

016

Highlights 2016

Sales growth.

8.2 percent in Swiss francs and 6.8 percent in local currencies.

Operating income (EBIT).

CHF 87.0 million or 16.3 percent of sales.

Net income.

CHF 69.8 million or 13.1 percent of sales.

Operating cash flow.

CHF 90.3 million or 16.9 percent of sales.

Equity ratio.

81.7 percent.

Return on invested capital.

23.8 percent.

Dividend.

CHF 75 per share (proposal to annual general meeting).
Payout ratio 66.1 percent.

Actuators shipped.

5.9 million.

Innovative capacity.

Research and development costs 7.1 percent of sales.

The Pictures

“To us, innovation means the commitment to further develop our products and solutions and seize market opportunities aiming to offer our customers added value.”

This year’s annual report focuses on the importance of innovative capacity for Belimo and its customers and explains the new sensors, Belimo Energy Valve™, butterfly valves and VAV ZoneEase™ product solutions.

Content

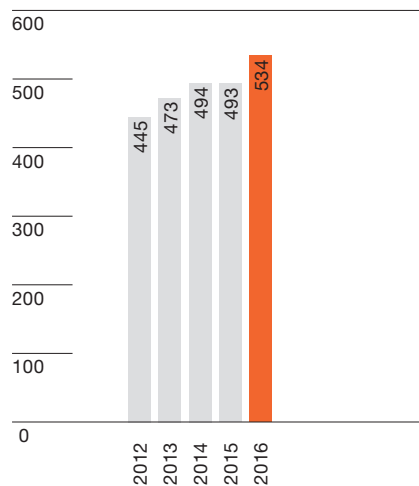
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Financial Summary

| in CHF million | 2016 | 2015 | Change |
|---|----------------|---------------|--------|
| Net sales | 533.7 | 493.3 | 8.2% |
| Operating income before interest, taxes, depreciation, amortization (EBITDA) in percent of net sales | 110.3 20.7% | 95.8 19.4% | 15.1% |
| Operating income before interest and taxes (EBIT) in percent of net sales | 87.0 16.3% | 74.6 15.1% | 16.5% |
| Net income in percent of net sales | 69.8 13.1% | 56.2 11.4% | 24.1% |
| Investments in property, plant and equipment and intangible assets | 15.8 | 34.0 | -53.6% |
| Cash flow from operating activities in percent of net sales | 90.3 16.9% | 70.4 14.3% | 28.3% |
| Free cash flow in percent of net sales | 75.2 14.1% | 37.0 7.5% | 102.9% |
| in CHF | | | |
| Earnings per share | 113.51 | 91.52 | 24.0% |
| Dividend per share | 75.00 | 65.00 | 15.4% |
| Number of employees (FTE's) as at December 31 | | | |
| | 1 440 | 1 409 | 2.2% |

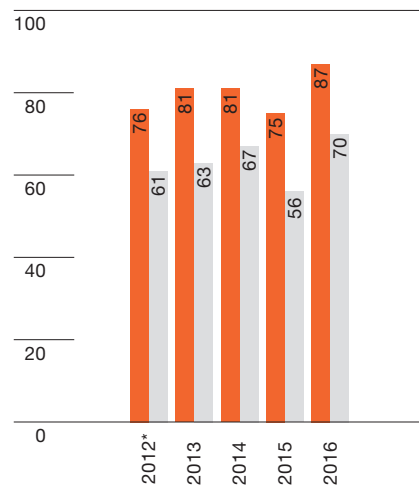
Sales 2012–2016

in CHF million



Income 2012–2016

in CHF million



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

■ Operating income (EBIT)
■ Net income

Preface



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

Dear Shareholders

Belimo can look back at a successful year. Sales in Swiss francs increased 8.2 percent to CHF 533.7 million. In currency-adjusted terms, this equals organic growth of 6.8 percent. In local currencies, the Europe market region grew by 5.3, the Americas by 7.1 and Asia/Pacific by 12.1 percent. As expected, the higher growth seen in the first half-year of 2016 could not be continued in the second half.

The strategy of a strong regional presence combined with positioning as an innovative global market and technology leader will continue to generate sustainable growth in the future. For example, customers using the innovative Belimo Energy Valve™ achieve long-term economic and environmental benefits (energy efficiency).

Other growth drivers include the expansion of the sensor business and the opportunities that digitization offers for Belimo.

Not only sales growth, but also continuous investments in efficiency improvements over the past few years contributed to a solid operating income (EBIT) of CHF 87.0 million and an EBIT margin of 16.3 percent. Net income rose by 24.1 percent year-on-year to CHF 69.8 million. Currency effects had a negative impact on the net income of previous year.

The Board of Directors proposes to the annual general meeting a dividend of CHF 75 per share. Based on the closing price of CHF 3078 on December 31, 2016, this equates to a return of 2.4 percent per share.

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

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

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

Hans Peter Wehrli
Chairman of the Board of Directors

Report of the Group Executive Committee



Lars van der Haegen
CEO

In 2016, organic growth amounted to 8.2 percent in Swiss francs and 6.8 percent in local currencies. The operating income margin was encouraging at 16.3 percent.

Europe

Sales in the Europe market region grew by 6.2 percent and in currency-adjusted terms by 5.3 percent. In spite of weaker growth in the second half-year, Belimo surpassed general market trends and gained market shares.

Economic Environment and Markets

Although the large European economies did well, the individual countries in Europe saw very different growth trends. The low oil price resulted in restrained investment activity in the Middle East, and political uncertainty in Turkey had a negative impact on sales development. Except for the devaluation of the British pound, Brexit did not have any noticeable effect in the reporting year. Overall, demand in the heating, ventilation and air conditioning sector was stable in the European market.

Germany, the United Kingdom, Italy, the Netherlands and Poland made excellent contributions to growth. Russia saw a trend reversal and renewed growth. Germany gained market share with innovative products for water applications in particular. Demand rose in the United Kingdom for fire damper actuators. Italy posted growth across all business areas. The market in the Netherlands recovered, which resulted in encouraging growth. The contracting business in particular improved considerably. Poland benefited from relocations of production facilities from Western to Eastern Europe as well as from a strong economy. While lively construction activity in the Arab Emirates resulted in solid growth, project delays meant that the expectations for Saudi Arabia were not met. Switzerland suffered from a decline in the commercial building sector, the ongoing trend towards the outsourcing of activities abroad as well as the effects of the strong Swiss franc.

Customers and Products

Water applications saw excellent growth. Particularly sales of the new products for zone and pressure-independent applications developed better than average. For air applications the market reacted very well to the new product range of fire damper actuators. Actuators for general applications also demonstrated robust growth.

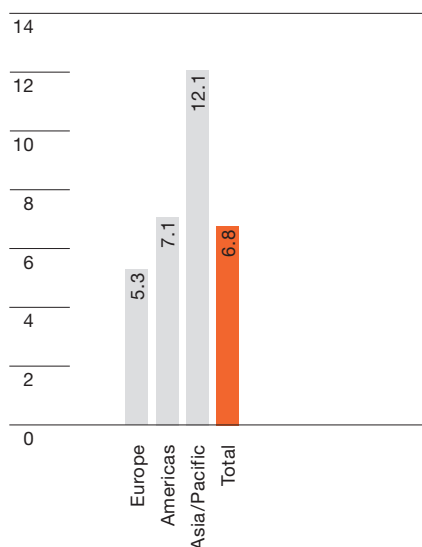
Both the OEM and contracting business showed stable development.

Belimo took part with great success in the Mostra Convegno Expocomfort (MCE), an international trade fair in Milan, Italy.

In South Africa, the country's largest shopping mall, the "Mall of Africa" was built. With the Belimo Energy Valves™ installed in this mall, the HVAC systems can be operated in a highly energy-efficient manner.

Sales growth 2016
in local currencies

in percent



Americas

Sales in the Americas market region grew by 9.4 percent and in currency-adjusted terms by 7.1 percent. All markets contributed to this positive result.

Economic Environment and Markets

The economy in the United States continued to gain momentum as 2016 progressed, aided by lower rates of unemployment and increases in consumer spending and housing investment. The Canadian economy also experienced a strong rebound in the latter half of the year driven from a pickup in energy export activities. Most countries in Latin America remained in recession throughout the year due to the region's continued adjustment to low commodity prices. The HVAC market in the United States and Canada fared better than the general economy. Among other things, it benefited from continued interest on the part of facility owners to invest in energy-saving HVAC system upgrades in existing buildings.

The United States and Canada contributed substantially to the strong sales growth, which in addition to the good economic situation could also be attributed to high sales and marketing performance as well as short delivery times.

Overall, the market share of damper actuators and control valves increased.

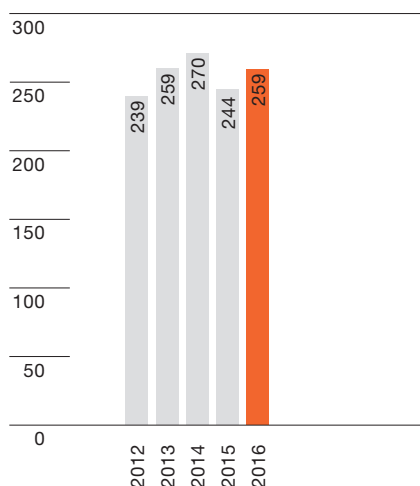
Customers and Products

Products for air and water applications demonstrated healthy increases. The higher growth of the latter is a reflection of the continued success with innovative products for water applications.

Both the OEM and contracting business also posted good growth. The growth in the OEM business was driven primarily by strong sales of fire protection and safety products. The contracting business benefited most significantly from growth in the sale of pressure-independent valves and characterized control valves.

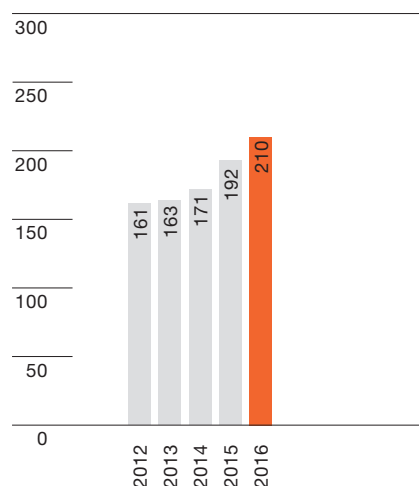
Net sales Europe

in CHF million



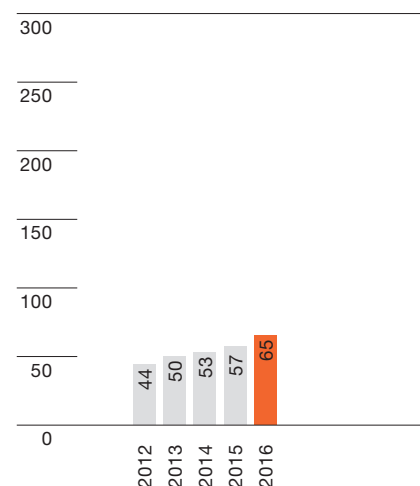
Net sales Americas

in CHF million



Net sales Asia/Pacific

in CHF million



Report of the Group Executive Committee

The zero-leakage ZoneTight™ zone valves for narrow spaces introduced in 2015 were very well received by customers and contributed significantly to the sales growth in 2016. The market launch of the new butterfly valves started at the end of 2016.

Belimo took part in the international Air-Conditioning, Heating, Refrigerating Exposition (AHR Expo 2016) in Orlando, United States.

In Las Vegas, United States, the “Mandalay Bay Resort and Casino” was retro-fitted with Belimo Energy Valves™. This project shows how much energy can be saved thanks to this pressure-independent valve in large hotel and casino complexes.

Sales 2016 by application



■ Air 57%
■ Water 43%

Asia/Pacific

Sales in the Asia/Pacific market region grew by 12.5 percent and in currency-adjusted terms by 12.1 percent.

Economic Environment and Markets

The economic growth in most countries in the Asia/Pacific region was rather slow, which also affected the HVAC market. However, growth was supported by the increasing number of environmentally friendly new buildings and the implementation of energy-saving regulations in the region.

As a result, Belimo has achieved good growth in the entire region in spite of the difficult market environment. Performance was particularly good in India, which benefited from government investments in infrastructure. In China, the contracting business and regional sales in Southern China developed very positively. Railway, data centers and commercial buildings provided good business opportunities. The South Korean market recovered from a project slowdown in 2015 and important projects could be realized.

Market share remained stable in general. China saw improvements in the markets for data centers and commercial buildings, and in India, the market share improved for both air and water applications.

Sales 2016 by region



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

Customers and Products

Sales share of water applications has increased. Pressure-independent valves, butterfly valves and characterized control valves were the main growth contributors. Air applications showed a moderate growth.

The OEM and contracting business both performed equally well and generated solid growth throughout the region. After a rather slow previous year, the contracting business in China improved substantially.

Belimo considerably intensified its efforts in 2016 to reach end users, facility managers, owners and planners. The Company actively engaged with industry associations and strengthened its marketing activities targeting these important and influential decision-makers. Efforts in these areas will be continued in 2017.

In Macao, China, Belimo was awarded the project for the “Grand Lisboa Palace” casino, hotel and entertainment complex, the largest such complex to date. This project is scheduled to be finished in 2017 and is one of the first major projects using pressure-independent valves in the Asia/Pacific region.

Innovation

Belimo will soon introduce the third generation of the Belimo Energy Valve™. This represents a consistent further development based on the latest technical possibilities. The integrated cloud function is the most important innovation. For its use the energy valve is connected to the internet via ethernet, which allows an automatic optimization of operations. The Belimo Cloud is going online for the first time with this product, which is an important milestone for Belimo.

Employees 2016 by region



■ Europe 56%
■ Americas 30%
■ Asia/Pacific 14%

To continuously improve the comfort and efficiency of heating, ventilation and air conditioning systems, a network of sensors is needed to record and analyze the data using decentralized logic or cloud technologies. A product range of sensors for air and water applications will be launched in 2017. These sensors can measure parameters such as temperature, humidity, air quality, pressure and volumetric flow.

The electronic pressure-independent 6-way zone valve from the Belimo Zone-Tight™ product family combines the benefits of two established Belimo valves in a single product: the efficiency of the electronic pressure-independent valve (EPIV) and the ease of installation of the 6-way characterized control valve (CCV). All actuator settings can be done comfortably wireless via the Belimo assistant app.

Employees 2016 by function



■ Assembly, logistics 45%
■ Sales, marketing and distribution 32%
■ Research, development 12%
■ Administration, management 11%

The new butterfly valves and PR actuators offer the most intelligent, energy-efficient and reliable high flow solution. The focus of this series are ease of installation thanks to less overall height and reduced weight, bus communication with sensor connections and high energy savings compared to similar products.

VAV ZoneEase™ was developed for the Asian market. This is a zone solution for demand controlled variable air volume applications. This intelligent damper actuator features a three-part interaction concept with wireless operation via smartphone, a self-explanatory service tool and a comprehensive PC tool with graphic trend diagrams.

Outlook

The long-term trends of urbanization, energy efficiency, safety and digitization that are affecting building technology will continue and are being effectively leveraged by Belimo to promote growth. Digitization will change the system architecture and processes of building automation. Digital communication with damper actuators, control valves and sensors will gain in importance, allowing their efficient integration in building automation. This development is clearly reflected in the features of the named products that are currently being launched on the market.

In the Europe market region, the development of the economy as well as private and public building activities is expected to remain satisfactory in countries most important to Belimo. The strongest growth is expected in Central and Eastern Europe.

Expectations are positive for the Americas market region. Based on various key indicators the economy in the United States appears to be moving in an upward trajectory. The Canadian economy is also forecasted to remain strong. The Brazilian economy is predicted to begin improving again in 2017.

Report of the Group Executive Committee

In the Asia/Pacific market region, the trend towards the optimization of operating costs in buildings and the growing demand for innovative and high-quality components promise a positive outlook.

Given the strengthening of the sensor product range and the opportunities offered to Belimo by digitization, expenses for research and development will be increased in relation to sales in order to improve innovative capacity.

Belimo is aiming for sustainable and profitable growth with its strategy of a strong regional presence and the constant expansion of its market leadership through innovation.

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

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

Solution Leadership

To shape a successful future and to keep on setting new standards, we at Belimo view technical limits as opportunity to create innovative solutions that provide customer value.



To us, innovation means the commitment to further develop our products and solutions and seize market opportunities aiming to offer our customers added value. To give this aspiration the necessary weight, we invest about seven percent of sales in the group division Innovation.

Focus

Our innovations focus on heating, ventilation and air conditioning (HVAC) systems. Belimo damper actuators, control valves and sensors contribute to the efficient fulfillment of basic needs, primarily comfort and safety in indoor spaces.

New Technologies

Innovation is one of our main drivers for long-term success and technological leadership. Digitization also opens up opportunities in building technology for plant simplification and improvement. The next step we are taking involves integrating new technologies such as cloud solutions, smartphone apps, Near Field Communication (NFC) and an expanded product range of sensors. The following pages describe four such innovations that are being introduced on the market in 2017.

Sensors

To reach its full potential, the Internet of Things requires a network of sensors to record and analyze data based on decentralized logic or cloud technologies.

To achieve a good room climate and energy efficiency in heating, ventilation and air conditioning plants reliable field devices such as actuators, control valves, and sensors are required. While actuators and valves control flows of air and water, sensors measure temperature, humidity, pressure, air quality or flows. They are installed in rooms, air ducts or pipes.

Sensible Expansion of our Range

Belimo has many years of experience in developing high-quality sensors for the HVAC industry that assure the reliable recording of information and guarantee the best possible data quality. We are expanding our core business of components with integrated sensors by adding autonomous sensors that can be applied to any system design. Belimo is launching a complete product range of sensors optimally tailored to Belimo actuators

and valves that can be seamlessly integrated into existing or new building automation systems.

Innovation in Detail

For instance the new air quality sensor measures CO₂ content with two channels to compensate for possible deviations. That means greater accuracy and long-term stability. In addition, the same device also records humidity and temperature values and feeds the data into the system through just one bus interface. As a result, installation and integration costs can be reduced.

Using the Belimo sizing and selection software SelectPro™ or a smartphone app, Belimo customers can select the correct sensor quickly or determine a substitute product for an installed third-party model.



Belimo Energy Valve™

With its unique functionality and intelligent cloud services, the Belimo Energy Valve™ sets new standards for automatic optimization and offers an all-round care-free package.

Belimo created a new product category with its introduction of the Belimo Energy Valve™. This control valve continuously optimizes the water flow, automatically adjusts it to current climatic conditions and eliminates the so called Delta T syndrome. Since its market launch in 2012, the Belimo Energy Valve™ has won 20 awards from industry organizations worldwide. Today, thousands of these smart valves help to reduce the operating costs in buildings and CO₂ emissions. Now the third generation of the Belimo Energy Valve™ is being launched.

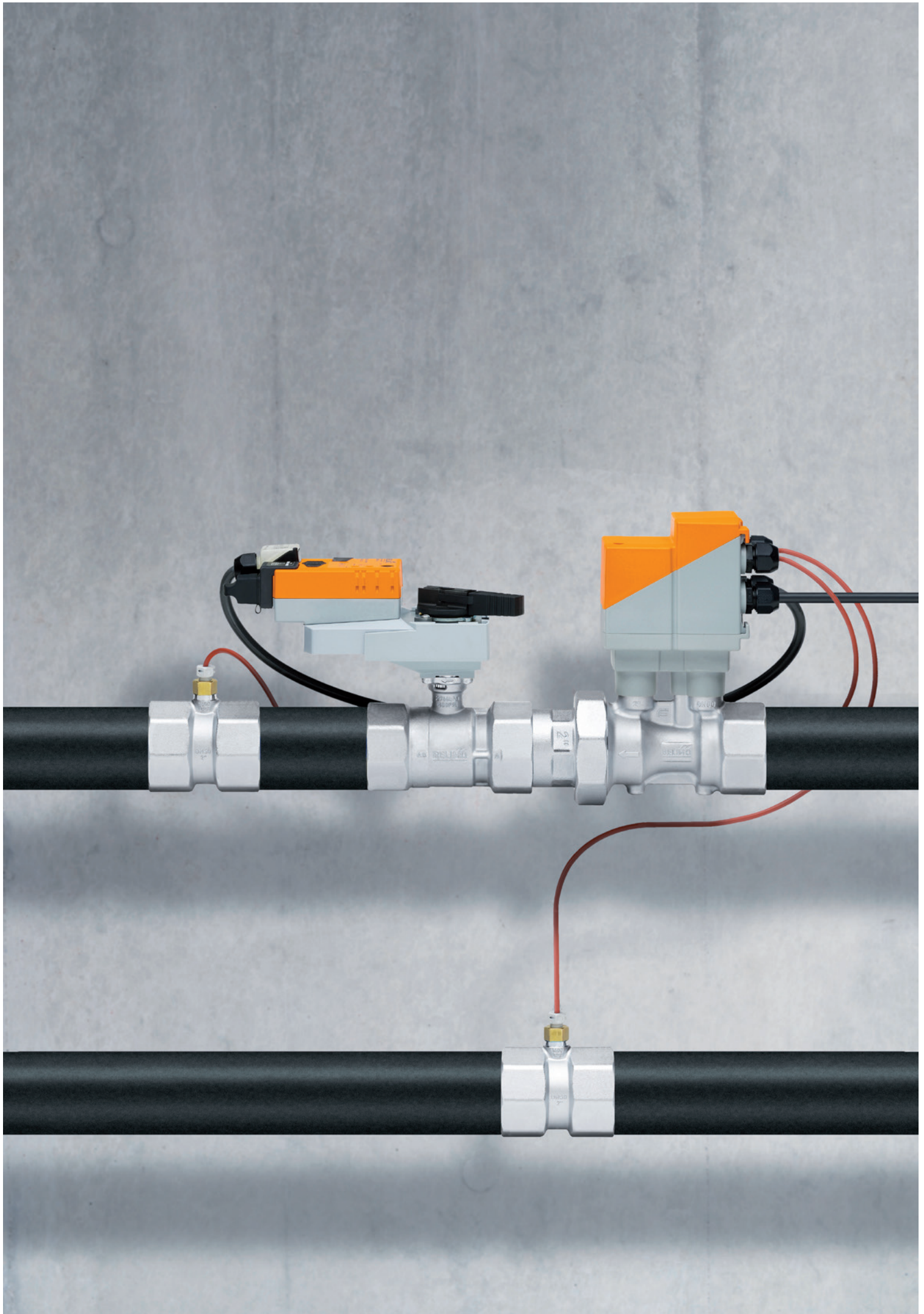
Cloud for Enhanced Comfort

Upon request, the new version can be connected over the Internet to the Belimo Cloud. The operation of the valve

is then continuously monitored and compared against other valves operating under similar conditions. Customers receive regular energy reports that include data on trends, energy, and performance. Technical support from Belimo can likewise give customers better and faster advice thanks to the available data.

Innovative Flow Measurement

Belimo supplemented the ultrasonic flow measurement with its patented glycol meter. Many systems require a mixture of water and glycol as a heat transfer fluid. The new Belimo Energy Valve™ monitors this glycol concentration and protects the plants against frost.



Butterfly valves

The latest actuator and valve technologies increase reliability and flexibility, simplify installation and thereby reduce energy consumption by up to 80 percent.

The new generation of butterfly valves for high flows is compelling because of their simple installation, maximum application flexibility, and excellent longevity. These new PR actuators cannot only be used with Belimo valves but are also compatible with over 2500 types of third-party valves.

Clever Design

Thanks to lower overall height and reduced weight, the PR actuators are quick and easy to install. With 80 percent lower power consumption this valve-actuator combination allows for substantial energy savings. The visual position indicator shows the position of the butterfly valve from distance.

NFC and SuperCap

Near Field Communication (NFC) allows wireless parameterization via smartphone, even if the actuator is not connected to the power supply. This set of technologies can also run a quick and thorough functional check for diagnosis during commissioning and in the operating phase. That increases operational safety. The butterfly valves are also available with the patented Belimo SuperCap technology, which allows moving automatically to a safety position during a power failure – an application utilized, for example, in data centers.



VAV ZoneEase™

The new actuator for variable air volume control reduces the overall system costs and simplifies commissioning and support thanks to the smartphone app and cloud functionality.

VAV ZoneEase™ was developed for the Asian market and is suitable for controlling indoor comfort in large building complexes. By taking this step, Belimo is expanding its actuator product range with a complete zone solution that can be integrated easily into common building automation systems via a bus interface.

Reliability and Comfort

In developing the VAV ZoneEase™, the focus was on reducing overall system costs and on supporting system integrators during commissioning. The result is a reliable and comfortable solution that is characterized by

simplest handling, top quality, and maximum transparency regarding system data.

A New Era

The new technologies dramatically simplify the overall process, from planning to commissioning and maintenance. The individual actuators and room sensors can thus be configured wirelessly using a smartphone app. In a building with hundreds of actuators, this results in enormous time savings. Another advantage is that all documents such as commissioning reports are automatically provided in the Belimo Cloud.



BELIMO
2E-SET-001
200-10-00
5 Nm
AC 230 V
1000 12-0
AC 230 V / 50 Hz
RAC-Set AC 230 V / 50 Hz

Corporate Governance

BELIMO Holding AG discloses this corporate governance report at the highest corporate level of the Belimo Group in accordance with the principles and regulations of the Swiss stock exchange SIX Swiss Exchange, in particular the Directive Corporate Governance and the Swiss Code of Best Practice published by *economiesuisse*.

The required disclosure of remuneration for the members of the Board of Directors of BELIMO Holding AG and the Group Executive Committee, as well as other disclosures, are reported based on the Ordinance Against Excessive Compensation in Listed Companies and the articles of incorporation of BELIMO Holding AG in the remuneration report on pages 32 to 35.

The information contained in this corporate governance report is based on the corporate organization, regulations and articles of incorporation that were in effect on December 31, 2016.

1 Group Structure and Shareholders

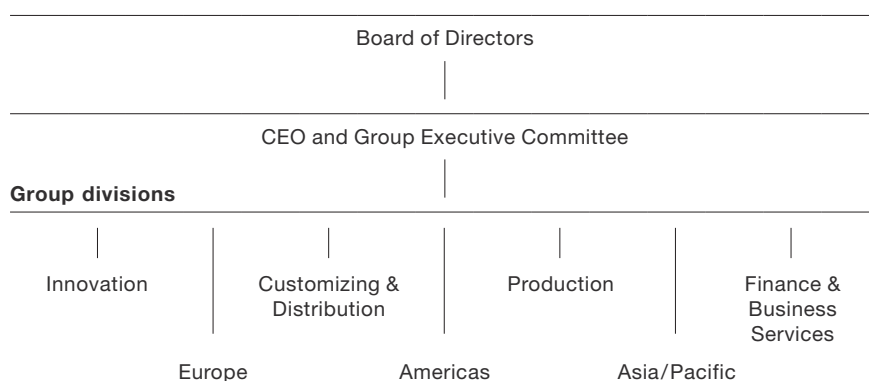
1.1 Group Structure

The Belimo Group is organized into markets (Europe, Americas, Asia/Pacific), Innovation, Production, Customizing & Distribution, and Finance & Business Services. The operational Group structure is shown in the organization chart below.

BELIMO Holding AG (the holding company of the Belimo Group) is the only Group company that is listed. The registered office of the Company is in Hinwil, Switzerland. Belimo shares (ISIN number CH0001503199) are listed on the Swiss stock exchange SIX Swiss Exchange.

The market capitalization as of December 31, 2016, amounted to CHF 1893 million. With the exception of BELIMO Holding AG, no Group companies hold Belimo shares. The Belimo shares held by BELIMO Holding AG are disclosed on page 87. Further details on Belimo shares are given on pages 92 and 93. Information regarding the unlisted companies is given in the summary on page 86.

Group structure



1.2 Significant Shareholders

As at December 31, 2016, the following shareholders owned more than three percent of the share capital of BELIMO Holding AG:

| Shareholder | Number of Belimo shares | Share | Of which voting shares | Share |
|-----------------------------------|-------------------------|---------|------------------------|---------|
| 1832 Asset Management L.P. | 18 553 | 3.02% | 18 553 | 3.02% |
| Ameriprise Financial, Inc. | 22 405 | 3.64% | 22 405 | 3.64% |
| The Capital Group Companies, Inc. | 30 730 | 4.9967% | 30 730 | 4.9967% |
| Werner Roner | 35 000 | 5.69% | 35 000 | 5.69% |
| Group Linsi | 118 570 | 19.28% | 118 570 | 19.28% |

Disclosure notices relating to persons or groups with significant shareholdings (more than three percent of voting rights) can be found at www.six-exchange-regulation.com.

As at December 31, 2016, BELIMO Holding AG held 0.07 percent of the share capital.

1.3 Cross-Shareholdings

There are no cross-shareholdings with other companies.

2 Capital Structure

Information on the capital structure is contained to a large extent in the articles of incorporation of BELIMO Holding AG and in the financial statements of BELIMO Holding AG (pages 83 to 89). The articles of incorporation are available on the Internet at www.belimo.com/investorrelations.

2.1 Capital

The ordinary share capital of BELIMO Holding AG amounts to CHF 615 000.

2.2 Approved and Conditional Capital in Particular

The Company has no approved or conditional share capital.

2.3 Changes in Equity

The shareholders' equity of BELIMO Holding AG has changed during the last three years as follows:

| in CHF 1 000 | 2016 | 2015 | 2014 |
|--|---------|---------|---------|
| Shareholders' equity as at December 31 | 244 934 | 221 727 | 209 709 |

2.4 Shares

The share capital is divided into 615 000 registered shares, each with a nominal value of CHF 1.00. All registered shares are fully paid up and entitle the holder to dividends.

The Company maintains a share register, in which the names and addresses of owners and beneficial owners of shares are entered. Each share entered in the share register as a voting share at the date determined in advance by the Board of Directors entitles the holder to one vote at the annual general meeting. In the event of a share capital increase, shareholders have a right of first refusal to

subscribe to new shares in proportion to their existing shareholding and legal requirements.

2.5 Participation and Dividend-Rights Certificates

BELIMO Holding AG has issued neither participation nor dividend-rights certificates.

2.6 Limitation of Transferability and Nominee Registrations

In terms of the relationship with the Company, only those persons who are entered in the share register shall be considered as registered shareholders or beneficial owners. Buyers of shares or the beneficial owners must apply in writing to be entered in the share register. The Company may refuse to make an entry in the share register if the applicant fails to declare expressly that he/she has acquired and will hold the shares on his/her own behalf and for his/her own account.

A shareholder or beneficial owner will be entered in the share register as a voting shareholder or beneficial owner for a maximum of five percent of the total number of shares as shown in the commercial register. Legal entities and private partnerships related to each other through ownership or voting rights, by shared management, or in any similar manner, and individuals, legal entities and private partnerships acting jointly or in a coordinated way shall be deemed a single person. Shareholders holding more than five percent of the total number of shares at the time this provision was introduced shall continue to be registered in the share register with the number of shares actually held.

Through the use of regulations, the Board of Directors may define exceptions to the five percent registration limit. No such exceptions were made during the year under review.

2.7 Convertible Bonds and Share Options

BELIMO Holding AG has no outstanding convertible bonds or share options. No options were issued to employees.

3 Board of Directors

3.1 Members of the Board of Directors

The Board of Directors of BELIMO Holding AG comprised a total of five members as at December 31, 2016.

3.2 Further Activities and Relationships

Personal details and further activities and relationships of the individual members of the Board of Directors are shown on page 21.

Independence of the Non-Executive Members

The Board of Directors consists of non-executive members. This means that no member exercised an operational function for the Belimo Group during the three financial years preceding the reporting period.

The members of the Board of Directors and the companies they represent have no material business relationships with the Belimo Group.

Corporate Governance

Board of Directors

Prof. Dr. Hans Peter Wehrli (1952)

Swiss

Dr. oec. publ.

Chairman of the Board of Directors since 1997

Further activities and relationships:

Datacolor AG, Lucerne, Member of the Board of Directors

Gebäudeversicherung Bern (GVB), Ittigen, Member of the Board of Directors

Swiss Prime Site AG, Olten, Chairman of the Board of Directors

Significant professional post:

Faculty of Business Sciences at the University of Zurich, Ordinary Professor for Business Studies

Prof. Adrian Altenburger (1963)

Swiss

HVAC engineer HTL/MAS Arch. ETH/SIA

Further activities and relationships:

SIA Swiss Society of Engineers and Architects, Zurich, Vice-President and Member of the Board of Directors, President of the Central Committee for Codes and Expert Council for Energy

SNV Swiss Association for Standardization, Winterthur, Vice-Chairman and Member of the Board of Directors

ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers), Member of the Technical Committee 9.9

Significant professional posts:

1999 – 2015 Amstein + Walther AG, Zurich, Partner, Member of the Group Executive Committee and Board of Directors

Since 2015 University of Applied Sciences and Arts - School of Engineering & Architecture, Lucerne, Head of degree program and department Building Technology

Since 2015 A2CE – Adrian Altenburger Consulting: Engineering, Lucerne, Owner

Martin Hess (1948)

Swiss

El.-Ing. HTL/SIA

Further activities and relationships:

Ernst Schweizer AG, Metallbau, Hedingen, Deputy Chairman of the Board of Directors

Significant professional posts:

Chairman of the Board of Directors until 2013 and Chairman of the Executive Committee until 2012 of HEFTI. HESS. MARTIGNONI. Aarau AG, Aarau

Patrick Burkhalter (1962)

Swiss

lic. oec. publ.

Further activities and relationships:

U. W. Linsi Foundation, Stäfa, Member of the Foundation Board

Ochsenkultur AG, Wetzikon, Chairman of the Board of Directors

Ergon Informatik AG, Zurich, Chairman of the Board of Directors

Significant professional posts:

1988 – 1992 Ergon Informatik AG, Zurich, Software developer

1992 – 2016 Ergon Informatik AG, Zurich, Chairman of the Executive Committee and Member of the Board of Directors

Dr. Martin Zwysig (1965)

Swiss

Dr. oec. HSG

Deputy Chairman of the Board of Directors

Further activities and relationships:

None

Significant professional posts:

2003 – 2008 Schaffner Holding AG, Luterbach, Group CFO

2008 – 2014 Ascom Holding AG, Baar, Group CFO

Since 2014 Autoneum Holding AG, Winterthur, Group CFO

Corporate Governance



Members of the Board of Directors

Dr. Martin Zwysig, Deputy Chairman

Prof. Dr. Hans Peter Wehrli, Chairman

Patrick Burkhalter, Member

Martin Hess, Member

Prof. Adrian Altenburger, Member

3.3 Mandates

No member of the Board of Directors may hold more than four additional mandates in the ultimate strategic management bodies or on the ultimate boards of listed companies which do not belong to the Belimo Group. The Board of Directors may allow in maximum two exceptions per member in specific cases.

The acceptance of a maximum of four mandates in the ultimate strategic management bodies or on the ultimate boards of non-listed companies which do not belong to the Belimo Group is permissible for a member of the Board of Directors as long as the exercise of the obligations to BELIMO Holding AG of the member of the Board of Directors is not impaired.

3.4 Election and Term of Office

According to the articles of incorporation the Board of Directors is made up of at least three and no more than seven members, who are elected individually by the annual general meeting for a term of office of one year, which ends with the next ordinary annual general meeting. On reaching 70 years of age, members of the Board of Directors may be elected for a term of office one final time.

Details of first election to the Board of Directors are given in the following table:

| Member | since AGM |
|--------------------|-----------|
| Hans Peter Wehrli | 1995 |
| Adrian Altenburger | 2015 |
| Patrick Burkhalter | 2014 |
| Martin Hess | 2007 |
| Martin Zwyszig | 2011 |

3.5 Internal Organization

The Board of Directors is the most senior management body in the Belimo Group. It is empowered to make decisions in respect of all matters that are not reserved for the annual general meeting by law or in accordance with the articles of incorporation, or that the Board has not delegated to another body by regulation or resolution. The Board of Directors constitutes itself, subject to legal and statutory provisions. The chairman and the deputy chairman of the Board of Directors as well as the members of the remuneration committee are elected individually by the annual general meeting for a term of office of one year, which ends with the next ordinary annual general meeting. The Board of Directors designates a secretary, who does not have to be a member of the Board of Directors.

By law, the Board of Directors has the following non-transferable and non-assignable tasks:

- Directing the Company and issuing the necessary instructions
- Approving corporate policy and strategy
- Defining the organizational structure
- Determining the design of the accounting system, financial control and financial planning
- Nominating and removing the persons entrusted with the management and representation of the Company
- Supervision of the persons in charge of the management
- Drawing up the annual report and the remuneration report, preparing for the annual general meeting and carrying out its resolutions
- Notifying the judge in the event of insolvency

The Board of Directors may entrust the preparation and execution of its resolutions or the supervision of business to committees. The Board of Directors has established two permanent committees during the year under review: the audit committee and the remuneration committee. The appointment committee is convened when required.

The Board of Directors has delegated the operational management to the Group Executive Committee, headed by the CEO, in accordance with the articles of incorporation of BELIMO Holding AG and organizational regulations that have been issued (with the corporate schedule of responsibilities). The CEO is not a member of the Board of Directors.

The chairman of the Board of Directors, or, in his absence, the deputy chairman of the board or a duly appointed member, calls the meetings and chairs the discussions.

Workings of the Board of Directors

The Board of Directors holds at least five ordinary meetings per year. The dates of its ordinary meetings and of committee meetings are set early so that all members can attend in person as a general rule. Extraordinary meetings may be convened as and when required. Any board member may submit a request for additional meetings to the chairman, stating the reasons. Five meetings were held in 2016.

The agenda for meetings is drawn up by the chairman in cooperation with the CEO. Any board member may request that an item be placed on the agenda. Meetings are convened in writing by the chairman. The invitation, together with the detailed agenda and attachments, is normally distributed to all participants one week before the date of the meeting. Provided that no member objects, the board may also discuss other urgent matters that were not included on the agenda. The members of the Group Executive Committee may be invited to attend board meetings. In order that the Board of Directors receives adequate information on which to base its decisions, other employees or third parties may also be invited to attend meetings.

The Board of Directors makes decisions and conducts elections by a majority of the members present at the meeting. A majority of members must be present for the board to pass a resolution. Resolutions may also be passed by videoconferences, conference calls or by way of circulation provided that no member requests a verbal discussion at a meeting. The individual members are required to step out of the meeting if matters are discussed that affect them or persons or legal entities related to them. The board members receive a complete copy of the minutes, with the other participants receiving an excerpt detailing the agenda items/resolutions of relevance to them.

In addition to board meetings, the Board of Directors holds regular meetings with the Group Executive Committee. Furthermore, the Board of Directors and the Group Executive Committee met for a workshop in 2016.

Composition/Workings of the Committees of the Board of Directors

The duties of the audit, remuneration and appointment committee primarily comprise evaluation, advisory and supervisory functions for the Board of Directors. The committees have no decision-making powers. They meet periodically or when required. The same conditions regarding meeting rules and stepping out apply as for the Board of Directors. The Board of Directors elects the members of the audit and appointment committee yearly. The members of the remuneration committee are appointed by the Board of Directors.

neration committee are elected individually by the annual general meeting for a term of office of one year.

Minutes of the meetings are prepared and distributed to those who attended the meeting and to all members of the Board of Directors. The members of the committees also report verbally to the next meeting of the Board of Directors regarding the matters discussed and submit, where necessary, the respective motions to the Board of Directors.

Audit Committee

The audit committee comprises at least two independent members of the Board of Directors. Based on their education or their professional experience, all members of the committee have sufficient knowledge of finance and accounting.

The following members have been elected for the 2016/2017 period of office: Dr. Martin Zwysig (Chairman) and Prof. Dr. Hans Peter Wehrli

Duties:

- Evaluating the annual report, the annual and interim financial statements, the comprehensive audit report and the audit reports for the Belimo Group and BELIMO Holding AG, submitting motions to the Board of Directors
- Evaluating adherence to financial reporting standards in the Group
- Selecting the audit firm to be proposed to the annual general meeting as statutory auditors, submitting motions to the Board of Directors
- Approving the audit plans of the statutory auditors
- Evaluating the performance, independence and remuneration of the statutory auditors
- Periodically reviewing the guidelines issued regarding ad hoc announcements and the avoidance of insider offences
- Reviewing the internal control system
- Periodically reviewing the structure of the risk management system
- Evaluating key tax issues

The audit committee held two meetings in 2016 with the CEO, CFO and the statutory auditors.

Remuneration Committee

Information on the composition and duties of the remuneration committee are disclosed in the remuneration report on pages 32 to 35.

Appointment Committee

The appointment committee comprises at least two members of the Board of Directors.

The following members have been elected for the 2016/2017 period of office: Prof. Dr. Hans Peter Wehrli (Chairman), Patrick Burkhalter and Martin Hess

Duties:

- Selecting suitable candidates for membership of the Board of Directors, submitting motions to the Board of Directors for proposal to the annual general meeting
- Selecting suitable candidates to fill positions on the Group Executive Committee

No meeting was held in 2016.

3.6 Regulation of Authority

The regulation of authority between the Board of Directors and the Group Executive Committee, which is headed by the CEO, is laid down in the organizational regulations (corporate schedule of responsibilities) of BELIMO Holding AG, in accordance with the articles of incorporation of BELIMO Holding AG. This describes the general duties and defines who holds the decision-making authority for which transactions.

In addition to decisions regarding the tasks that are defined under article 716a of the Swiss Code of Obligations as being irrevocable and non-assignable, the Board of Directors also reserves the right to approve significant transactions relating to strategy implementation and important organizational, financial and staffing matters in the operational area.

3.7 Information and Control Instruments in Relation to the Group Executive Committee

The Board of Directors is involved in the management information system of the Belimo Group at the appropriate level. At the end of each quarter, in addition to the monthly reporting, the Board of Directors receives an unaudited balance sheet and income statement, a sales forecast for the next two quarters and other key figures (balanced scorecard) of the Group. The figures are compared against the prior year and the budget. In the second quarter of each year the board also receives the qualitative strategic targets and the results of medium-term planning covering a period of five years for its approval. After the end of the third quarter, the board receives the projection for the full year, enabling it to review the likelihood of the budget being achieved.

The written reports are supplemented by verbal information from the CEO or CFO at every meeting of the Board of Directors. In special cases, the CEO informs the Board of Directors without delay regarding the matter in question. The chairman of the Board of Directors maintains regular contact and discussions with the CEO and is kept up to date by him on all transactions and issues that are of fundamental importance or that have wider implications.

4 Group Executive Committee

Together with the other members of the Group Executive Committee, the CEO manages the operations of the Group. He is responsible for drawing up, implementing and achieving the Group's corporate targets. The Group Executive Committee deals with all transactions that are of significant importance to the Belimo Group.

The Group Executive Committee has the following main duties:

- Developing and implementing the overall strategy and the overall budget
- Drawing up and implementing the structures and systems necessary for the management of the Group
- Making optimal use of Group resources
- Utilizing potential synergies present within the Group
- Promoting cooperation and communication within the Group
- Preparing motions that fall within the authority of the Board of Directors

4.1 Members of the Group Executive Committee

The Group Executive Committee comprised a total of six members as at December 31, 2016.

Group Executive Committee

Lars van der Haegen (1968)

Swiss
MBA
CEO since July 2015 and from July 2015 to February 2016 temporary Head of Americas

Further activities and relationships:
None

Significant professional posts:
2000 – 2006 BELIMO Automation AG, Hinwil, BELIMO Aircontrols (USA) Inc., Danbury, various functions
2007 – 2010 BELIMO Servomotori S.r.l., Bergamo, Managing Director
2011 – 2015 BELIMO Aircontrols (USA), Inc., Danbury, Head of Americas and Member of the Group Executive Committee

Gary Economides (1970)

Australian
MBA
Head of Asia/Pacific and Member of the Group Executive Committee since November 2012

Further activities and relationships:
None

Significant professional posts:
1998 – 2005 Siemens Building Technologies, Hong Kong, various functions
2005 – 2009 Carel Asia, Hong Kong, Managing Director
2009 – 2012 Carel Electronic Suzhou, China, CEO

Lukas Eigenmann (1961)

Swiss
Electronic technician, TS
Head of Europe and Member of the Group Executive Committee since July 2010

Further activities and relationships:
None

Significant professional posts:
1984 – 2002 BELIMO Automation AG, Hinwil, BELIMO Automation Handels GmbH, Vienna and BELIMO Aircontrols (USA) Inc., Danbury, various functions
2002 – 2010, BELIMO Stellantriebe Vertriebs GmbH, Stuttgart, Managing Director

James W. Furlong (1960)

American
MBA
Head of Americas and Member of the Group Executive Committee since March 2016

Further activities and relationships:
None

Significant professional posts:
1999 – 2008 Baltimore Aircoil Company, Inc., Baltimore, various functions
2008 – 2015 Johnson Controls, Inc., Waynesboro, Vice President, Industrial Refrigeration, Building Efficiency Group

Peter Schmidlin (1963)

Swiss
Dipl. El.-Ing. ETH
Head of Innovation and Member of the Group Executive Committee since August 2000

Further activities and relationships:
U. W. Linsi Foundation, Stäfa, Chairman of the Foundation Board

Significant professional posts:
1988 – 2000 BELIMO Automation AG, Hinwil, various functions in research and development
2000 – 2007 BELIMO Automation AG, Hinwil, Head of Technology

Beat Trutmann (1954)

Swiss
lic. oec. publ.
CFO and Member of the Group Executive Committee since January 2003

Further activities and relationships:
None

Significant professional posts:
1992 – 2000 Elex AG, Schwerzenbach, Head of Finance and Accounting
2000 – 2002 Disetronic Holding AG, Burgdorf, CFO and Member of the Executive Committee

Corporate Governance



Members of the Group Executive Committee

Gary Economides, Head of Asia/Pacific

James W. Furlong, Head of Americas

Lars van der Haegen, CEO

Peter Schmidlin, Head of Innovation

Beat Trutmann, CFO

Lukas Eigenmann, Head of Europe

4.2 Further Activities and Relationships

Personal details and further activities and relationships of the individual members of the Group Executive Committee are shown on page 27.

4.3 Mandates

No member of the Group Executive Committee may hold more than two additional mandates in the ultimate strategic management bodies or on the ultimate boards of listed companies which do not belong to the Belimo Group. The Board of Directors may allow in maximum two exceptions per member in specific cases.

The acceptance of a maximum of four mandates in the ultimate strategic management bodies or on the ultimate boards of non-listed companies which do not belong to the Belimo Group is permissible for a member of the Group Executive Committee as long as the exercise of the obligations to the Belimo Group of the member of the Group Executive Committee is not impaired.

4.4 Management Contracts

There are no management contracts with companies or individuals outside the Belimo Group.

5 Remuneration, Participations and Loans

Details on the principles of the remuneration system, the granted remuneration, participations and loans to current and former members of the Board of Directors and the Group Executive Committee are provided on pages 32 to 35 in the remuneration report and in the notes of the financial statements of BELIMO Holding AG on pages 87 to 88 of this annual report.

6 Shareholders' Rights of Influence

6.1 Limitation of Voting Rights and Proxies

Each share entered in the share register as a voting share at the date determined in advance by the Board of Directors entitles the holder to one vote at the annual general meeting.

Every shareholder may have his/her shares represented at the annual general meeting by a proxy appointed in writing or by the independent voter representative provided for by law. The proxy need not be a shareholder. The independent voter representative is elected by the annual general meeting for the term of office of one year including the subsequent annual general meeting. The Board of Directors may issue procedural rules for participation, representation and giving instructions. Shareholders can issue their proxy and instructions to the independent voter representative electronically. The independent voter representative is obliged to exercise the voting rights that he represents as per the instructions. The general instruction to vote in accordance with the Board of Directors is deemed to be a valid instruction for exercising the right to vote.

See the provisions under note 2.6 of this corporate governance section regarding limitations on the transferability of shares and nominee registrations.

6.2 Quorum as per Articles of Incorporation

The annual general meeting resolves and elects with the absolute majority of votes cast, insofar as the law does not compulsorily specify otherwise. In case of a tie, the chairman of the meeting shall have the casting vote. If the absolute

majority is not reached in a first election round, the relative majority shall be decisive in the second round. Resolutions based on article 704 of the Swiss Code of Obligations, require at least two-thirds of the votes represented and the absolute majority of the nominal values of the shares represented.

6.3 Convening the Annual General Meeting

The annual general meeting is convened in accordance with the Swiss Code of Obligations by being announced once in the Swiss Official Gazette of Commerce, and, for information purposes, by written invitation to the registered shareholders. The provisions do not contain any rules that diverge from the law.

6.4 Putting an Item on the Agenda for the Annual General Meeting

Voting shareholders representing shares with a nominal value of at least CHF 10 000 may request that an item be put on the agenda of the annual general meeting. Such requests shall be submitted in writing to the chairman of the Board of Directors at latest 45 days prior to the annual general meeting.

6.5 Entry in the Share Register

For administrative reasons the share register is closed for about ten days before an annual general meeting (the exact date will be determined by the Board of Directors of BELIMO Holding AG and is published in the invitation to the annual general meeting).

7 Change in Control and Defensive Measures

7.1 Obligation to Make an Offer to Buy Shares

The articles of incorporation do not contain any provisions with respect to opting out or opting up.

7.2 Change of Control Clauses

Information on change of control clauses for members of the Board of Directors and Group Executive Committee is on pages 32 to 35 in the remuneration report.

8 Statutory Auditors

8.1 Period of Appointment and Period of Office of the Auditor in Charge

KPMG AG, Badenerstrasse 172, Zurich, has been the Group auditor of the Belimo Group and the statutory auditor of BELIMO Holding AG since 2004. The auditor in charge since 2013 is Jürg Meisterhans. The statutory auditors are elected each year by the annual general meeting for one financial year.

8.2 Audit Fee

KPMG invoiced a total of CHF 0.5 million to the Belimo Group in 2016 for services related to the audit of the financial statements of BELIMO Holding AG, the Group and the Group companies audited by it.

8.3 Additional Fees

Fees amounting to CHF 0.2 million were paid to KPMG for other services such as consulting and tax advice.

8.4 Sources of Information for the External Audit

Each year at least one audit committee meeting takes place, at which, in addition to other matters, the annual financial statements are discussed. The comprehensive audit report from the statutory auditors forms the basis for the dis-

cussion of the audit proceedings and the annual financial statements. Two meetings took place in the year under review. In each case the statutory auditors supplied the participants with written points for discussion beforehand.

9 Information Policy

9.1 Principles

BELIMO Holding AG and the Belimo Group pursue an open, active and transparent information policy with all stakeholders. Each year a summary annual report, an annual report including a remuneration report and a semiannual report are published. At least one conference for the media and financial analysts takes place at the time of publication of the annual financial statements.

9.2 Agenda

| | |
|---|------------------|
| Publication of Annual Report 2016/ Media and Financial Analysts Conference | March 13, 2017 |
| Annual General Meeting 2017 | April 3, 2017 |
| Dividend Payment | April 7, 2017 |
| Publication of Semiannual Report 2017 | August 3, 2017 |
| Publication of Sales 2017 | January 25, 2018 |
| Publication of Annual Report 2017/ Media and Financial Analysts Conference | March 12, 2018 |
| Annual General Meeting 2018 | April 9, 2018 |

Further information for shareholders is available at www.belimo.com/investorrelations.

9.3 Contact Investor Relations

BELIMO Holding AG
Beat Trutmann, CFO
Brunnenbachstrasse 1
8340 Hinwil
Switzerland
Phone +41 43 843 62 65
Fax +41 43 843 62 41
E-Mail ir@belimo.ch

9.4 Publicity Principles/Avoidance of Insider Offences

BELIMO Holding AG publishes information that is relevant to the share price in accordance with the ad hoc publicity guidelines of the Swiss stock exchange SIX Swiss Exchange.

Remuneration Report

The remuneration report describes the principles of the remuneration system of Belimo and includes information about the remuneration of the Board of Directors and the Group Executive Committee. The content and extent are in compliance with the Ordinance Against Excessive Compensation in Listed Companies, the articles of incorporation of BELIMO Holding AG, the Directive Corporate Governance of the Swiss stock exchange SIX Swiss Exchange and the principles of the Swiss Code of Best Practice of *economiesuisse*.

1 Remuneration Committee

Articles of Incorporation Articles 15 and 24

The remuneration committee comprises at least two non-executive, independent members of the Board of Directors. A member is considered as independent if he or she has never, or at least not for the past three years, been a member of the Group Executive Committee and has no, or only minimal, business relationship with the Company.

The members of the remuneration committee are elected individually by the annual general meeting for a term of office of one year until the next ordinary annual general meeting.

The following members have been elected for the 2016/2017 period of office: Martin Hess (Chairman), Prof. Adrian Altenburger and Patrick Burkhalter

The remuneration committee is entrusted with the following duties, subject to the power of the annual general meeting:

- Submitting proposals to the Board of Directors for the definition of principles, performance targets and assessment criteria for fixed and variable remuneration within the framework of the statutory provisions and those of the articles of incorporations
- Submitting proposals to the Board of Directors for the determination of the overall amounts of the fixed remuneration of the members of the Board of Directors and the fixed and variable remuneration of the members of the Group Executive Committee to be placed to the annual general meeting for approval
- Monitoring of compliance with the principles for remuneration pursuant to the law, the articles of incorporations, regulations and decisions of the annual general meeting
- Submitting the remuneration report for the attention of the Board of Directors and the annual general meeting

The remuneration committee held two meetings in 2016.

2 Remuneration System

2.1 Principles

Articles of Incorporation Articles 15, 25^{quater}, 25^{quinquies} and 25^{sexties}

Belimo offers market-oriented and performance-related remuneration in order to recruit and retain senior management members with the required capabilities and personal characteristics. The remuneration system is designed in the way that their interests are in line with those of the Company. The basic elements of the remuneration are designed in a simple and comprehensible way.

Remuneration Report

The annual general meeting approves with binding effect the maximum overall remuneration for the current financial year for the Board of Directors and the Group Executive Committee. If the annual general meeting withholds its approval, the Board of Directors may submit new proposals for approval at the same annual general meeting. If the Board of Directors makes no new proposals or if the annual general meeting likewise declines the new proposals, the Board of Directors must convene a new general meeting within three months.

The remuneration report of the Board of Directors is approved by the subsequent annual general meeting by consultative vote.

The following agenda items are being voted at the annual general meeting 2017:

- Consultative vote on the remuneration report 2016
- Approval of the fixed remuneration of the Board of Directors for the financial year 2017
- Approval of the fixed and variable remuneration of the Group Executive Committee for the financial year 2017

With the members of the Board of Directors and the Group Executive Committee temporary and permanent employment contracts may be concluded. The maximum duration of the temporary contracts is one year. Renewal is permitted.

In principle, prohibitions against competition may be agreed for the period after termination of a contract. As compensation for such a prohibition against competition, remuneration may be paid for a maximum period of two years. This amount may not exceed the last fixed annual remuneration.

There are no agreements with special conditions for the members of the Board of Directors or the Group Executive Committee, such as special severance payments or special clauses in case of change of control over the Company. Employment contracts with members of the Group Executive Committee have a notice period of a maximum of twelve months.

2.2 Board of Directors

Articles of Incorporation Article 25^{quinquies}

The members of the Board of Directors receive a fixed basic remuneration, paid out in cash, and an expense allowance for their activities. Supplements may be paid for membership of committees or for the performance of special tasks.

2.3 Group Executive Committee

Articles of Incorporation Article 25^{sexties}

The members of the Group Executive Committee receive a fixed basic remuneration for their activities, as well as a performance and success-related remuneration, which are paid out in cash. The success-related remuneration for the members of the Group Executive Committee may in maximum amount to 120 percent of the equivalent fixed annual remuneration for the CEO and to 100 percent of the equivalent fixed annual remuneration for the other members of the Group Executive Committee, according to the articles of incorporation.

Payment of up to 50 percent of the variable remuneration is dependent on financial targets (EBIT and sales growth) being achieved, with the rest being dependent on the achievement of personal performance targets. All targets are in line with the long-term interest of the Company.

Remuneration Report

The amount of the target bonus, which is paid when all set targets have been reached, amounts to between 70 and 80 percent of fixed remuneration for the CEO and between 60 and 70 percent for the other members of the Group Executive Committee. If the targets set are partially reached the bonus is lower, as set out in the target agreement; if the targets are exceeded, the bonus can be increased up to a maximum of 1.33 times the target bonus.

For new members of the Group Executive Committee appointed after the annual general meeting, the maximum amount shall be increased pro rata temporis to a maximum of one and a half times the proportion for a comparable function contained in the maximum amount approved.

3 Remunerations

3.1 Board of Directors

The amount of remuneration for the Board of Directors (non-executive members) was as follows. The total remuneration is within the amount approved by the annual general meeting on April 25, 2016.

| in CHF 1 000 | Fixed remuneration | | | Expense allowance |
|---|--------------------|-------------------------------|------------|-------------------|
| | Basic remuneration | Social security contributions | Total | |
| 2016 | | | | |
| Prof. Dr. Hans Peter Wehrli, Chairman | 244 | 13 | 257 | 6 |
| Prof. Adrian Altenburger, Member | 119 | 6 | 125 | 6 |
| Patrick Burkhalter, Member | 119 | 6 | 125 | 6 |
| Martin Hess, Member | 119 | 5 | 124 | 6 |
| Dr. Martin Zwyszig, Deputy Chairman | 119 | 6 | 125 | 6 |
| Total | 720 | 36 | 756 | 30 |
| Approved remuneration by the annual general meeting 2016 | | | 770 | |
| 2015 | | | | |
| Prof. Dr. Hans Peter Wehrli, Chairman | 244 | 13 | 257 | 6 |
| Prof. Adrian Altenburger, Member (since AGM 2015)* | 79 | 4 | 83 | 4 |
| Patrick Burkhalter, Member | 119 | 6 | 125 | 6 |
| Martin Hess, Member | 119 | 5 | 124 | 6 |
| Walter Linsi, Member (until AGM 2015)* | 40 | 2 | 41 | 2 |
| Dr. Martin Zwyszig, Deputy Chairman | 119 | 6 | 125 | 6 |
| Total* | 720 | 36 | 756 | 30 |

* Prof. Adrian Altenburger was elected to the Board of Directors at the annual general meeting on April 20, 2015. At the same time, Walter Linsi left the Board.

No additional remuneration was made available for activities carried out in a board committee.

No remuneration other than that disclosed here was assigned. There has been no remuneration to past members of the Board of Directors.

Remuneration Report

3.2 Group Executive Committee

The amount of remuneration for the Group Executive Committee was as follows. The total remuneration is within the amount approved by the annual general meeting on April 25, 2016. The remuneration is based on the accrual principle of accounting.

The highest remuneration paid to a member of the Group Executive Committee was to Lars van der Haegen, CEO.

| in CHF 1 000 | Fixed remuneration | | | | Variable remuneration | | | Total remuneration | Expense allowance |
|---|--------------------|------------------------|--------------------|--------------|-----------------------|------------------------|--------------|--------------------|-------------------|
| | Basic remuneration | Pension contributions* | Other remuneration | Total | Bonus | Pension contributions* | Total | | |
| 2016 | | | | | | | | | |
| Lars van der Haegen (CEO) | 351 | 71 | 7 | 430 | 270 | 47 | 317 | 746 | 18 |
| Other members of the Group Executive Committee | 1 384 | 232 | 214 | 1 830 | 854 | 122 | 976 | 2 806 | 54 |
| Total | 1 735 | 303 | 221 | 2 259 | 1 124 | 168 | 1 293 | 3 552 | 72 |
| Approved remuneration by the annual general meeting 2016 | | | | 2 320 | | | 1 880 | 4 200 | |
| 2015 | | | | | | | | | |
| Lars van der Haegen (CEO) | 309 | 51 | 11 | 371 | 203 | 33 | 236 | 607 | 9 |
| Other members of the Group Executive Committee | 1 619 | 252 | 85 | 1 956 | 933 | 153 | 1 085 | 3 041 | 84 |
| Total** | 1 928 | 303 | 96 | 2 328 | 1 135 | 186 | 1 321 | 3 649 | 93 |

* Social security and pension plan contributions.

** Lars van der Haegen took over as CEO from Dr. Jacques Sanche on July 1, 2015. The Global Product Management division was decentralized at the end of June 2015. From July 2015 to February 2016, Lars van der Haegen was being temporary head of Americas.

In the financial year 2016 the remuneration to a former member of the Group Executive Committee amounted to CHF 82 500 during the contractually agreed period of notice. No remuneration other than that disclosed here was assigned.

3.3 Related Parties

During the year under review, no further remuneration was assigned to related parties of present or past members of the Board of Directors or the Group Executive Committee.

3.4 Credits and Loans

Articles of Incorporation Article 25^{bis}

Credits and loans to members of the Board of Directors and the Group Executive Committee may only be granted in justified exceptional cases and only at market conditions. The total amount of such credits and loans shall not exceed CHF 200 000 per member.

In 2016, no credits or loans were granted to present or past members of the senior management or related parties, and there were none outstanding as at December 31, 2016.



Report of the Statutory Auditor

To the General Meeting of BELIMO Holding AG, Hinwil

We have audited the accompanying remuneration report of BELIMO Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections “3 Remunerations” on pages 34 to 35 of the annual report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2016 of BELIMO Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Raphael Gähwiler
Licensed Audit Expert

Zurich, 23 February 2017

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

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We want to sustainably increase the value of the company for the benefit of our shareholders. We are committed to the environment and to the efficient use of resources.



Products and Applications

Sustainability in the Development Process

Environmental responsibility already starts with product design. The focus falls on a sustainable and eco-efficient product development process that takes account of the entire useful life. This means minimized power consumption and the conservation of resources, minimized environmental impact at disposal, the use of materials that generate low emissions in the case of fire and the extension of the useful life by applying state-of-the-art technologies. The optimization of current products leads to some considerable savings of material and energy during the production process.

Customers are involved in the development process at an early stage in order to jointly search for innovative solutions and verify ideas that promise success.

Innovative Application Solutions

Belimo guarantees its customers superior solutions with products that offer more comfort, increased energy efficiency and safety, and are easier to install and maintain.

Belimo solutions enable the optimized operation of HVAC plants by offering the following features:

- Minimized power consumption by Belimo actuators for all applications
- Preventing circulation losses thanks to seal-tight characterized control valve technology in water applications
- Increasing plant efficiency by making smart use of actuator and sensor technology, such as in the Belimo Energy Valve™ and the ZIP Economizer™

Also in 2016 5.9 million newly installed Belimo actuators helped customers become more energy-efficient, making savings many times higher than the annual electricity consumption of Belimo at its two largest production sites. The following credentials provide tangible evidence of how innovative application solutions have made plants more efficient:

- Galliker Transport AG is an international provider of logistics services with some 2700 employees based in six countries. Its new logistics center in Dagersellen, Switzerland, is thermotechnically autonomous and fully relies on renewable resources to generate its electricity. Its various storerooms provide ideal climatic conditions to store foodstuffs and pharmaceuticals. The valves and actuators used have to work reliably and deliver the flow rate required. With conventional valves unable to offer this assurance, Galliker Transport AG instead chose the electronic pressure-independent valve EPIV. As the valves are inaccessible during day-to-day operations, they need to guarantee dynamic balancing while also being able to be monitored from the control center in real time. The customer's objective – not wasting any energy – can only be achieved with a precise control setup with integrated monitoring. This is made possible by the use of Belimo products.
- Between seven and eight metric tons of mushrooms leave Kuhn Champignon AG's production facility every day. Temperature and humidity levels must be kept constant if the mushrooms are to be harvested within three weeks. The decision was made to overhaul the entire facility in order to save energy and switch to a system of variable water volumes. The new butterfly valves and PR actuators of Belimo draw heat away from Kuhn Champignon AG's production facility by channeling hot water into the ground water to cool. One benefit of the new PR actuator is its high degree of energy efficiency: combined with the new butterfly valve, the smaller contact surface between the valve seal and

valve disk delivers energy savings of up to 80 percent. In addition, this innovative product features simple commissioning, parameterization and maintenance by Near Field Communication (NFC) technology as well as operational reliability.

- Since its first classes were held in 1957, the University of Nevada, Las Vegas (UNLV), has undergone an amazing transformation – from an outpost on the south edge of town to a thriving urban research institution consisting of some 69 buildings. UNLV has used environmentally friendly methods in all aspects of its facility management for many years as a way of reducing costs and the harmful ecological impact of its energy and water consumption. One example for its commitment was the decision to fit Belimo Energy Valves™ to its largest HVAC plant. These products enable to precisely control the flow of cooling water, which according to UNLV saves over USD 70 000 per year in energy and costs. The positive results have prompted the institution to opt for the energy-efficient water applications of Belimo in all its future new buildings and retrofits.

Further Developing Building Technology

With buildings being responsible for some 40 percent of energy consumption and climate-damaging CO₂ emissions, standards and laws that govern the quality of indoor air and the efficiency of heating, ventilation and air conditioning plants are being revised around the world.

Belimo actively participates to shape these changes and constantly further develops building technology. The Company is an active member of numerous industry associations including REHVA (Federation of European Heating, Ventilation and Air Conditioning Associations) and ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers). These organizations are geared toward developing sustainable, energy-efficient building technology as well as corresponding standards.

Internal Processes and Standards

Environmental Directives

The Belimo sites in Hinwil, Switzerland, and Danbury, United States, apply the international environmental management standard ISO 14001 and undergo regular audits by the Swiss Association for Quality and Management Systems (SQS).

Belimo also adheres to the RoHS environmental directive, which prohibits the use of substances that are harmful to the environment. Compliance is implemented on the basis of a list of banned substances, which is aligned to products and their areas of application. Suppliers also undertake not to use any of the banned substances in the parts they deliver.

Materials

The materials used are carefully selected to ensure that as little damage as possible is caused to the environment. Auxiliary materials such as solvents, resins, paints or lead are not used at all, or only in very small quantities.

Cardboard packaging from suppliers based in the European Union is produced in accordance with the RESY guidelines and the one from suppliers based in the United States in accordance with equivalent principles, meaning that all transport packaging consists of ecologically harmless materials and can be recycled. The consistent use of reusable cardboard packaging between the Belimo sites

Ecological Awareness

and suppliers saves on packaging materials. Once they have served their purpose they are recycled.

Procurement

More than 80 percent of product manufacturing costs at Belimo are incurred by a network of suppliers and partners. They make a major contribution to quality, innovative capacity and sustainability. When it comes to environmental and social standards, Belimo is as demanding on itself as it is on suppliers. They are involved in the environmental and quality policy of Belimo.

Procurement by region



- Europe 75%
- Asia/Pacific 18%
- Americas 7%

Belimo expects its suppliers to make a clear commitment to sustainability principles. These requirements are set out in the code of conduct for suppliers and reflect what is in internal guidelines. The code of conduct has been signed by more than 100 suppliers, which equates to around 90 percent of the procurement volume. Both new and existing suppliers are regularly audited on site.

Production and Logistics

The transfer of knowledge and technology between production locations ensures safe, efficient and resource-saving production processes. On almost every continent, the final assembly of the valve-actuator combinations takes place on site. Any components that need to be bought in are delivered by the suppliers to customizing centers either directly or in collective shipments, where they are assembled on site, shortening the transport routes to customers.

Belimo also addresses environmental issues in its regular review and adjustment of logistics processes. Transport mileage is reduced by means of internal collective shipments within the Company and consolidated direct deliveries to customers. The share of energy-intensive air freight is minimized on an ongoing basis. Standardized reusable packages are increasingly being used for deliveries between Belimo sites, allowing for automatic storage or further processing without having to be repacked.

Waste management



- Recycling 63%
- Disposal 37%

Recycling and Disposal

Waste is sent for recycling whenever possible. It is properly sorted and recycled at internal collection points, allowing more than half of the waste produced to be recycled. The remaining waste is sent to the nearby waste incineration plant. Disposal transportation is consolidated.

Energy-Efficient Premises

The office, production and logistics facilities in Hinwil are heated from the nearby waste incineration plant, which is connected to the district heating network.

The premises in Hinwil are continually reviewed and adapted for comfort and energy efficiency. The site is gradually switching its lighting (for example floor lamps) over to energy-saving LEDs. An analysis program evaluates environmental and facility data, providing the basis for optimization measures. Seven charging points for electric cars are available at the main building.

The logistics expansion in Hinwil was built to meet the latest energy-saving criteria. All storage and retrieval equipment in the automated warehouse and all goods lifts feature energy recovery systems. The internal logistics conveyor belts are all individually controlled and shut down when not in use. The logistics expansion was additionally insulated so as to minimize temperature fluctuations caused by the cold ground water.

The new production, logistics and administration building in Danbury has been built in compliance with the LEED gold standards for sustainable construction.

Ecological Awareness

Key figures 2012–2016

Locations Hinwil (Switzerland) and Danbury (CT, USA)

| | Unit | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------------|-------|---------|--------|-------|-------|
| Environmental indicators | | | | | | |
| Number of actuators produced | in million items | 5.9 | 5.6 | 5.5 | 5.1 | 4.8 |
| Utilization | | | | | | |
| Paper (A4, A3 sheet) only office | | | | | | |
| Copiers, printers | kg per FTE | 11.9 | 13.8 | 15.4 | 12.8 | 13.9 |
| Buildings and total energy consumption | | | | | | |
| Electricity | MWh | 7 011 | 7 360* | 5 312* | 4 782 | 4 275 |
| Heat energy | | | | | | |
| District heating (Hinwil) | MWh | 1 295 | 1 154 | 814 | 1 191 | 1 199 |
| Gas (Danbury) | MWh | 1 464 | 2 870* | 1 547* | 973 | 1 040 |
| Mains water | m ³ | 9 378 | 6 930** | 8 682 | 8 647 | 8 486 |
| Recycling and disposal | | | | | | |
| Waste for recycling | t | 498 | 458 | 452 | 340 | 377 |
| Waste for incineration | t | 226 | 190 | 165 | 145 | 116 |
| Remaining waste | t | 64 | 87 | 92 | 65 | 70 |
| Hazardous waste (electronics, separated materials) | t | 2 | | 1 | 37 | 32 |
| Sanitary water | m ³ | 8 892 | 6 490** | 8 682 | 8 647 | 8 486 |

* Double occupancy because of the new buildings (logistics expansion Hinwil; production, logistics and administration building Danbury).

** Water usage for the fire line testing in Danbury as of 2015 not included anymore.

Social Responsibility

We treat each other with respect and stand up for each other.

Corporate Culture

Values

The mission statement and code of conduct contain the principles for internal cooperation, conduct at the workplace and interaction with suppliers and competitors. The values of trust and credibility also mean that employees get in touch with the appropriate contact person in the event of perceived violations of the applicable laws or ethical standards.

New employees learn about the values and quality standards during their introduction to the Company. The individual employee's long-term ability to internalize and put those values into practice is also part of the annual employee appraisal.

Society

An integral part of the Company's corporate culture is its longstanding partnership with the organizations: "Sonnhalde", Grünigen, Switzerland; "IWAZ" (the Swiss residential and employment center for people with restricted mobility), Wetzikon, Switzerland; and "Ability Beyond" in the United States. They support those whose impairments or illnesses mean that they need help to get on with their lives. The schemes provide work to over one hundred people; they make components for actuators, valves and sensors for Belimo.

Belimo conducts yearly visiting days for children of employees at its sites around the world. The daughters and sons accompany their parents for a whole day and get some insight of their working.

Sustainable Personnel Policy

Employees

Belimo values cultural diversity and assists employees from other countries with their integration, for example by providing free lessons in the local language. The high average length of service of eight years underlines the extent of employee loyalty and their identification with the Company. The part-time working models offered are equally valued by employees and the Company itself. In Hinwil, around 30 percent of the employees benefit from this.

Belimo works at all levels with a performance and behavioral appraisal system. This includes regular assessments of individual goal achievement, as well as a discussion of appraisals and the corresponding measures to be introduced with employees. A competence analysis is carried out every two years for employees at higher levels in the Company hierarchy. This is based on the Belimo competence model and supports individual development planning. The remuneration system allows employees to participate in the Company's success.

Training, Personal and Career Development

Belimo helps employees develop their specialist knowledge. Thorough introduction programs ensure that new recruits are fully familiarized with their tasks and responsibilities and the corporate culture. An internal training program enables knowledge and skills to be kept constantly aligned with responsibilities. Employees' personal development is supported. Time spent abroad at one of the Company's other locations is considered an opportunity for professional and personal development and brings added value for the Company.

Managers around the world regularly complete training courses on leadership issues. Belimo offers careers for managers as well as professional specialists.

Promoting New Talent

Together with local schools, Belimo helps young people to choose a profession and provides an insight into everyday working life. The Company provides apprenticeships to 21 trainees in six different professional areas at its Hinwil site.

Belimo also offers two places for apprentices looking to combine their basic vocational training with a career in top-level sport. This requires a flexible education program that fits working hours around their physical training and competitions. Belimo has been recognized by Swiss Olympic as a competitive sports-friendly apprenticeship company.

Following on from the positive experiences of last year, another apprentice completed a placement abroad in Danbury in 2016. Despite being so far away, the apprentice was able to continue his education without a hitch thanks to the latest communication tools. The Belimo model is now used as a case study in the guidelines of the umbrella organization Intermundo, which aims to promote youth exchanges.

Health and Safety

The first aid teams in Hinwil and Danbury are regularly trained in how to handle various medical emergencies. Expanding the logistics facilities in Hinwil has meant changing the escape routes. The new setup was tested in a surprise evacuation exercise, with the findings gained now being implemented in several stages.

Occupational safety and ergonomics also receive ongoing investment and are reviewed on site involving external consultants.

The program to promote occupational health includes targeted relaxation and strengthening exercises, training in workplace ergonomics and other activities and talks on specific topics.



Financial Report

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Consolidated Financial Statements

Consolidated Income Statement

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

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

* in percent of net sales

Consolidated Statement of Comprehensive Income

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

Consolidated Financial Statements

Consolidated Balance Sheet

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

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

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

Consolidated Financial Statements

Consolidated Statement of Cash Flows

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

Notes to the Consolidated Financial Statements

1 General

1.1 Corporate Information

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

1.2 Statement of Compliance

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

1.3 Basis of Preparation

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

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

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

1.4 Changes to Accounting Policies

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

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

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

Notes to the Consolidated Financial Statements

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

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

* No or no significant impact is expected on the consolidated financial statements of Belimo.

** Primarily changes in presentation and additional disclosures in the consolidated financial statements of Belimo are expected.

*** The effects on the consolidated financial statements of Belimo cannot yet be predicted with sufficient certainty.

1.5 Basis of Consolidation

Scope of Consolidation

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

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

Eliminations

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

1.6 Currency Translation

Transactions in Foreign Currency

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

Notes to the Consolidated Financial Statements

monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign Operations

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

2 Changes to the Scope of Consolidation

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

3 Segment Reporting

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

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

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

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

Notes to the Consolidated Financial Statements

The activities of the reportable segments are as follows:

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

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

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

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

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

The sales by applications were as follows:

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

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

The following table shows information on geographic regions:

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

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

4 Other Operating Income

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

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5 Personnel Expenses

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

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

6 Other Operating Expenses

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

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

Notes to the Consolidated Financial Statements

7 Financial Result

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

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

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

8 Income Taxes

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

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

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

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

Notes to the Consolidated Financial Statements

Income tax expenses consist of the following:

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

9 Earnings per Share

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

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

10 Cash and Cash Equivalents

Cash and cash equivalents are measured at their nominal value.

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

11 Trade Receivables

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

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

Notes to the Consolidated Financial Statements

if the increase in the recoverable amount can be attributed to an event occurring in a period after the impairment was recognized.

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

Trade receivables by currency were as follows:

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

Trade receivables by market region were as follows:

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

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

Movements in allowance for doubtful trade receivables were as follows:

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

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

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The aging and allowance of trade receivables were as follows:

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

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

12 Inventories

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

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

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

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

Movements in allowance were as follows:

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

Notes to the Consolidated Financial Statements

13 Other Assets

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

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

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

14 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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15 Intangible Assets

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

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

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

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

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

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

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

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

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

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

16 Financial Assets

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

17 Other Liabilities

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

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

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

18 Provisions

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

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

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

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

19 Post-Employment Benefits

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

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

Notes to the Consolidated Financial Statements

return on plan assets, excluding amounts included in the net interest result are recognized in other comprehensive income.

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

19.1 General

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

19.2 Post-Employment Benefit Plan of BELIMO Automation AG

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

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

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

Notes to the Consolidated Financial Statements

19.3 Details of Calculations

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

19.4 Investment Portfolio

Composition of the pension scheme's plan assets:

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

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

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

19.5 Actuarial Assumptions and Sensitivity Analyses

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

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

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

Notes to the Consolidated Financial Statements

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

20 Share Capital and Reserves

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

21 Financial Risk Management

21.1 General

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

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

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

21.2 Credit Risk

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

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

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

Notes to the Consolidated Financial Statements

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

21.3 Liquidity Risk

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

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

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

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

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

21.4 Market Risk

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

Foreign Currency Risk

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

Interest Rate Risk

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

Notes to the Consolidated Financial Statements

21.5 Categories of Financial Instruments

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

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

21.6 Capital Management

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

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

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

Notes to the Consolidated Financial Statements

22 Leases

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

The future minimum lease payments are payable as follows:

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

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

23 Contingent Liabilities

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

24 Related Parties

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

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

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

Breakdown of remuneration by executive and non-executive members:

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

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

Notes to the Consolidated Financial Statements

25 Foreign Exchange Rates

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

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

Notes to the Consolidated Financial Statements

26 Subsidiaries

BELIMO Holding AG held the following subsidiaries:

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

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

H = Holding company

P = Production

D = Distribution

R&D = Research and development

I = Inactive

Notes to the Consolidated Financial Statements

27 Events after the Reporting Date

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

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



Statutory Auditor's Report

To the General Meeting of BELIMO Holding AG, Hinwil

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

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

Key Audit Matters



Inventory valuation



Revenue recognition

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



Inventory valuation

Key Audit Matter

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

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

Our response

Our audit procedures in this area included, amongst others:

- We challenged the Group's calculation of production costs for self-made products. This includes the allocation of overhead production costs by comparing the parameters used for the calculation to underlying actual data and an evaluation of underlying labour costs by comparing actual rates to budget rates and the deviations thereof.
- We evaluated the Group's historical experience on slow moving inventory items and compared them to the amounts used for the calculation of the slow moving provision and evaluated consistency of application.
- We evaluated the Group's controls on profit margins by sample testing key controls for operating effectiveness. We have discussed such analyses with management.

For further information on inventory valuation refer to the following:

- Note 12 to the consolidated financial statements



Revenue recognition

Key Audit Matter

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

Our response

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

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

- Evaluation of the accrual principle as of 31 December 2016 by comparing invoices to delivery papers and evaluating incoterms.
- Evaluation of profit margins and deviation analyses for significant product groups and geographical markets, identifying deviations to prior year and to our expectations. We have discussed such analyses with management.
- Assessing completeness and accuracy of recognition of revenue deductions by evaluating



credit notes issued in 2017 on the one hand, and by applying retrospective procedures evaluating charge-backs actually paid out compared to prior year on the other hand.

For further information on revenue recognition refer to the following:

- Note 3 to the consolidated financial statements

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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



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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Raphael Gähwiler
Licensed Audit Expert

Zurich, 23 February 2017

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

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Financial Statements of BELIMO Holding AG

Income Statement

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

Financial Statements of BELIMO Holding AG

Balance Sheet

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

Notes to the Financial Statements

1 Accounting Policies

1.1 General Information

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

1.2 Financial Assets

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

1.3 Treasury Shares

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

1.4 Foregoing a Statement of Cash Flows and Additional Disclosures in the Notes

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

2 Information on Items in the Income Statement and Balance Sheet

2.1 Other Financial Income

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

2.2 Financial Assets – Group Companies

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

Notes to the Financial Statements

2.3 Investments – Group Companies

BELIMO Holding AG held the following subsidiaries:

| Company | Function | Shareholding interest and voting right | | Currency | Share capital in 1000 | |
|--|-----------|--|------------|----------|-----------------------|------------|
| | | 12.31.2016 | 12.31.2015 | | 12.31.2016 | 12.31.2015 |
| BELIMO Actuators Pty. Ltd. (Mulgrave, Melbourne, Australia) | D | 100% | 100% | AUD | 10 | 10 |
| BELIMO Automation Handelsgesellschaft m.b.H. (Vienna, Austria) | D | 100% | 100% | EUR | 36 | 36 |
| BELIMO Brasil – Comércio de Automação Ltda. (São Paulo, Brazil) | D | 100% | 100% | BRL | 6 718 | 211 |
| BELIMO Aircontrols (CAN), Inc. (Mississauga, Canada) | D | 100% | 100% | CAD | 95 | 95 |
| BELIMO Actuators Ltd. (Hong Kong, People's Republic of China) | D | 100% | 100% | HKD | 10 | 10 |
| BELIMO Actuators (Shanghai) Trading Ltd. (Shanghai, People's Republic of China) | P, D | 100% | 100% | CNY | 13 940 | 13 940 |
| BELIMO Customization (Shanghai) Co. Ltd. (Shanghai, People's Republic of China) | I | 100% | 100% | CNY | 765 | 765 |
| BELIMO Finland Oy (Helsinki, Finland) | D | 100% | 100% | EUR | 100 | 100 |
| BELIMO SARL (Courtry, France) | D | 100% | 100% | EUR | 80 | 80 |
| BELIMO Stellantriebe Vertriebs GmbH (Stuttgart, Germany) | D | 100% | 100% | EUR | 205 | 205 |
| BELIMO Automation UK Ltd. (Shepperton, Great Britain) | D | 100% | 100% | GBP | 0.1 | 0.1 |
| BELIMO Actuators (India) Pve Ltd. (Mumbai, Republic of India) | D | 100% | 100% | INR | 773 | 773 |
| BELIMO Italia S.r.l. (Grassobbio, Italy) | D | 100% | 100% | EUR | 47 | 47 |
| BELIMO Servomotoren B.V. (Vaassen, Netherlands) | D | 100% | 100% | EUR | 18 | 18 |
| BELIMO Automation Norge A/S (Oslo, Norway) | D | 100% | 100% | NOK | 501 | 501 |
| BELIMO Silowniki S.A. (Warsaw, Poland) | D | 100% | 100% | PLN | 500 | 500 |
| BELIMO Ibérica de Servomotores S.A. (Madrid, Spain) | D | 100% | 100% | EUR | 301 | 301 |
| BELIMO Automation AG (Hinwil, Switzerland) | P, D, R&D | 100% | 100% | CHF | 500 | 500 |
| Belimo Turkey Otomasyon A.Ş. (Istanbul, Turkey) | D | 100% | 100% | TRY | 1 000 | 1 000 |
| BELIMO Automation FZE (Dubai, United Arab Emirates) | D | 100% | 100% | USD | 273 | 273 |
| BELIMO Aircontrols (USA), Inc. (Danbury, United States of America) | D, H | 100% | 100% | USD | 200 | 200 |
| BELIMO Customization (USA), Inc. (Danbury, United States of America) | P | 100% * | 100% * | USD | 45 | 45 |
| BELIMO Technology (USA), Inc. (Danbury, United States of America) | R&D | 100% * | 100% * | USD | 30 | 30 |

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

H = Holding company

P = Production

D = Distribution

R&D = Research and development

I = Inactive

2.4 Treasury Shares

| | 2016 | | 2015 | |
|--------------------------|------------------|-------------------|------------------|-------------------|
| | Number of shares | Value in CHF 1000 | Number of shares | Value in CHF 1000 |
| As at January 1 | 575 | 536 | 605 | 564 |
| Purchase | 57 | 171 | | |
| Sale | -191 | -187 | -30 | -28 |
| As at December 31 | 441 | 521 | 575 | 536 |

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

3 Other Information

3.1 Full-Time Equivalents

BELIMO Holding AG does not have any employees.

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

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

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

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

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

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

| Number of shares | 12.31.2016 | 12.31.2015 |
|---------------------------------|-------------|-------------|
| Board of Directors | | |
| Prof. Adrian Altenburger | 50 | 50 |
| Patrick Burkhalter | 130 | 130 |
| Martin Hess | 370 | 370 |
| Prof. Dr. Hans Peter Wehrli | 1400 | 1400 |
| Dr. Martin Zwyssig | 25 | 25 |
| Total Board of Directors | 1975 | 1975 |

Notes to the Financial Statements

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

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

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

3.4 Significant Shareholders

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

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

3.5 Events after the Reporting Date

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

Appropriation of Available Earnings

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

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

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

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



Statutory Auditor's Report

To the General Meeting of BELIMO Holding AG, Hinwil

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Raphael Gähwiler
Licensed Audit Expert

Zurich, 23 February 2017

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

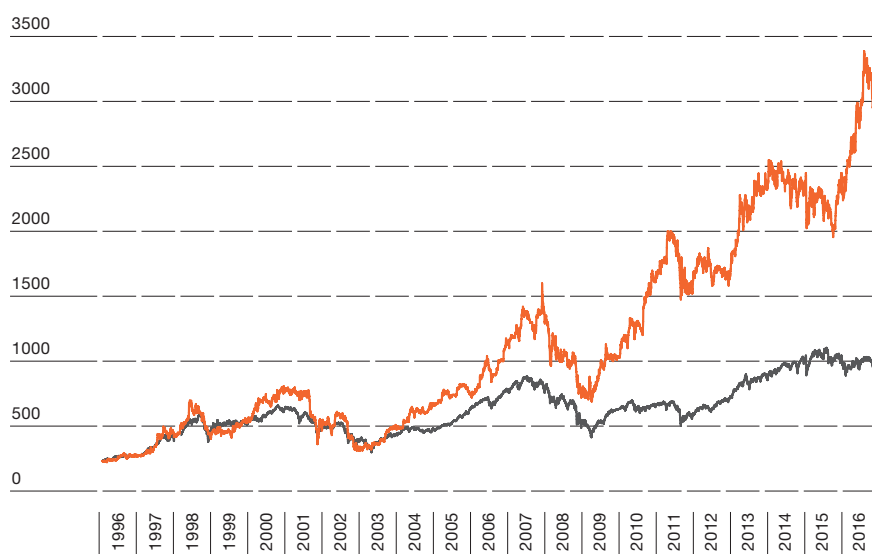
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Information for Investors

Performance since January 1, 2016, in CHF



Performance since IPO, in CHF



Opting out: see Corporate Governance, note 7.1

Limitation of transferability: see Corporate Governance, note 2.6

ISIN number: CH0001503199

Information for Investors

Stock Market Information from 2012 to 2016

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

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

Five-Year Summary

Five-Year Summary of the Belimo Group

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

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

The Belimo Mission

Belimo is the global market leader in the development, production and marketing of actuator solutions for controlling heating, ventilation and air conditioning systems. Actuators, control valves and sensors make up the company's core business.

Belimo's aim is to be a trusted partner across the globe for its customers, offering them the added value they expect. Research and market-relevant innovation as well as rapid and customized execution are key. Commitment, credibility and reliability characterize our behaviour.

Belimo delivers more than just products. We support our customers with innovative, efficient and energy-optimizing solutions and bring success to both our customers and ourselves. We are close to our customers throughout the world, we speak their language and we understand them. Everything we do gives them the reassurance that they have chosen the very best.

Credits

Concept/editing: BELIMO Holding AG, Hinwil

Design/composition: Daniel Stähli, dast Visuelle Kommunikation, Zurich

Photography: Marc Latzel, Zurich

The annual report is published in German and English.

The financial report is prepared exclusively in English.

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