including the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any incentives received, any initial direct costs, and restoration costs. Lease liabilities are initially measured at the present value of the lease payments, discounted by using the incremental borrowing rate.

The incremental borrowing rate used for the measurement of the right-of-use asset and the lease liability have been defined based on a base rate depending on the currency and maturity of the underlying lease contract as well as a risk premium considering the company combined with asset specific risks.

In accordance with IFRS 16, Belimo does not recognize short-term leases with a lease period of 12 months or less and leases of low-value assets on the balance sheet.

Land and buildings: The Group leases land and buildings for its office and warehouse space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Typically, leases are made for a fixed period of 1–5 years and may include extension options. Management judgement is required to define if an extension option is reasonably certain to be exercised.

Furniture, fixtures, movables equipment: The major part refers to leased cars as well as office equipment, with a contract duration of 3 years on average.

The right-of-use assets are depreciated from the commencement dates to the earlier of the end of the useful lives or the end of the lease terms.

in CHF 1 000	Land, buildings	Tools, machinery	Furniture, fixtures, movable equipment	Advance payments, assets under construction	Total
Costs					
As at January 1, 2019	**191 055**	**106 584**	**24 364**	**820**	**322 823**
Impact from changes in accounting policies as at January 1, 2019	11 758	–	1 133	–	**12 891**
Additions	22 693	10 409	5 186	2 591	**40 879**
Disposals	–654	–2 960	–2 550	–	**–6 164**
Reclassifications	4	669	148	–821	**–**
Translation differences	–1 488	–294	–360	–16	**–2 158**
As at December 31, 2019	**223 367**	**114 409**	**27 920**	**2 574**	**368 270**
Additions	5 950	11 492	3 686	6 528	**27 656**
Disposals	–374	–1 299	–1 608	–	**–3 282**
Reclassifications	297	1 977	65	–2 339	**–**
Change in scope of consolidation	16	12	–	–	**28**
Translation differences	–7 138	–1 887	–1 224	–200	**–10 448**
As at December 31, 2020	**222 118**	**124 703**	**28 839**	**6 564**	**382 225**
Accumulated depreciation					
As at January 1, 2019	**–59 292**	**–84 235**	**–16 178**		**–159 704**
Depreciation	–10 976	–9 293	–3 985		**–24 255**
Disposals	444	2 957	2 464		**5 865**
Translation differences	321	188	230		**739**
As at December 31, 2019	**–69 502**	**–90 383**	**–17 469**		**–177 354**
Depreciation	–11 318	–10 081	–4 143		**–25 542**
Disposals	318	1 299	1 584		**3 202**
Translation differences	2 111	1 257	772		**4 140**
As at December 31, 2020	**–78 391**	**–97 908**	**–19 255**		**–195 554**
Carrying amounts					
As at January 1, 2019	**131 763**	**22 349**	**8 186**	**820**	**163 119**
As at December 31, 2019	**153 865**	**24 026**	**10 451**	**2 574**	**190 916**
As at December 31, 2020	**143 727**	**26 795**	**9 585**	**6 564**	**186 671**

The additions of CHF 27.7 million (previous year CHF 40.9 million) consisted of CHF 22.8 million cash effective capital expenditures (previous year CHF 36.0 million), CHF 3.2 million non-cash effective additions of right-of-use assets for leases (previous year CHF 4.6 million) and CHF 1.7 million deferred considerations for investments (previous year CHF 0.3 million).

The impairment assessment in the reporting period and previous year showed no need for an adjustment. The sale of property, plant and equipment resulted in a gain of CHF 0.2 million (previous year gain of CHF 0.2 million).

Commitments for investments in property, plant and equipment amounted to CHF 11.9 million (previous year CHF 4.3 million).

Additional Disclosures Leased Property, Plant and Equipment

			2020			2019
	Land, buildings	Furniture, fixtures, movable equipment	Total	Land, buildings	Furniture, fixtures, movable equipment	Total
in CHF 1 000						
Impact from changes of accounting policies as at January 1	–	–	**–**	11 758	1 133	**12 891**
Additions to the right-of-use assets	2 396	761	**3 157**	6 642	568	**7 211**
Depreciation	– 3 345	– 702	**– 4 048**	– 3 263	– 652	**– 3 915**
Change in scope of consolidation	16	–	**16**	–	–	**–**
Net carrying amount as at December 31	12 841	983	**13 825**	14 572	1 008	**15 579**

The total cash outflow for lease payments was as follows:

	2020	2019
in CHF 1 000		
Repayment of lease liabilities	– 3 713	– 3 576
Interest paid for lease liabilities	– 540	– 586
Payments for short-term leases and for leases of low-value assets	– 577	– 418
Total	**– 4 830**	**– 4 580**

The portfolio of short-term leases and leases of low-value assets to which Belimo is committed at the end of the reporting period is similar to the portfolio of the reporting period.

The contractual maturities of the lease liabilities are disclosed in note 20.3.

14 Intangible Assets

The Group’s intangible assets comprise acquired software, non-contractual customer relationships, patents, licenses and technology 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 and other intangible assets	2 – 5 years
Customer relationships	3 – 10 years
Internally generated intangible assets	2 – 5 years
Patents, licenses and technology	10 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 13 Property, Plant and Equipment.

in CHF 1 000	Software and other intangible assets	Customer relation-ships	Internally generated intangible assets	Patents, licenses and technology	Advance payments	Total
Costs						
As at January 1, 2019	**26 237**	**13 440**	**5 243**	**–**	**383**	**45 304**
Additions	2 761	–	558	–	1 375	**4 694**
Disposals	– 801	– 317	– 341	–	–	**– 1 459**
Reclassifications	131	–	–	–	– 131	**–**
Translation differences	– 42	– 606	–	–	– 2	**– 649**
As at December 31, 2019	**28 287**	**12 517**	**5 460**	**–**	**1 625**	**47 889**
Additions	3 651	–	430	–	2 569	**6 649**
Disposals	– 314	– 6 619	– 1 067	–	–	**– 8 000**
Reclassifications	1 642	–	–	–	– 1 642	**–**
Change in scope of consolidation	–	2 459	–	991	–	**3 450**
Translation differences	– 301	91	–	– 10	– 3	**– 223**
As at December 31, 2020	**32 964**	**8 448**	**4 824**	**981**	**2 549**	**49 766**
Accumulated amortization						
As at January 1, 2019	**– 21 219**	**– 7 129**	**– 2 063**	**–**		**– 30 411**
Amortization	– 3 474	– 1 600	– 1 026	–		**– 6 100**
Disposals	801	317	341	–		**1 459**
Translation differences	38	303	–	–		**341**
As at December 31, 2019	**– 23 855**	**– 8 108**	**– 2 748**	**–**		**– 34 711**
Amortization	– 3 676	– 1 146	– 900	– 8		**– 5 730**
Disposals	314	6 619	1 067	–		**8 000**
Translation differences	263	– 16	–	–		**246**
As at December 31, 2020	**– 26 954**	**– 2 651**	**– 2 582**	**– 8**		**– 32 195**
Carrying amounts						
As at January 1, 2019	**5 018**	**6 311**	**3 180**	**–**	**383**	**14 893**
As at December 31, 2019	**4 432**	**4 409**	**2 712**	**–**	**1 625**	**13 178**
As at December 31, 2020	**6 010**	**5 796**	**2 242**	**973**	**2 549**	**17 571**

CHF 0.3 million (previous year CHF 0.6 million) of internally generated intangible assets (capitalized development costs) are not yet available for use and have not been amortized yet. The additions of CHF 6.6 million (previous year CHF 4.7 million) consisted of CHF 6.2 million cash effective capital expenditures (previous year CHF 4.7 million) and CHF 0.4 million deferred considerations for investments (previous year none).

The impairment assessment in the reporting period and previous year showed no need for an adjustment.

Commitments for investments in intangible assets amounted to CHF 2.3 million (previous year CHF 4.2 million).

15 Non-current Financial Assets

Financial assets are generally measured at amortized costs with the exception of investments held at fair value through other comprehensive income. All are subject to the impairment requirements of IFRS 9.

Non-current financial assets primarily comprise deposits relating to lease agreements for the business premises of various Group companies, investments held at fair value as well as loans to finance Belimo distribution companies. The identified impairment loss was immaterial and therefore no valuation allowance has been recognized.

16 Other Liabilities

Financial instruments other than derivatives included in other liabilities are recognized at amortized costs. Derivative financial instruments are measured at fair value through profit and loss, with any changes therein recognized in the financial result.

in CHF 1 000	**December 31, 2020**	**December 31, 2019**
Liabilities to employees	16 185	20 750
Accrued volume rebates to customers	10 163	13 175
Non-income tax payables	5 311	5 183
Social security liabilities	3 412	2 779
Fair value of derivative financial instruments	75	17
Other liabilities and accrued expenses	10 082	4 514
Total	**45 228**	**46 418**

17 Financial Liabilities

Other financial liabilities are initially recognized at fair value and subsequently measured at amortized costs using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Lease liabilities are initially measured at the present value of the lease payments. Management judgement is required to determine the lease liabilities. Further details about lease accounting is described in note 13 Property, Plant and Equipment.

The changes in liabilities arising from financing activities are as follows:

			2020			2019
	Lease liabilities	**Other financial liabilities**	**Total**	**Lease liabilities**	**Other financial liabilities**	**Total**
in CHF 1 000						
As at January 1	**13 442**	**272**	**13 713**	**–**	**1 463**	**1 463**
Proceeds from loans	–	1 285	**1 285**	–	–	**–**
Interest paid	– 540	–	**– 540**	– 586	– 89	**– 675**
Repayments	– 3 713	–	**– 3 713**	– 3 576	–	**– 3 576**
Cash flow used in financing activities	**– 4 253**	**1 285**	**– 2 968**	**– 4 162**	**– 89**	**– 4 251**
Payments for investments in property, plant and equipment from previous years	–	– 203	**– 203**	–	–	**–**
Payments of consideration for acquisitions	–	– 105	**– 105**	–	– 1 399	**– 1 399**
Cash flow used in investing activities	**–**	**– 308**	**– 308**	**–**	**– 1 399**	**– 1 399**
Impact from changes in accounting policies as at January 1	–	–	**–**	12 891	–	**12 891**
Change in scope of consolidation	16	–	**16**	–	–	**–**
Contingent and deferred consideration for acquisitions	–	552	**552**	–	–	**–**
Non-cash effective movements	3 100	– 148	**2 952**	4 394	–	**4 394**
Deferred payments for investments in property, plant and equipment	–	–	**–**	–	279	**279**
Interest expenses	540	–	**540**	586	25	**611**
Translation differences	– 562	2	**– 560**	– 267	– 7	**– 274**
Non-cash effective movements	**3 096**	**406**	**3 502**	**17 604**	**296**	**17 900**
As at December 31	**12 284**	**1 656**	**13 939**	**13 442**	**272**	**13 713**
of which current financial liabilities	4 122	443	**4 565**	3 825	190	**4 016**
of which non-current financial liabilities	8 162	1 213	**9 375**	9 616	81	**9 698**

Interest paid not related to financial liabilities and therefore not included in the table above amounted to CHF 0.4 million (previous year CHF 0.2 million).

In 2020, Belimo received a loan in the amount of CHF 1.3 million that has a below-market rate of interest. The benefit was measured as the difference between the present value of all future cash payments discounted using the prevailing market rates of interest for a similar instrument with a similar credit rating and the proceeds received. The difference of CHF 0.1 million, disclosed above as non-cash effective movement, was recognized in other financial income.

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 2020	Total 2019
As at January 1	**4 805**	**266**	**5 071**	**6 146**
Increase	2 773	551	3 324	2 742
Utilization	– 2 605	–	– 2 605	– 2 891
Reversals	– 412	–	– 412	– 917
Changes in scope of consolidation	–	18	18	–
Translation differences	–	– 1	– 1	– 10
As at December 31	**4 561**	**833**	**5 395**	**5 071**
of which current provisions	3 797	500	4 297	3 987
of which non-current provisions	764	333	1 098	1 084

Provisions for warranties were calculated on the basis of returns in the past and generally cover a warranty period of five years.

19 Non-current Employee Benefits

The present value of the defined benefit obligations 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 values of the defined benefit obligations are 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 obligations

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. Remeasurement of the net defined benefit asset/liability which comprise actuarial gains and losses on the defined benefit obligations 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 actuarial assumptions. These can differ from the actual future results. The discount rate and the life expectancy are material assumptions for the actuarial calculation.

	December 31, 2020	December 31, 2019
in CHF 1 000		
Post-employment benefits	2 550	9 003
Non-current employee benefit assets	**2 550**	**9 003**
Post-employment benefits	–	581
Other long-term employee benefits	3 874	3 369
Non-current employee benefit liabilities	**3 874**	**3 950**

Other long-term employee benefits mainly include jubilee provisions.

19.1 Post-Employment Benefits

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 unfunded defined benefit plan in Germany has been terminated in the reporting year. The only significant post-employment defined benefit plan exists in Switzerland.

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 of the foundation. 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 savings capital 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 account.

Post-Employment Benefits Development

In the reporting year, the board of trustees of the Swiss pension fund decided to reduce the conversion rate due to continuous low interest rates and pension losses. In order to mitigate the negative effect on the post-employment benefits, several compensating measures have been applied by the board of trustees. The plan amendment resulted in a net increase of the defined benefit obligations of CHF 0.9 million and has been recognized as past service costs in the reporting period. The plan amendment is applicable as of January 1, 2021. In the previous year, there were no amendments to the plan.

The net defined benefit assets/liabilities related to funded and unfunded plans are as follow:

	December 31, 2020	December 31, 2019
in CHF 1 000		
Present value of funded obligations	– 325 220	– 285 855
Fair values of plan assets	327 770	294 858
Surplus/(deficit) of funded plans	**2 550**	**9 003**
Present value of unfunded obligations	–	– 581
Total surplus/(deficit) of defined benefit pension plans	**2 550**	**8 422**
of which recognized as non-current asset	2 550	9 003
of which recognized as non-current liability	–	– 581

In 2020, the return on plan assets (including interest income) of CHF 16.5 million (previous year CHF 35.4 million) resulted in a surplus of CHF 2.6 million for the Swiss pension plan recognized as non-current asset as at December 31, 2020 (previous year CHF 9.0 million). 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, 2020.

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

			2020			2019
	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	**–286 436**	**294 859**	**8 422**	**–256 251**	**248 993**	**–7 258**
Movements included in the income statement						
Current service costs	–10 622		–10 622	–9 380		–9 380
Past service costs	–900		–900	–		–
Interest result (net)	–857	888	30	–2 396	2 392	–4
Total movements included in the income statement	**–12 380**	**888**	**–11 492**	**–11 776**	**2 392**	**–9 385**
Movements included in other comprehensive income						
Change in demographic assumptions	–2 901		–2 901	–		–
Change in financial assumptions	–8 444		–8 444	–19 952		–19 952
Experience adjustments	–8 000		–8 000	3 250		3 250
Return on plan assets (excluding interest income)		15 634	15 634		33 054	33 054
Total remeasurements included in other comprehensive income	**–19 345**	**15 634**	**–3 711**	**–16 702**	**33 054**	**16 352**
Translation differences	–		–	24		24
Total movements included in other comprehensive income	**–19 345**	**15 634**	**–3 711**	**–16 678**	**33 054**	**16 376**
Other movements						
Employer contributions		9 307	9 307		8 615	8 615
Employee contributions	–6 970	6 970		–6 377	6 377	
Benefits paid from plan assets	–114	114		4 572	–4 572	
Benefits paid by the employer	25		25	74		74
Total other movements	**–7 059**	**16 391**	**9 332**	**–1 730**	**10 420**	**8 689**
As at December 31	**–325 220**	**327 770**	**2 550**	**–286 436**	**294 859**	**8 422**

The weighted average duration of the defined benefit obligations is 17.6 years (previous year 20.7 years). The expected employer contributions for 2021 amount to CHF 10.2 million.

Investment Portfolio

The major categories of plan assets were as follows:

	December 31, 2020	December 31, 2019
Bonds	45.1%	46.6%
Shares	34.9%	33.0%
Real estate	17.9%	17.7%
Assets held by insurance company	1.3%	1.1%
Cash and cash equivalents	0.8%	1.6%
Total	**100.0%**	**100.0%**

The shares and bonds have quoted market prices on an active market. Real estate includes nationally and internationally listed real estate funds investing in residential and office properties. The investment strategy ensures the availability of liquidity at all times. The Group does not use any pension scheme assets.

Actuarial Assumptions and Sensitivity Analysis

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

	December 31, 2020	December 31, 2019
Discount rate	0.10%	0.30%
Interest rate used in projecting retirement benefits	1.00%	1.00%
Expected salary increases	2.00%	2.00%
Life expectancy as at age of 65 in years:		
Active employees (male/female)	24.55/26.58	24.48/26.51
Pensioners (male/female)	22.83/24.86	22.72/24.76

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.

	December 31, 2020	December 31, 2019
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	3.5%	3.4%
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 Financial Risk Management

20.1 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.

20.2 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 financial institutions headquartered in Switzerland, Germany, and the United Kingdom. These deposits generally have terms of less than three months. Transactions involving derivative financial instruments are traded with a limited number of major financial institutions.

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 credit ratings or payment 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 20.5 Categories of Financial Instruments). There are no guarantees or similar obligations that could lead to an increase in the risk beyond the carrying amounts.

20.3 Liquidity Risk

Liquidity risk is the risk that Belimo will not be able to meet its financial obligations as they fall due. 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.

Belimo can draw down loans at fixed or floating 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.

Belimo has CHF 80.0 million of committed credit lines and CHF 20.0 million of uncommitted credit lines (not used as of December 31, 2020). In previous year the total amount of credit lines amounted to CHF 67.0 million (not used as of December 31, 2019).

At the reporting date, the contractual maturities of the undiscounted financial liabilities were as follows:

	Less than 1 year	1–5 years	More than 5 years	Total
in CHF 1 000				
As at December 31, 2020				
Trade payables	18 831	–	–	18 831
Lease liabilities	4 210	7 692	1 548	13 450
Other financial liabilities	443	823	389	1 656
Other liabilities qualifying as financial instruments	20 245	–	–	20 245
Derivative financial instruments	75	–	–	75
Total	**43 804**	**8 515**	**1 937**	**54 257**
As at December 31, 2019				
Trade payables	15 660	–	–	15 660
Lease liabilities	3 914	8 963	2 037	14 914
Other financial liabilities	190	–	81	272
Other liabilities qualifying as financial instruments	17 689	–	–	17 689
Derivative financial instruments	17	–	–	17
Total	**37 470**	**8 963**	**2 118**	**48 552**

20.4 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 are exposed to foreign currency risks. These risks arise from transactions that are denominated in currencies other than the functional currency of the respective Group companies (transaction risk) as well as from investments in foreign subsidiaries (translation risk).

In order to limit the transaction risk, 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 by using forward contracts.

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.

	December 31, 2020			December 31, 2019, restated		
	Assets	Liabilities	Net	Assets	Liabilities	Net
in CHF 1 000						
CAD	5 125	–	5 125	10 635	– 3	10 632
CHF	2 386	– 13 737	– 11 351	2 728	– 15 903	– 13 175
EUR	22 182	– 8 090	14 092	20 336	– 3 989	16 347
GBP	4 093	– 11	4 081	5 965	– 163	5 801
PLN	3 927	–	3 927	8 728	–	8 728
USD	11 868	– 6 340	5 528	25 367	– 5 523	19 844
Other	11 223	– 923	10 300	14 335	– 886	13 448
Total	**60 803**	**– 29 101**	**31 702**	**88 093**	**– 26 467**	**61 625**

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

		December 31, 2020		December 31, 2019, restated	
		Exchange		Exchange	
		gain	loss	gain	loss
in CHF 1 000					
CAD	+/- 5%	36	– 36	385	– 417
CHF	-/+ 5%	568	– 568	659	– 659
EUR	+/- 5%	515	– 515	817	– 817
GBP	+/- 5%	144	– 144	290	– 290
PLN	+/- 5%	66	– 66	436	– 436
USD	+/- 5%	763	– 763	701	– 219
Other	+/- 5%	439	– 439	672	– 672
Total		**2 530**	**– 2 530**	**3 961**	**– 3 511**

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. Belimo decided to disclose the exposure and sensitivity for GBP. Comparative figures have been adjusted accordingly.

At the reporting date, the following foreign currency hedging instruments were held, whereas foreign currency forward contracts selling foreign currencies are disclosed as positive figures and contracts buying foreign currencies as negative figures:

	December 31, 2020	December 31, 2019
in CHF 1 000		
Face values		
in CAD	4 419	2 593
in EUR	3 790	–
in GBP	1 189	–
in PLN	2 643	–
in USD	– 9 714	10 886
Other	1 476	–
Total	**3 802**	**13 479**
Fair values		
positive	78	257
negative	– 75	– 17
Total	**3**	**240**

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, cash equivalents and lease liabilities. Therefore, Belimo has no material exposure to a cash flow interest rate risk.

20.5 Categories of Financial Instruments

The following tables summarize all financial instruments classified by categories according to IFRS 9:

	Carrying amounts	
	December 31, 2020	December 31, 2019
in CHF 1 000		
Financial assets held to collect measured at amortized cost		
Cash and cash equivalents	164 942	172 563
Trade receivables	81 269	88 638
Other receivables	335	255
Financial assets	1 942	1 885
Total	**248 489**	**263 341**
Financial assets measured at fair value through OCI		
Investments [1]	919	–
Total	**919**	**–**
Financial assets measured at fair value through profit or loss		
Fair value of derivative financial instruments [2]	78	257
Total	**78**	**257**
Financial liabilities measured at amortized cost		
Trade payables	18 831	15 660
Current financial liabilities	4 565	4 016
Non-current financial liabilities	9 375	9 698
Other liabilities and accrued expenses qualifying as financial instruments	20 245	17 689
Total	**53 015**	**47 063**
Financial liabilities measured at fair value through profit or loss		
Fair value of derivative financial instruments [2]	75	17
Total	**75**	**17**

[1] Measured at fair values that are calculated based on factors that are not observable market data (level 3).
[2] Measured at fair values that are calculated based on observable market data (level 2).

For financial assets and financial liabilities not measured at fair value in the table above the carrying amount is a reasonable approximation of the fair value.

Fair values are allocated to one of the following three hierarchical levels:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than level 1 quoted prices that are directly or indirectly observable
Level 3: factors that are not based on observable market data

The fair value of derivatives financial instruments is determined on the basis of input factors observed directly or indirectly on the market (level 2). The fair value of these instruments is based on forward exchange rates, 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 6 Financial Result). The foreign currency hedging instruments as at December 31, 2020, mature in 56 days or less (previous year 44 days).

The unquoted equity instrument is allocated to level 3 and relates to an immaterial investment in an innovative start-up in the HVAC sector. The Group designated the investment as investment at fair value through OCI because this equity instrument represents an investment that the Group intends to hold for a long term for strategic purposes.

In 2020 and 2019, there were no transfers between the fair value hierarchical levels.

The Group did not perform any quantitative sensitivity analysis at December 31, 2020 for the financial instruments measured at fair value, as they are considered to be immaterial.

20.6 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 was 17.4 percent as at December 31, 2020 (previous year 25.6 percent). In 2019, it was impacted substantially by the Swiss tax reform (see note 7 Income Taxes). 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 order to further reduce its substantial cash reserves, the Board of Directors of BELIMO Holding AG will propose a dividend of CHF 150.00 at the Annual General Meeting 2021, which, in connection with the lower net income, results in a higher payout ratio of 106.4 percent (previous year 76.1 percent).

The definition of return on equity and payout ratio are described under the following link: www.belimo.com/financial-summary.

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.

21 Contingent Liabilities

As at December 31, 2020 and 2019, there were no contingent liabilities.

22 Related Parties

In 2020 and 2019, total booked compensation for the Board of Directors and Group Executive Committee was as follows:

	2020	2019
in CHF 1 000		
Salaries and other short-term employee benefits	3 989	4 727
Post-employment benefits	676	790
Expenses for share-based payments	217	–
Total	**4 882**	**5 517**

Further information regarding compensation and investments of the Board of Directors and Group Executive Committee is disclosed in the Remuneration Report.

Transactions between Belimo and the pension funds are detailed in Note 19.

In 2020 and 2019, there were no further material related party transactions.

23 Subsidiaries

BELIMO Holding AG held the following subsidiaries:

Company, place of incorporation	Country	Currency	Share Capital in 1000	Activities	Group interest December 31, 2020	Group interest December 31, 2019
Europe						
BELIMO Automation AG, Hinwil	CH	CHF	500	P, D, R&D	100%	100%
BELIMO InnoVision AG, Hinwil	CH	CHF	1 000	H	100%	100%
BELIMO Stellantriebe Vertriebs GmbH, Stuttgart	DE	EUR	205	D	100%	100%
BELIMO Automation Deutschland GmbH, Großröhrsdorf	DE	EUR	4 050	P, R&D	100%	100%
BELIMO Automation Handelsgesellschaft m.b.H., Vienna	AT	EUR	36	D	100%	100%
BELIMO Silowniki S.A., Warsaw	PL	PLN	500	D	100%	100%
BELIMO Servomotoren B.V., Vaassen	NL	EUR	18	D	100%	100%
BELIMO Automation UK Ltd., Shepperton	GB	GBP	0.1	D	100%	100%
BELIMO Automation Norge A/S, Oslo	NO	NOK	501	D	100%	100%
BELIMO Finland Oy, Helsinki	FI	EUR	100	D	100%	100%
BELIMO AB, Nacka	SE	SEK	1 000	D	100%	100%
BELIMO SARL, Courtry	FR	EUR	80	D	100%	100%
BELIMO Ibérica de Servomotores S.A., Madrid	ES	EUR	301	D	100%	100%
BELIMO Italia S.r.l., Grassobbio	IT	EUR	47	D	100%	100%
BEREVA S.r.l., Ora[1]	IT	EUR	500	D, R&D	83%	83%
BELIMO Automation FZE, Dubai	AE	USD	273	D	100%	100%
BELIMO Turkey Otomasyon A.Ş., Istanbul	TR	TRY	1 000	D	100%	100%
Americas						
BELIMO Aircontrols (USA), Inc., Danbury	US	USD	200	D, H	100%	100%
BELIMO Customization (USA), Inc., Danbury[2]	US	USD	45	P	100%	100%
BELIMO Technology (USA), Inc., Danbury[2]	US	USD	30	R&D	100%	100%
BELIMO Aircontrols (CAN), Inc., Mississauga	CA	CAD	95	D	100%	100%
BELIMO Sensors Inc., Dorval[3]	CA	CAD	2 025	P, D, R&D	100%	–
BELIMO Brasil – Comércio de Automação Ltda., São Paulo[4]	BR	BRL	10 372	D	100%	100%
Asia Pacific						
BELIMO Actuators Ltd., Hong Kong	HK	HKD	10	D	100%	100%
BELIMO Actuators Pty. Ltd., Mulgrave, Melbourne	AU	AUD	10	D	100%	100%
BELIMO Automation (Shanghai) Co., Ltd., Shanghai	CN	CNY	20 320	P, D, R&D	100%	100%
BELIMO Actuators (India) Pvt Ltd., Mumbai[5]	IN	INR	1 574	D	100%	100%
BELIMO Automation Malaysia SDN. BHD., Kuala Lumpur[6]	MY	MYR	5 300	D	100%	100%

[1] Investment held by BELIMO InnoVision
[2] Investment held by BELIMO Aircontrols (USA)
[3] Incorporated on November 25, 2020
[4] Capital increase of BRL 3 654 000 on December 24, 2020
[5] Capital increase of INR 477 110 on November 24, 2020
[6] Capital increase of MYR 3 400 000 on November 12, 2020
H = Holding company
P = Production
D = Distribution
R&D = Research and development
I = Inactive

24 Events after the Reporting Date

On March 5, 2021, the Board of Directors of BELIMO Holding AG approved the present consolidated financial statements for release.

As of this date, no material events after the reporting date have occurred. The consolidated financial statements are subject to approval by the shareholders of BELIMO Holding AG in its Annual General Meeting to be held on March 29, 2021.

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 2020 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 100 to 139) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 105.5 Mio as at 31 December 2020. 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 11 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 2020 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 2021 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

Reto Benz Licensed Audit Expert Auditor in Charge	Reto Kaufmann Licensed Audit Expert

Zurich, 5 March 2021

KPMG AG, Räffelstrasse 28, PO Box, CH-8045 Zurich

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Financial Statements of BELIMO Holding AG

Income Statement

	Note	2020	2019
in CHF 1 000			
Dividend income – Group companies		84 373	75 248
License fees – Group companies		9 553	8 149
Other financial income	2.1	3 655	4 709
Revenue		**97 582**	**88 105**
Personnel expenses		– 1 125	– 926
Other operating expenses		– 1 522	– 812
Financial expenses	2.1	– 5 512	– 947
Impairment loss		– 2 163	– 555
Direct taxes		– 1 029	– 1 450
Expenses		**– 11 351**	**– 4 691**
Net income		**86 231**	**83 414**

Balance Sheet

in CHF 1 000	Note	December 31, 2020	December 31, 2019
Cash and cash equivalents		72 769	113 203
Other current receivables – Group companies	2.2	16 203	1 047
Other current receivables – Third parties		112	277
Accrued income and prepaid expenses		15	14
Current assets		**89 099**	**114 542**
Financial assets – Group companies		145 260	145 759
Investments – Group companies	2.3	69 071	65 903
Non-current assets		**214 331**	**211 662**
Assets		**303 430**	**326 204**
Other current liabilities – Group companies	2.2	–	16 253
Other current liabilities – Third parties		98	29
Deferred income and accrued expenses		405	828
Current liabilities		**503**	**17 110**
Liabilities		**503**	**17 110**
Share capital		615	615
Legal capital reserves		9 164	9 164
Legal retained earnings		580	580
Voluntary retained earnings		292 792	298 803
Treasury shares	2.4	– 224	– 67
Shareholders’ equity		**302 927**	**309 095**
Liabilities and shareholders’ equity		**303 430**	**326 204**

Notes to the Financial Statements

1 Accounting Policies

1.1 General Information

The financial statements of BELIMO Holding AG, Hinwil (Switzerland), have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations. 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.

These 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.

1.2 Non-current assets

Non-current assets include long-term loans and investments in group companies.

Loans denominated in foreign currencies are translated at the rate at the reporting date, whereby unrealized losses are fully recognized, and unrealized gains are only recorded to the extent of previous losses.

Investments in group companies are accounted for at acquisition cost less valuation allowances, as required.

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 and Financial Expenses

Other financial income mainly contains interest income on loans to Group companies and the gain on treasury shares awarded for share-based payments.

In 2020, net foreign exchange losses of CHF 4.9 million were recognized as financial expenses (previous year loss of CHF 0.8 million).

2.2 Other current Receivables and Liabilities – Group Companies

As at December 31, 2020, BELIMO Holding AG had a receivable towards BELIMO Automation AG of CHF 14.7 million (previous year other current liabilities of CHF 16.3 million).

2.3 Investments – Group Companies

Information on the investments directly and indirectly controlled by BELIMO Holding AG, is given in the list of group companies on page 138 of the Annual Report. Ownership interests equal voting rights.

2.4 Treasury Shares

	2020		2019	
	Number of shares	Value in CHF 1 000	Number of shares	Value in CHF 1 000
As at January 1	**57**	**67**	**57**	**67**
Purchase	470	3 673	–	–
Awarded for (group) share-based payments	– 498	– 3 516	–	–
As at December 31	**29**	**224**	**57**	**67**

Awards for group share-based payments are made on behalf of the respective group companies. These group companies cover all costs.

In the reporting year, the average transaction price of the treasury shares purchased was CHF 7 814 and the average transaction price of the treasury shares awarded for share-based payments CHF 7 710.

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 available committed (CHF 80.0 million) and uncommitted (CHF 20.0 million) credit lines were not used in 2020. The framework agreements, on which either BELIMO Holding AG or BELIMO Automation AG may draw, are not subject to financial covenants.

There were no contingent liabilities as at December 31, 2020 and 2019.

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.

BELIMO Holding AG has guarantee obligations in the amount of CHF 0.4 million (previous year none).

3.3 Participation Rights of the Members of the Board of Directors and the Group Executive Committee

The following table discloses the number of shares held by the members of the Board of Directors and the Group Executive Committee as well as their related parties:

	December 31, 2020	December 31, 2019
Number of shares		
Board of Directors		
Prof. Adrian Altenburger	50	50
Patrick Burkhalter	3 565	3 565
Sandra Emme	20	20
Urban Linsi [1)]	8 010	8 010
Stefan Ranstrand [2)]	–	–
Dr. Martin Zwyssig	25	25
Total Board of Directors	**11 670**	**11 670**
Group Executive Committee		
Gary Economides	17	–
Lukas Eigenmann	193	175
James W. Furlong	76	60
Peter Schmidlin [3)]	–	403
Louis Scheidegger	48	32
Dr. Markus Schürch	12	–
Lars van der Haegen	89	70
Total Group Executive Committee	**435**	**740**

1) Urban Linsi is a member of the registered shareholder group Linsi, which holds a total of 120 000 voting shares.
2) Joined the Board of Directors as of March 30, 2020 (see corporate governance, pages 42 to 53).
3) Resigned from the Group Executive Committee as of March 2020 (see corporate governance, pages 42 to 53).

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

In 2020, 95 shares (CHF 0.7 million) were issued to the members of the Group Executive Committee based on the long-term incentive share plan introduced in the reporting year (see remuneration report, pages 20 to 25).

3.4 Significant Shareholders

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

	December 31, 2020	December 31, 2019
The Capital Group Companies, Inc. [1)]	–	5.21%
1832 Asset Management L.P. [1)]	5.12%	–
Group Linsi	19.53%	19.28%

1) Not above five percent at the corresponding reporting date.

3.5 Events after the Reporting Date

On March 5, 2021, the Board of Directors of BELIMO Holding AG approved the present annual financial statements for release.

As of this date, no material events after the reporting date have occurred. The annual financial statements are subject to approval by the shareholders of BELIMO Holding AG in its Annual General Meeting to be held on March 29, 2021.

Appropriation of Available Earnings

in CHF 1 000	December 31, 2020
Balance carried forward from previous year	206 561
Net income	86 231
Available earnings	**292 792**
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 150 per share [1]	– 92 250
Balance carried forward	**200 542**

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

The Board of Directors proposes to the 2021 Annual General Meeting a dividend of CHF 150.00 per share.

The dividend is expected to be paid on April 6, 2021.

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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 2020, 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 144 to 148) for the year ended 31 December 2020 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

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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

Reto Benz
Licensed Audit Expert
Auditor in Charge

Reto Kaufmann
Licensed Audit Expert

Zurich, 5 March 2021

KPMG AG, Räffelstrasse 28, PO Box, CH-8045 Zurich

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Information for Investors

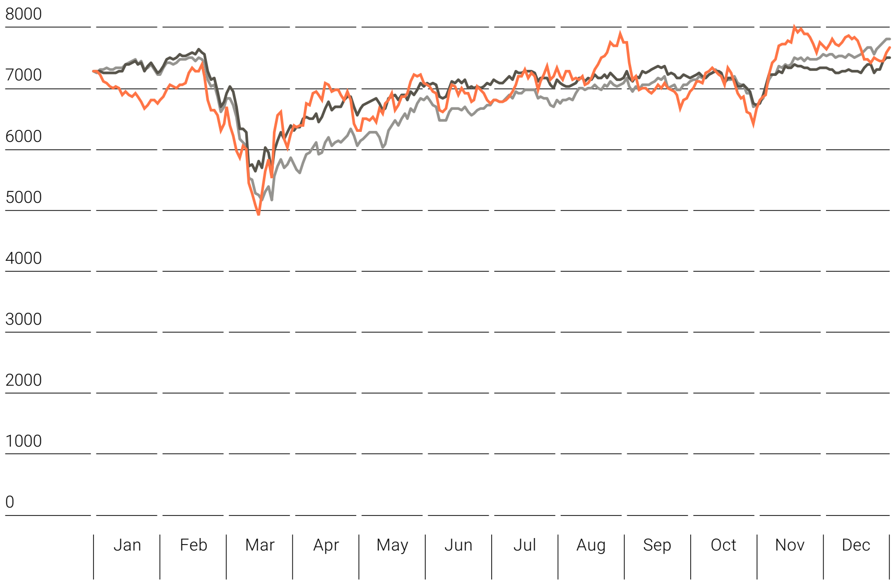
Stock Market Information from 2016 to 2020

	2020	2019	2018	2017	2016
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	614 924	614 943	614 834	614 691	614 493
Information per average outstanding share					
Earnings, in CHF	141	197	140	126	114
Cash flow from operating activities, in CHF	204	204	185	134	147
Operating income (EBIT), in CHF	176	201	179	151	142
Shareholders' equity, in CHF	796	825	711	673	600
Information per registered share					
Dividend, in CHF (as proposed by the Board of Directors for next year)	150	150	100	85	75
Return on dividend as at December 31, in %	2.0%	2.1%	2.5%	2.0%	2.4%
Payout ratio, in % of net income attributable to Belimo shareholders	106.4%	76.1%	71.3%	67.5%	66.1%
Price-earnings ratio as at December 31	54.5	37.0	28.1	33.9	27.1
Stock market prices in CHF					
High	8 090	7 300	4 995	4 380	3 408
Low	4 675	3 930	3 750	3 021	2 221
Year-end	7 680	7 290	3 940	4 266	3 078
Market capitalization in CHF million					
High	4 975	4 490	3 072	2 694	2 096
Low	2 875	2 417	2 306	1 858	1 366
Year-end	4 723	4 483	2 423	2 624	1 893
In % of shareholders' equity as at December 31	965%	884%	554%	634%	513%
Average daily trading volume					
In number of shares	1 047	935	424	331	356

Alternative performance measures that are not defined or specified in IFRS, are described under the following link: www.belimo.com/financial-summary

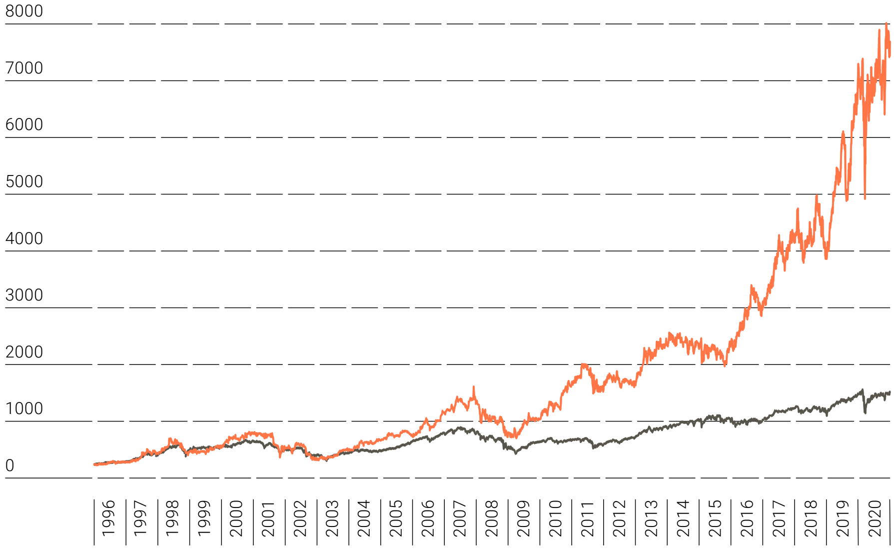
Performance since January 1, 2020

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 Financial Summary

Five-Year Summary of the Belimo Group

	2020	2019	2018	2017	2016
in CHF 1 000 (unless indicated otherwise)					
Income statement					
Net sales	661 226	692 680	642 368	579 853	533 650
Operating income (EBITDA)	139 337	154 224	134 999	117 388	110 280
in % of net sales	21.1%	22.3%	21.0%	20.2%	20.7%
Operating income (EBIT)	108 065	123 869	109 839	92 621	86 964
in % of net sales	16.3%	17.9%	17.1%	16.0%	16.3%
Personnel expenses	192 020	188 263	171 195	157 877	146 354
in % of net sales	29.0%	27.2%	26.7%	27.2%	27.4%
Research and development	53 772	50 683	47 248	44 423	37 721
in % of net sales	8.1%	7.3%	7.4%	7.7%	7.1%
Operating expenses	256 372	260 471	242 499	224 952	204 341
in % of net sales	38.8%	37.6%	37.8%	38.8%	38.3%
Depreciation and amortization	31 272	30 355	25 160	24 767	23 315
in % of net sales	4.7%	4.4%	3.9%	4.3%	4.4%
Net income	86 641	121 103	86 209	77 490	69 753
in % of net sales	13.1%	17.5%	13.4%	13.4%	13.1%
Cash flow					
Cash flow from operating activities	125 668	125 400	113 938	82 318	90 282
in % of net sales	19.0%	18.1%	17.7%	14.2%	16.9%
Free cash flow	93 274	83 852	94 261	54 857	75 151
in % of net sales	14.1%	12.1%	14.7%	9.5%	14.1%
Investments in property, plant and equipment and intangible assets	28 964	40 652	20 491	24 919	15 796
Dividend distribution	92 241	61 494	52 256	46 092	39 937
Balance sheet					
Total assets	583 458	602 002	531 472	491 886	451 869
Cash and cash equivalents	164 942	172 563	155 138	113 178	103 670
in % of total assets	28.3%	28.7%	29.2%	23.0%	22.9%
Current assets	361 316	374 897	348 281	302 503	267 012
in % of total assets	61.9%	62.3%	65.5%	61.5%	59.1%
Net working capital	167 899	176 453	166 667	161 610	138 240
in % of net sales	25.4%	25.5%	25.9%	27.9%	25.9%
Non-current assets	222 142	227 105	183 191	189 383	184 857
in % of total assets	38.1%	37.7%	34.5%	38.5%	40.9%
Current liabilities	78 364	77 748	71 089	63 481	53 536
in % of total assets	13.4%	12.9%	13.4%	12.9%	11.8%
Non-current liabilities	15 831	16 910	23 140	14 755	29 368
in % of total assets	2.7%	2.8%	4.4%	3.0%	6.5%
Shareholders' equity	489 263	507 344	437 243	413 650	368 965
in % of total assets	83.9%	84.3%	82.3%	84.1%	81.7%
Key figures					
Net sales year-on-year growth, in %	– 4.5%	7.8%	10.8%	8.7%	8.2%
Net sales in local currencies year-on-year growth, in %	0.0%	9.2%	9.6%	8.2%	6.8%
Return on equity (ROE), in %	17.4%	25.6%	20.3%	19.8%	19.8%
Return on invested capital (ROIC), in %	24.7%	27.8%	27.8%	23.4%	23.8%
Quick ratio, in %	320.6%	344.3%	347.6%	321.2%	342.1%
Days sales outstanding (DSO)	53.1	54.9	55.8	56.3	55.0
Inventory period (DIO)	159	145	144	145	145
Equity-to-fixed-assets ratio, in %	227.4%	230.8%	251.3%	226.2%	215.5%
Number of employees (FTEs, yearly average)	1 824	1 712	1 591	1 483	1 416
Net sales per employee	363	405	404	391	377
Actuators shipped, in million items	6.9	7.2	6.7	6.3	5.9

Alternative performance measures that are not defined or specified in IFRS, are described under the following link: www.belimo.com/financial-summary

Publications and Agenda

Annual General Meeting 2021	March 29, 2021
Dividend Payment	April 6, 2021
Publication of Semiannual Report 2021	July 22, 2021
Publication of Sales 2021	January 20, 2022
Publication of Annual Report 2021 / Media and Financial Analysts Conference	March 7, 2022
Annual General Meeting 2022	March 28, 2022

Credits
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Consultant on sustainability and GRI reporting: Sustainserv GmbH, Zurich (Switzerland) and Boston (Massachusetts, USA)

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Severin Jakob, Zurich (Switzerland)

Illustrations (Ludmillenstift Case Study):
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This Annual Report has been published on March 8, 2021, exclusively in English and includes all subsidiaries held by BELIMO Holding AG (GRI 102-45).