

012

Highlights 2012

Sales growth of 6.9 percent in Swiss francs and 5.4 percent in local currencies.

Operating income (EBIT) of CHF 76.3 million.
EBIT margin increased to 17.2 percent.

Net income of CHF 61.4 million or 13.8 percent of sales.

High operating cash flow of CHF 82.8 million or 18.6 percent of sales.

Rock solid balance sheet ratios. Equity ratio increased to 76.0 percent.

Return on invested capital of 30.4 percent.

Dividend CHF 60 per share (proposal to Annual General Meeting).
High payout ratio of 60.1 percent.

Strengthening the sales organization by acquiring the previously independent Benelux distribution company domiciled in the Netherlands.

4.9 million **actuators shipped**.

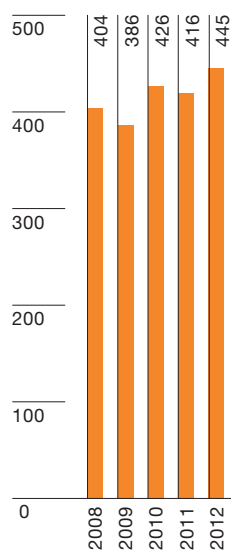
Energy efficiency. Great response to introduction of Belimo Energy Valve™ and consolidation of position as provider of energy-efficient actuator and valve solutions.

Financial summary

in CHF million	2012	2011	Change
Net sales	444.6	416.0	6.9%
Operating income before interest, taxes, depreciation, amortization (EBITDA) in percent of net sales	91.9 20.7%	81.8 19.7%	12.4%
Operating income before interest and taxes (EBIT) in percent of net sales	76.3 17.2%	67.8 16.3%	12.6%
Net income in percent of net sales	61.4 13.8%	51.6 12.4%	19.1%
Investments	19.9	16.5	20.6%
Cash flow from operating activities	82.8	57.4	44.4%
Free cash flow	60.5	41.3	46.5%
in CHF			
Earnings per share	100.74	84.61	19.1%
Dividend per share	60.00	50.00	20.0%
Number of employees (FTE's) at December 31	1 227	1 172	4.6%

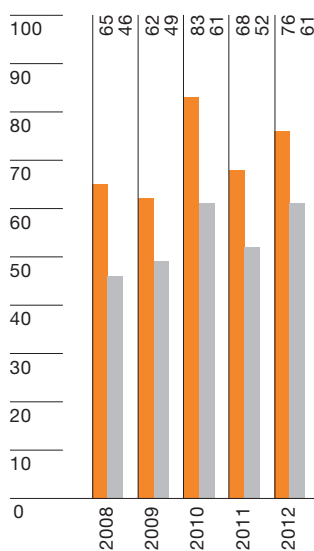
Sales 2008–2012

in CHF million



Income 2008–2012

in CHF million



■ Operating income (EBIT)
■ Net income

The pictures

This year's series of pictures is dedicated to the topic of energy efficiency.

Belimo questions the status quo. Any company that has developed high-quality products has two options: to be satisfied with its achievements, or to systematically improve its performance. Belimo has opted for the latter. By taking nothing for granted, and breaking new ground with an unwavering will, surprising new opportunities to increase energy efficiency and cost effectiveness open up.

Belimo places the greatest possible demands on itself to maximize comfort and energy savings. At Belimo, efficiency is an attitude. To Belimo, added value for its customers and the environment means uncompromising quality, coherent sustainability, and an intelligent economical use of resources.

Energy efficiency is also a social issue. Belimo takes on its responsibility in this area and contributes with innovative products to energy efficiency, ease, and comfort in buildings. The libraries and universities pictured in this report stand for innovation, education, competence, and openness. **Just like Belimo.**

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 and control valves 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.

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Stadtbibliothek am Mailänder Platz, Stuttgart, Germany

Preface



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

Dear Shareholders

The year 2012 was a positive one for the Belimo Group despite a rather difficult market environment. Sales rose by 6.9 percent to CHF 444.6 million. Adjusted for currencies, this is equivalent to growth of 5.4 percent. The result was an operating income (EBIT) of CHF 76.3 million and a net income of CHF 61.4 million. Both of these figures are significantly higher compared to previous year.

Belimo's expanding business is an expression of the company's varied and innovative product range for customers in the global markets for heating, ventilation and air-conditioning systems.

The strategic objective of growing the business profitably for the long term was consistently pursued. The goal is to secure and expand our positions in the various markets and types of technology. An example is the strengthening of the sales organization in the European market region through the acquisition of the previously independent Benelux distribution company. Plans to expand the Hinwil building for production and logistics were also made more concrete. Despite the varied currency issues, this expansion is a commitment to Switzerland as a production site.

The successful development of the Americas market region led to the strategic decision to construct a sustainable production and administration building right next to the current location in Danbury (CT, USA).

Gary Economides was recruited as the new Head of Asia/Pacific and Member of the Group Executive Committee, following Matthias Haas' departure. He is well acquainted with our sector and this market region.

Various product innovations help our customers save energy and, by combining electronics and software, make building energy technology solutions safer and even more efficient and effective, resulting in more comfort using less energy.

There are varying microeconomic and macroeconomic signals, some of which contradict each other. However, the Board of Directors remains confident with regard to the development of the Belimo Group as a whole because the essential technological and corporate requirements for success have been established over time.

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 60 per share. At the closing price of CHF 1763 on December 31, 2012, this corresponds to a return of 3.4 percent per share.

On behalf of the Board of Directors of BELIMO Holding AG I would like to thank all our employees and the Group Executive Committee for their unwavering commitment. Along with our customers and suppliers, they have made an essential contribution to the success of our company.

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



Stadtbibliothek am Mailänder Platz, Stuttgart, Germany

Report of the Group Executive Committee



Dr. Jacques Sanche
CEO

Belimo achieved solid sales growth of 6.9 percent in 2012 in Swiss francs. Growth in local currency terms was 5.4 percent. All markets succeeded in contributing to the positive results. The operating income was increased significantly year-on-year. Record results were achieved for net income and for cash flow from operating activities.

Europe

Sales in the Europe market region grew by 4.1 percent, and on a currency-adjusted basis by 5.7 percent. Virtually all the Group's subsidiaries reported higher results than a year ago. The acquisition of the Benelux distribution company, domiciled in the Netherlands, also contributed to growth. In terms of products, growth was again driven by water applications, followed by the fire protection product range.

Economic environment and markets

There was great uncertainty at times in some of the European markets. Investments were made very cautiously. Accordingly, the regions developed in very different ways. Germany's substantial contribution to growth was in water applications in particular. Poland, Austria, Italy, the Middle East, and the Baltic states also posted very positive growth figures. The Polish market benefited from investments in connection with the European Football Championship and from new customers acquired, while the Austrian market took advantage of the strong growth in the heating market. In Italy, the market share was increased, while Spain and Greece were hit strongly by the debt crisis and recession. In Scandinavia and the Benelux countries, construction activity slowed somewhat.

Customers and products

The product ranges for water applications showed very healthy growth. The introduction of the Belimo Energy Valve™ outperformed expectations by far, although only part of the product range is available for now. These energy-efficient valves won over consulting and big contracting engineers in particular.

Initial success was also achieved in the test market of Switzerland with the new actuator product range for globe valves. This product range will mainly offer new possibilities in the area of retrofit applications. With the 6-way valves, some very extensive projects were won once again this year, such as the Triton-Haus and the European Central Bank (ECB), both in Frankfurt, and the Hammerbrookhöfe in Hamburg. The actuators for fire protection applications showed solid growth. These products helped the Eastern European markets recover somewhat and support growth.

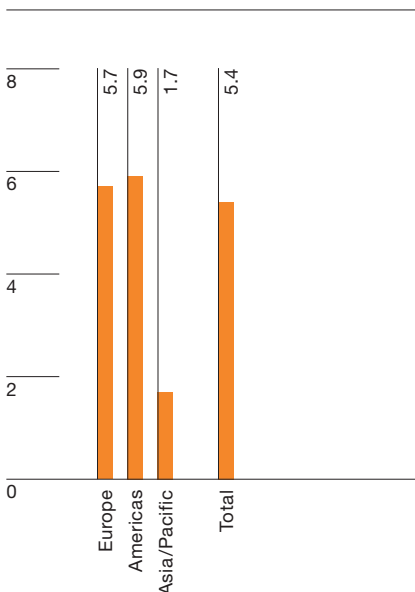
Sales with OEM customers were up solidly as well as in the contracting business. The manufacturers in the area of heating applications benefited from increased demand for pellet-fired heating systems, whereas the contracting business grew in particular in water applications.

Americas

After its excellent growth in the previous year, the Americas market region performed well again, growing by 10.9 percent, and on a currency-adjusted basis by 5.9 percent.

Construction of the new American headquarters started on the land acquired in Danbury (CT, USA), close to the current location. We are striving to meet the LEED Gold standard (green building certification system) for the construction of this production

Sales growth 2012 in local currencies in percent



and administration building. The relocation is planned for 2014.

Economic environment and markets

There were significant regional variations in growth. The economic environment in the United States continued to recover slowly, but yet continuously. The results were good, particularly when compared to the already excellent previous year. Latin America performed very well, in particular Brazil. Canada did not meet expectations, yet still displayed a positive trend towards the end of the year.

Activity in the construction sector gained momentum. However, the level of construction work started on new buildings remained far below the long-time average, although it did increase considerably year-on-year during the second half of the year. Non-housing construction, the type most important for Belimo, grew moderately as it was determined by the business cycle, which typically reacts with a delay. Most investments

were in utility buildings, above all in logistics and data centers. This reflects a structural change due to increasing e-commerce activity and external data storage.

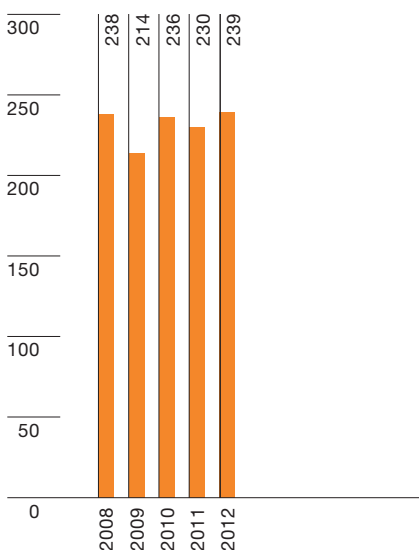
The long-term trend towards energy efficiency was confirmed, and the number of new energy-certified buildings is constantly increasing.

Customers and products

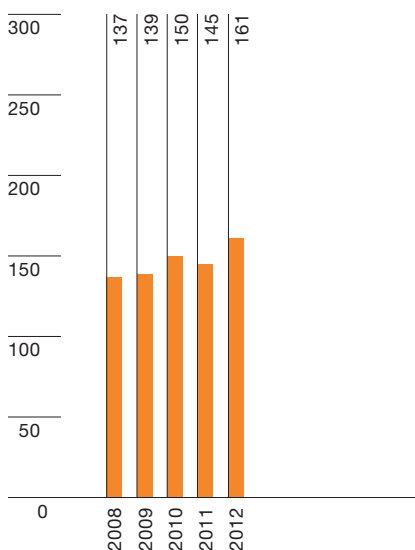
Sales with OEM customers developed very well and we succeeded in gaining additional market share. Sales in the contracting business were boosted considerably, thanks to factors such as the high level of customer loyalty.

In air applications, last year's introduction of the actuator series EF, the strongest spring-return actuators for air dampers, kept running very successfully. They were used, for example, in America's highest building, the One World Trade Center in New York City.

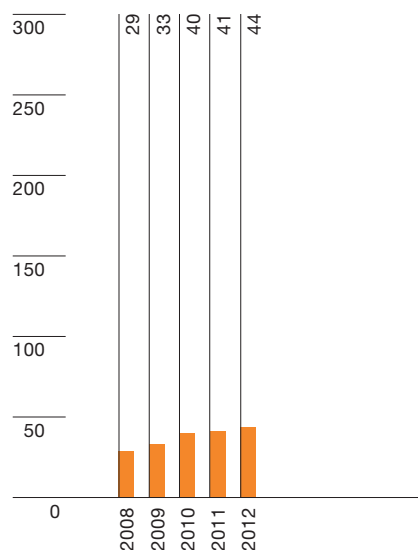
Net sales Europe
in CHF million



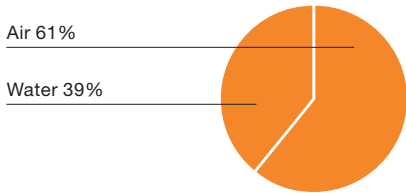
Net sales Americas
in CHF million



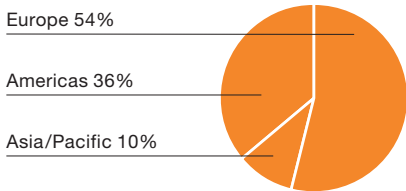
Net sales Asia/Pacific
in CHF million



Sales 2012 by application



Sales 2012 by region



The key development in the water applications area was the launch of the Belimo Energy Valve™. This innovative valve solution was met with an enthusiastic response from many customers and is already being used by renowned companies and institutions such as the Massachusetts Institute of Technology (MIT) in Cambridge (MA, USA). Indeed, the introduction of the Belimo Energy Valve™ was the main factor in Belimo’s successful consolidation of its position in the Americas as a provider of energy-efficient actuator and valve solutions.

Asia/Pacific

The Asia/Pacific region performed slightly better than previous year, thus falling well below expectations. Sales increased by 8.0 percent, and on a currency-adjusted basis by 1.7 percent.

Gary Economides took up his position in November as the new Head of Asia/Pacific and Member of the Group Executive Committee.

Economic environment and markets

Economic growth slowed in various important markets in Asia/Pacific. The measures introduced in China to avoid an overheating of the real estate market continued to have a noticeable impact. However, China posted double-digit year-on-year growth. Japan moved towards a recession, the construction industry in Australia declined, and sales in Southeast Asia also fell.

Thanks to the completion of the customizing and distribution center in India at the end of 2011, deliveries to customers can be processed faster. A new sales organization was set up in South Korea.

Customers and products

The Belimo Energy Valve™ was introduced to the market and is now being used in reference projects.

Sales with OEM customers and in the contracting business developed in different ways, depending on each country’s economic situation.

Water application sales increased, amongst others with projects in China (Shanghai Hongqiao Central Business District) and India (ESIC Hospital). Sales of air applications remained at previous year’s level.

Innovation & Global Product Management

The Belimo Energy Valve™ was the first product brought on the market with a built-in sensor and integrated intelligence. The product combines state-of-the-art electronics and software with up-to-date application expertise from the building energy technology sector. Thanks to this control valve, customers are able to save energy, thereby cutting operating costs and avoiding unnecessary investments. At the same time, the product displays energy flows and increases operational safety.

The ZIP Economizer™ was developed for the American market. This combination of sensors, control, and actuator is programmed with Shared Logic components and enables optimal use of outside air to save energy needed for cooling. Such devices require the collection of local weather data, which is usually a source of errors, as experience has shown. This is where the patented “ZIP” technology comes in, with its programming using the postal code (USA: ZIP code) entered to come up with the correct values itself.

Report of the Group Executive Committee

About 35 years ago, Belimo launched with great success the universal spindle clamp as a simple and secure connection between the rotary spindles of air dampers and actuators. Together with the ongoing introduction of the second-generation actuators for globe valves, a universal link between the globe actuator and the globe valve is now being brought on the market, allowing for quick and easy installation of actuators onto existing valves.

The actuator product range is being converted to the third generation of ASIC. High unit numbers are making it possible to use the cost-effective ASIC semi-conductor technology, but this also entails significant investments. The product costs are considerably lower and there are significant functional extensions. In addition, the extended configurability simplifies the products' manufacturing and production logistics.

The close collaboration between the Innovation and the new Group Division Global Product Management started well. The joint development of new strategies and product concepts allows for optimized product range design based on regional market needs and the technical possibilities.

The global market for actuators and valves was analyzed in order to align current projects and future products more closely to long-term growth trends. The essential growth areas were then defined and positioned strategically.

Overarching synergies in the existing product range was identified and streamlining was started for individual lines. This can help reduce logistical complexity and improve production and storage capacity.

Production, Customizing & Distribution

This year, the currency situation again made it necessary for changes in the supply chain. According to that, we moved forward with further shifts to Eastern Europe and Asia. Supplier assessments were conducted on the continuously expanded supplier relationship management platform (SRM).

Lean manufacturing principles were applied in order to optimize assembly workplaces and delivery logistics.

Due to the increasing scarcity of storage and assembly space at the headquarters in Hinwil, an external warehouse was leased. For mid-term and long-term planning purposes, the logistics of the Hinwil location as a whole were analyzed and an architecture competition was launched with a call for possible versions of a logistics annex.

The external transport management solution was then also introduced in Hinwil. This solution involves major forwarding agents and makes it possible to manage freight costs, track shipments, and manage all transport documents electronically.

Finance & Business Services

In the Netherlands, the independent distribution company that has been operating successfully in the Benelux region for over 25 years was acquired. The business processes of the new subsidiary shall be integrated into the Belimo environment at the beginning of 2013.

The code of conduct introduced in the previous year was expanded with the chapters "Principles of internal cooperation" and "Conduct in the working environment".

We moved forward with the virtualization of our IT systems and extended it to the infrastructure of the subsidiaries. This minimizes dependence on individual server systems and increases flexibility concerning provision of services and maintenance.

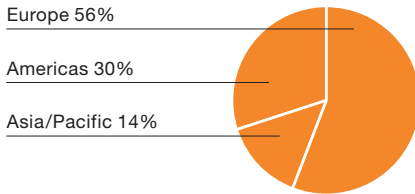
In the future, Belimo will continue to pursue its very ambitious aims of steady sales growth and a solid profitability. With innovative and energy-efficient solutions, Belimo is well on its way to achieving these goals.

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.

Employees 2012 by region

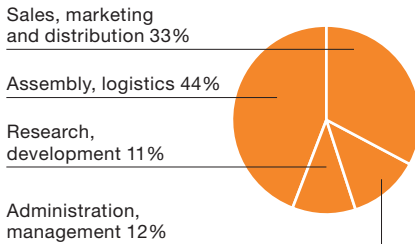


Outlook

The year 2013 may see the global economy gaining a bit of momentum. However, the pace of growth will still vary from market to market.

There is some uncertainty on the European markets, which makes planning more difficult. Yet according to information from the major markets, growth is expected to continue in 2013 in Europe.

Employees 2012 by function



In the American market, activity in the construction sector may well continue to develop positively, which makes Belimo optimistic for 2013 as well. In addition, heating, ventilation and air-conditioning systems take on an important role in the ongoing trend to improve energy efficiency in buildings. Belimo can perform a substantial contribution with new products.

In the Asia/Pacific market, Belimo hopes for accelerated economic growth and construction activity. The market presence shall be expanded with the planned opening of sales offices in Jakarta (Indonesia) and Calcutta (India) as well as the more intense support of consulting engineers.

For 2013, the development of a small valve with an actuator specially designed for zone applications is planned. Its most attractive features are its slender design and very installation-friendly, tool-free plug-in assembly.



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Corporate Governance

Belimo manages and exercises control at the highest corporate level according to the principles and rules of the “Swiss Code of Best Practice” published by *economiesuisse* and the Swiss stock exchange SIX Swiss Exchange Ltd.

The information required to be published according to the guidelines of the Swiss stock exchange is set out below using the corresponding sequence and numbering.

1 Group structure and shareholders

1.1 Group structure

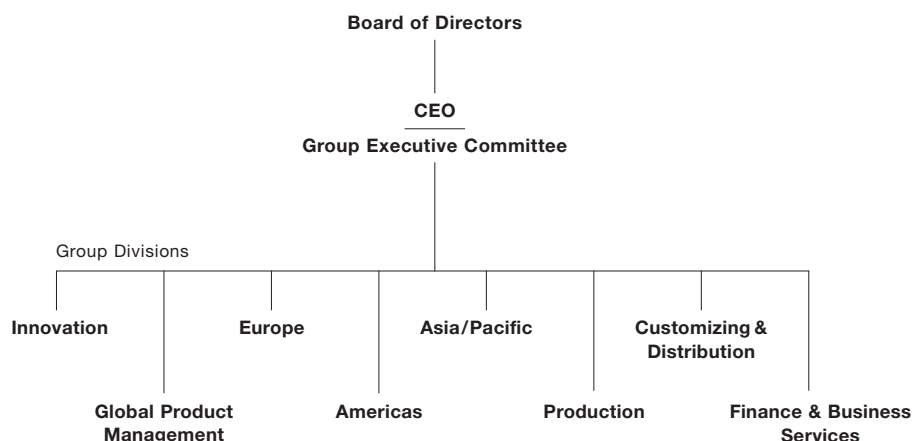
The Belimo Group is organized into Markets (Europe, Americas, Asia/Pacific), Innovation, Global Product Management, Production, Customizing & Distribution, and Finance & Business Services. The operational

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.

The market capitalization as of December 31, 2012, amounted to CHF 1084 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 and 88. Further details on Belimo shares are given on page 96 and on the inside cover. Information regarding the unlisted companies is given in the summary on page 86 and 87.

Group structure



1.2 Significant shareholders

As of December 31, 2012, 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
Lombard Odier Darier Hentsch Fund Managers SA	22 136	3.60%	22 136	3.60%
Ameriprise Financial, Inc.	28 397	4.62%	28 397	4.62%
Werner Roner	35 000	5.69%	35 000	5.69%
The Capital Group Companies, Inc.	61 374	9.98%	30 750	5.00%
Group Linsi	118 580	19.28%	118 580	19.28%

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

As of December 31, 2012, BELIMO Holding AG held 0.80 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 84 to 91). 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:

at	in CHF 1 000
December 31, 2010	135 926
December 31, 2011	154 767
December 31, 2012	170 735

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.

As regards voting rights, reference is made to the provisions of Article 13 of the Articles of Incorporation and note 6.1 of this Corporate Governance section. 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 (see Article 7 of the Articles of Incorporation). The Company maintains a share register, in which the names and addresses of owners and beneficial owners of shares are entered.

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 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. 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.

The registration restrictions are not identical to those relating to voting rights (see details under note 6.1 of this Corporate Governance section). 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. BELIMO Holding AG has not issued any share options 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 of December 31, 2012.

3.2 Further activities and relationships

Personal details and further activities and relationships of the individual members of the Board of Directors are as follows:

Prof. Dr. Hans Peter Wehrli

Further activities and relationships: Datacolor AG, Lucerne, Member of the Board of Directors
Swiss Prime Site AG, Olten, Chairman of the Board of Directors

Significant professional posts: Faculty of Business Sciences at the University of Zurich, Ordinary Professor for Business Studies

Werner Buck

Further activities and relationships: ProMation Engineering, Brooksville, FL, USA, Chairman of the Board of Directors

Significant professional posts: 1988–2005 BELIMO Aircontrols (USA) Inc. and BELIMO Aircontrols (CAN) Inc., Managing Director
1998–2005 Head of Americas and Member of the Group Executive Committee

Martin Hess

Further activities and relationships: None

Significant professional posts: Since 1974 HEFTI.HESS. MARTIGNONI. AG, Aarau, Chairman of the Executive Committee and Chairman of the Board of Directors

Board of Directors



Prof. Dr. Hans Peter Wehrli (1952)
Chairman of the Board of Directors
since 1997

Swiss
Dr. oec. publ.



Werner Buck (1943)
Deputy Chairman of the Board
of Directors

American/Swiss



Martin Hess (1948)
Member of the Board of Directors

Swiss
El.-Ing. HTL/SIA



Walter Linsi (1944)
Member of the Board of Directors

Swiss



Dr. Martin Zwysig (1965)
Member of the Board of Directors

Swiss
Dr. oec. HSG

Walter Linsi

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

Significant professional posts:
Co-founder of Belimo
Head of Technology and Member
of the Group Executive Committee
until 1999

Dr. Martin Zwysig

Further activities and relationships:
Sputnik Engineering AG, Biel, Member
of the Board of Directors

Significant professional posts:
2003 – 2008 Schaffner Holding AG,
Luterbach, Group CFO
Since 2008 Ascom Holding AG,
Dübendorf, Group CFO

Independence of the non-executive members

None of the non-executive members
has exercised an operational function
for the Belimo Group during the three
financial years preceding the report-
ing period. The non-executive mem-
bers of the Board of Directors and
the companies they represent have
no business relationships with the
Belimo Group.

3.3 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 by the Annual General Meeting under the principle of collective replacement for a term of office of one year. If the period of office of a Board member ends before expiry of the term of office, the newly elected member concludes the term of office of the predecessor. On reaching 70 years of age, members of the Board of Directors may be elected for a term of office of one year for 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
Werner Buck	2007
Martin Hess	2007
Walter Linsi	1977
Martin Zwysig	2011

3.4 Internal organization

The Board of Directors is the most senior management body in the 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. It designates a secretary, who does not have to be a member of the Board of Directors.

The Board of Directors has the following main duties:

- Directing the Company and issuing the necessary instructions
- Approving corporate policy and strategy
- Defining the management structure
- Determining the design of the accounting system and financial controls
- Nominating and removing the members of the Group Executive Committee
- Succession planning for the most senior levels of management
- Drawing up the annual report, preparing for the Annual General Meeting and carrying out its resolutions

The Board of Directors has established two permanent committees:

- the Audit Committee, which reviews adherence to regulations and instructions and proposes the persons or firms to be appointed as statutory auditors,

- the Remuneration Committee, which draws up proposals regarding the remuneration of the Board of Directors and the Group Executive Committee.

A further committee is convened as and when required to manage the process of appointing a Board member or a member of the Group Executive Committee.

The Board of Directors has delegated the task of operational management to the Group Executive Committee. 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 2012.

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 video- or teleconference, 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.

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 committees yearly.

Minutes of the meetings are prepared and distributed to those who attend-

ed 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 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 a minimal, business relationship with the Company. Based on their education or their professional experience, all members have sufficient knowledge of finance and accounting.

The following members have been elected for the 2012/2013 period of office: Dr. Martin Zwyszig 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 2012 with the CEO, CFO and the statutory auditors.

Remuneration Committee

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 a minimal, business relationship with the Company.

The following members have been elected for the 2012/2013 period of office: Prof. Dr. Hans Peter Wehrli, Martin Hess and Walter Linsi

Duties

- Submitting motions to the Board of Directors for determining the fees for the Board of Directors
- Submitting motions to the Board of Directors for determining the annual salaries and bonuses of the CEO, the members of the Group Executive Committee and the heads of Group Divisions
- Submitting motions to the Board of Directors for determining the retirement arrangements for the CEO, the members of the Group Executive Committee and the heads of Group Divisions
- Submitting motions to the Board of Directors for the approval of loan agreements between the Company and members of the Board of Directors or the Group Executive Committee

The Remuneration Committee met twice in 2012.

Appointment Committee

The Appointment Committee comprises at least two members of the Board of Directors.

The following members have been elected for the 2012/2013 period of office: Prof. Dr. Hans Peter Wehrli, Walter Linsi and Werner Buck

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

One meeting was held in 2012.

3.5 Regulation of authority

The regulation of authority between the Board of Directors and the Group Executive Committee is laid down in the organizational regulations (corporate schedule of responsibilities) of the Belimo Group. 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.

3.6 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 reports, 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. After the end of the third quarter, the Board receives the projection for the full year in the same degree of detail, enabling the Board to review the likelihood of the budget being achieved. 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.

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 in writing and/or verbally 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 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 supports the CEO in the management of the Group. It 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 comprises seven members.

4.2 Further activities and relationships

Personal details and further activities and relationships of the individual members of the Group Executive Committee are as follows:

Dr. Jacques Sanche

Further activities and relationships:
Diener AG, Embrach, Member of the Board of Directors
Schweiter Technologies AG, Horgen, Member of the Board of Directors

Significant professional posts:
2000–2004 Oertli Service AG, Schwerzenbach, and Vescal AG, Vevey, Managing Director
2004–2007 WMH TOOL GROUP, Chicago, USA, CEO and WMH Walter Meier Holding AG, Stäfa, Member of the Executive Committee

Gary Economides

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

Further activities and relationships:
None

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

Peter Schmidlin

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

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

Group Executive Committee



Dr. Jacques Sanche (1965)

CEO since August 2007

Canadian/Swiss
Dr. oec. HSG



Gary Economides (1970)

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

Australian
MBA



Lukas Eigenmann (1961)

Head of Europe and Member of the Group
Executive Committee since July 2010

Swiss
Electronic technician, TS



Peter Schmidlin (1963)

Head of Innovation and Member of
the Group Executive Committee since
August 2000

Swiss
Dipl. El.-Ing. ETH



Beat Trutmann (1954)

CFO and Member of the Group Executive
Committee since January 2003

Swiss
lic. oec. publ.



Lars van der Haegen (1968)

Head of Americas and Member of
the Group Executive Committee since
January 2011

Swiss
MBA



Felix Winter (1965)

Head of Global Product Management
and Member of the Group Executive
Committee since November 2011

Swiss
Executive MBA HSG

Beat Trutmann

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

Lars van der Haegen

Further activities and relationships:
None

Significant professional posts:
2000 – 2006 BELIMO Automation AG,
Hinwil, BELIMO Aircontrols (USA)
Inc., various functions
2007 – 2010 BELIMO Servomotori
S.r.l., Bergamo, Managing Director

Felix Winter

Further activities and relationships:
None

Significant professional posts:
1995 – 2002 BELIMO Automation AG,
Hinwil, various functions
2002 – 2003 Kieback & Peter AG
Schweiz, Baar, Executive Management
2004 – 2005 Geberit International AG,
Jona, Head of product line Supply
Systems
2005 – 2011 Stäubli AG, Horgen,
Managing Director Connectors &
Robotics and Connectors Business
Development Manager International

4.3 Management contracts

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

5 Remuneration, participations and loans

5.1 Content of and procedure for determining remuneration and participation programs

Belimo remunerates its Group Execu-
tive Committee members according to
performance and results. The
compensation package is designed to
be market-oriented and contains sub-
stantial performance-related remu-
neration components, in addition to
a fixed element. The activities of the
Chairman of the Board, the Deputy
Chairman of the Board and the ordi-
nary Board members are remunerated
in cash by means of a fixed fee. Activ-
ities carried out as a member of a
Board committee are not subject to
additional compensation.

The CEO, members of the Group
Executive Committee and senior man-
agement receive a performance-
related bonus in addition to their fixed
remuneration. The bonus plan is
based on the achievement of agreed
targets. Payment of up to 50 percent
of the bonus is dependent on finan-
cial targets (EBIT and sales growth)
being achieved, with the rest being
dependent on the achievement of
personal performance targets.

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 members of the Group
Executive Committee. If the targets
set are partially reached the bonus is
lower, as set out in the agreement; if
the targets are exceeded, the bonus
can be increased up to a maximum of
1.33 times the target bonus.

The amounts of the annual salaries and target bonuses for the CEO, members of the Group Executive Committee, and heads of the Group Divisions for the next financial year are proposed by the Remuneration Committee to the Board of Directors for approval.

5.2 Transparency of remuneration, participations and loans from issuers based outside Switzerland

For remuneration, see note 6 Remuneration of the Board of Directors and Group Executive Committee to the financial statements of BELIMO Holding AG, pages 88 to 90.

6 Shareholders' rights of influence

The shareholders of Swiss companies have a range of participation and protection rights, which are fundamentally regulated in the Swiss Code of Obligations (CO) and are supplemented by the Articles of Incorporation of the Company. Shareholders' participation rights are described in detail in the Articles of Incorporation of BELIMO Holding AG, which are available on the Internet at www.belimo.com/investorrelations.

6.1 Limitation of voting rights and proxies

See Articles 13 and 14 of the Articles of Incorporation

Each share entered in the share register as a voting share entitles the holder to one vote at the Annual General Meeting. The shares must be entered into the share register by the day prior to the Annual General Meeting. See the provisions under note 2.6 of this Corporate Governance section regarding limits on the transferability of shares and nominee entries.

In exercising voting rights, no shareholder may represent in his/her own

name and/or on behalf of others more than ten percent of the total number of shares entered 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. The Board of Directors may issue special regulations regarding the exercise of proxy voting rights or for any other justified reason.

During the year under review the Board of Directors did not grant any exceptions regarding the limitation of voting rights.

Shareholders registered in the share register with more than ten percent of the share votes are released from this restriction to the extent that they may represent no more than the number of shares registered in their name (see Article 13 of the Articles of Incorporation).

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.

6.2 Quorum as per Articles of Incorporation

See Article 16 of the Articles of Incorporation

6.3 Convening the Annual General Meeting

See Article 10 of the Articles of Incorporation

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

See Article 11 of the Articles of Incorporation

Voting shareholders representing shares with a nominal value of at least CHF 10 000 may request that an item be put on the agenda up to 60 days before the Annual General Meeting.

6.5 Entry in the share register

See Articles 4 and 5 of the Articles of Incorporation

A shareholder or beneficial owner will be entered in the share register as a voting shareholder for a maximum of five percent of the total number of shares shown in the commercial register. The Board of Directors may determine exceptions to the five percent registration limit.

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

There are no change of control clauses for members of the Board of Directors. For the CEO and members of the Group Executive Committee there are agreements in their employment contracts in the event that these are terminated unilaterally by the employer as a consequence of the acquisition by a third party of a controlling majority in BELIMO Holding AG. In some cases the agreements contain an entitlement to an extension to the

period of notice to be given by the employer, and in other cases entitlement to compensation when notice is given. In no case does the period of notice exceed 24 months or the compensation exceed two years' target salary.

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 2006 is Reto Benz. The statutory auditors are selected 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 2012 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 discussion 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 pursues an open, active and transparent information policy in relation to all parties concerned. Each year it publishes a summary annual report, an annual and a semiannual report.

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

March 11, 2013
Presentation of the annual financial statements 2012

April 8, 2013
Annual General Meeting 2013

April 16, 2013
Dividend payment

August 6, 2013
Semiannual Report 2013

February 2014
Publication of 2013 preliminary results

March 17, 2014
Presentation of the annual financial statements 2013

April 14, 2014
Annual General Meeting 2014
Further information for shareholders is available at www.belimo.com/investorrelations.

9.3 Contact Investor Relations

BELIMO Holding AG
Beat Trutmann, CFO
Brunnenbachstrasse 1
CH-8340 Hinwil
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 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 Ltd.

Ecological awareness, social responsibility

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.



Belimo is firmly committed to sustainability, as reflected in our mission statement. We have continuously moved forward with further development in the area of sustainability, making improvements based on multiple analyses of our company that were received in 2012. As a sign of recognition, Belimo has been allowed to use the SRI (Socially Responsible Investment) logo since then.

Ecological awareness

Environment and energy

The energy for heating the offices and production facilities in Hinwil comes from the neighboring waste incineration plant.

Belimo constructed the new “Longus” wing of the building in Hinwil and started using it ten years ago. Belimo is currently analyzing whether its comfort and energy efficiency still meet the strict internal guidelines. To this end the current status of the building was analyzed in collaboration with an external consultant. Based on this analysis possible measures and potential improvements will be derived.

In December 2011 Belimo purchased land close to the current location in Danbury (CT, USA) in order to construct the new American headquarters complying with the LEED standards for sustainable construction. Belimo is working towards Gold certification and has already obtained some initial points by disposing material from the existing building on the purchased land in an environmentally friendly way during its demolition.

Thanks to our expanded, globally integrated communication solution, we are using videoconferencing more and more. Given the extent of worldwide connections, this can substantially reduce traveling and thus CO₂ emissions as well.

Innovation

Environmental thinking starts right with product design and development. We focus on sustainable and eco-efficient product development that looks at the entire product life cycle. This means minimal use of power and resources, low-impact waste disposal, the use of materials that generate low emissions in the event of fire and longer product life cycles through the use of modern technology. Optimizing existing products leads to some considerable savings in material and energy during the production process.

Our customers are involved early on in the development phase with a view to finding innovative approaches together and verifying promising ideas. We aim to secure an edge for our customers by providing them solutions that offer more comfort, greater energy efficiency and safety and require simpler installation and maintenance.

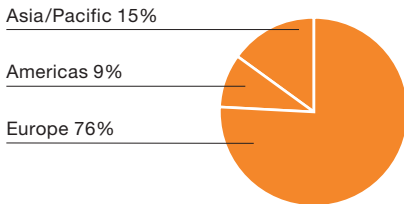
Products

The high functionality of our products enables optimal performance of HVAC systems. The power consumption of the actuators is reduced by means of energy-optimizing algorithms.

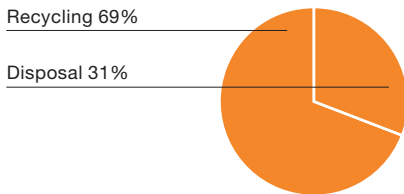
The following products and solutions promise higher value for customers coupled with lower energy consumption.

- **Optimized characterized control valve.** We were able to decrease the material used for the valve body during the process of introducing qualitative improvements. This saves energy during production and transportation.
- **Belimo Energy Valve™.** The simultaneous measurement of energy flows and optimization of the flow rate make it possible to reduce energy waste in the building.
- **Valve actuator with non-linear gears.** Thanks to new gear technology, a butterfly valve can be reliably operated using a smaller motor.

Procurement in percent from



Waste Management



– **Actuator with efficient stand-by mode.** Conventional electrical equipment is kept warm in stand-by mode as well, which means that electrical energy is converted into useless warmth. But our latest actuators prevent this thanks to modern engine technology with a high holding torque and intelligent shifting control.

Materials

The materials used are carefully selected to ensure that as little damage as possible is caused to the environment. We do not use auxiliary materials such as solvents, resins, paints or lead at all, or only in very small quantities. We use as little packaging as possible and give priority to recyclable packaging film. All packaging is made of materials that are not harmful to the environment. We increasingly use reusable containers and cardboard instead of plastic packaging.

Environmental directives

We adhere 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 that is adapted to our products and their areas of application. In addition, our suppliers undertake not to use any of the banned substances in the parts they deliver.

Belimo has been applying the international environmental management norm ISO 14001 through self-assessment. Our next step is to aim for the certification of this norm.

Procurement

More than 85 percent of the added value in our products comes from our suppliers. That is why we place the same high demands on them as on ourselves, requiring them to conform to our environment and quality policies. The new code of conduct for

suppliers is being rolled out successively and certain aspects of it are checked during audits. Adherence to specifications is checked by our goods-in department by means of direct tests and by inspecting the requested test reports and declarations. We integrate our suppliers as early as possible in our product developments. The bulk of the supplies we use are procured in Europe. New and existing suppliers are regularly audited on site.

Production and logistics

Through the transfer of knowledge and technology between our production locations we ensure safe, efficient and resource-saving production processes. Thanks to an optimized software download, with the same amount of production equipment we can produce more actuators centrally and finish them de-centrally on site according to each customer's needs. This saves resources along the entire logistics chain.

The regular review and adjustment of our logistics processes also takes environmental issues into consideration. We reduce transport mileage by means of collective shipments to the Swiss border, weekly collective transports and consolidated deliveries to customers. Regarding final assembly, we are now represented locally on almost all continents and thus we can substantially shorten transport routes to our customers. We are also minimizing energy consuming air freight on an ongoing basis.

Recycling and disposal

Our waste is sent for recycling whenever possible. The internal collection points help to separate the waste and ensure its proper disposal. These measures enable us to recycle more than half of the waste produced. The remaining waste is sent to the nearby waste incineration plant. Disposal transportation is consolidated.

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

Social responsibility

Corporate culture

In addition to the company mission statement, Belimo now also has a code of conduct. The Belimo values of trust and credibility also mean that employees get in touch with the appropriate contact person in the event of perceived violations of either applicable law or ethical standards. The code of conduct that was drawn up in 2011 concentrates on marketing and competitive practices as well as on dealings with suppliers. The principles of internal cooperation were added to it. Interactive training sessions are planned for next year to ensure that all employees are aware of these values and live them out. In addition, conduct in the working environment was also included in the code.

New employees learn about our 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.

Belimo gives assembly and packaging work to workshops for the disabled. In the US, we received the Business Leadership Award from the Ability Beyond Disability organization for the large number of disadvantaged people that we employ. The new building we are planning will give us the opportunity to create further jobs.

On the Day of Caring, employees in the US have the opportunity to spend one work day doing volunteer work benefitting the community.

Belimo supports various regional sporting and cultural events. The recently established internal FC Belimo soccer club also receives support. Its goal is to promote a spirit of camaraderie and community.

Belimo conducts one Bring Your Child to Work Day each year. This affords staff members' children the opportunity to accompany their parents at work for an entire day.

We provide advisory services free of charge for employees with personal or health problems.

Sustainable personnel policy

We value cultural diversity and assist employees from other countries with their integration, for example by providing free German lessons. 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 are valued both by employees and the company itself. In Hinwil, around 30 percent of employees work on a part-time basis. We grant our male employees a paid paternity leave of five days.

Management is firmly committed to its production sites in Switzerland and the United States, as evidenced, for example, by the high level of investment in both locations.

Belimo works at all levels with a performance and behavioral appraisal system. This includes regular assessments of how far an employee's individual goals have been achieved, as well as a discussion of appraisals with employees and appropriate development measures. The system of remuneration lets employees participate in the company's success.

Internal information events are held on a regular basis. The special preparatory courses for employees nearing retirement are very popular.

In 2011 we conducted our second global employee survey. The results were very gratifying, as the so-called loyalty index rose above the already very good level of 2008. The survey

results from around the world were analyzed and then discussed with employees, resulting in over 150 possible improvements. Most of the measures that were given top priority have already been implemented. Further improvements are in the process of being implemented.

Training, personal and career development

We help employees develop their specialist knowledge. With thorough induction programs, Belimo makes sure that new recruits are familiarized fully with their tasks and responsibilities and the corporate culture. We provide financial and other support to employees for their personal development. Time spent abroad at one of the company's other locations is an opportunity for professional and personal development and brings added value for the company. Managers regularly complete training courses on leadership issues.

Further education for new managers at the Hinwil location was reconceptualized. In addition to the topic of understanding how to lead, the core points of the training program include communication, conflict management, group dynamics, and health promotion. Experienced managers attended a seminar focusing on change management.

A new training program was also introduced for managers in the US. Follow-up courses promote the further development and solidification of leadership qualities.

Belimo now offers a career as a professional specialist, in addition to the managerial career with personnel responsibility. The two career tracks are treated equally. Professional specialists can prepare for future career steps with pre-defined development plans.

Encouraging new talent

We help young talent to develop and offer training programs in six professional areas. In difficult economic times, trainees with good performance reviews can stay with us for at least another six months after completing their traineeships to gain professional experience.

Each year, there is an excursion supported by Belimo and organized by the trainees. In addition, there is an annual parents' evening at which either a member of the Group Executive Committee or a Group Division Head as well as the trainees' mentors receive the trainees and their parents. The parents get to know everyone and are provided with insights into the company and their children's work. The trainees have the opportunity to present their traineeship project.

To ensure that the young people receive the best possible support, the mentors attend training sessions regularly.

Health and safety

All employees are aware of the possible dangers in their jobs and know how to prevent accidents. The first aid team has been trained in appropriate procedure in the event of electrical accidents. There are emergency instructions posted in sensitive areas, and first aid kits are available for accidents. All production employees in Hinwil and Danbury received new safety shoes.

All assembly and logistics workplaces in the US were examined and substantial investments in safe and ergonomic workplaces were made.

Special efforts for emergency management were made in Hinwil. A newly developed safety concept and checklists define the procedure to follow in the event of an emergency. The

Ecological awareness, social responsibility

revised evacuation plan and the knowledge and equipment of evacuation assistants were successfully tested as part of a surprise drill.

There has been an ongoing implementation of pending items from audits in the area of fire protection and workplace safety.

The BelimoVital impulse program promotes occupational health. It includes targeted relaxation and strengthening exercises, training in workplace ergonomics, flu-prevention measures, organized exercise activities, and presentations on specific subjects.

The popularity of the Bike to Work campaign in Hinwil was very impressive, setting a new record with about 90 participants biking 17,800 kilometers. In the US, those taking part in the King of the Hill Marathon completed a pre-defined route individually or in teams. Belimo provides financial support for these campaigns. These extensive offerings are intended to help improve the satisfaction, health, and motivation of employees and to reduce absenteeism.

Key figures 2010–2012

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

	Unit	2012	2011	2010
Key personnel figures				
Number of employees (average)		916	878	838
Female employees	as % of number of employees	47	47	50
FTEs (average)		854	821	780
Days off due to sickness				
	absences as % of total working days	2.9	3.5	3.2
Accident rate (occupational/non-occupational)				
	absences as % of total working days	0.3	0.3	0.5
Environmental indicators				
Number of actuators produced	in million items	4.8	4.6	4.3
Utilization				
Paper (A4, A3 sheet) only office				
Copiers/printers	kg per FTE	13.9	15.2	13.0
Buildings and total energy consumption				
Electricity	MWh	4 275	4 383	3 812
Heat energy				
District heating (own building)	MWh	1 199	986	1 159
Gas	MWh	1 040	924	814
Mains water	m ³	8 486	8 098	9 144
Recycling and disposal				
Waste for recycling	t	377	353	370
Waste for incineration	t	116	108	104
Remaining waste	t	70	96	91
Hazardous waste (electronics, separated materials)	t	32	28	29
Sanitary water	m ³	8 486	8 098	9 144



Gdansk University of Technology, Gdansk, Poland





Gdansk University of Technology, Gdansk, Poland

Consolidated financial statements of the Belimo Group

Balance sheet at December 31

in CHF 1 000	Note	2012	2011
Cash and cash equivalents	4	105 371	75 327
Securities	5	315	81
Trade accounts receivable	6	52 796	51 393
Income tax receivable		391	386
Other accounts receivable and accruals	7	5 427	5 970
Inventories	8	66 211	69 201
Current assets		230 511	202 358
Property, plant and equipment	9	93 274	88 876
Intangible assets	10	18 132	11 340
Financial assets	5	1 018	1 643
Deferred tax assets	11	765	703
Non-current assets		113 189	102 562
Assets		343 700	304 920
Current financial liabilities	12		35
Trade accounts payable	13	12 647	8 691
Income tax payable		5 734	3 423
Other liabilities and deferrals	14	26 205	26 214
Current liabilities		44 586	38 363
Non-current financial liabilities	12	21 201	20 000
Deferred tax liabilities	11	10 980	10 458
Provisions	15	4 909	4 689
Post-employment benefits	16	676	655
Non-current liabilities		37 766	35 802
Liabilities		82 352	74 165
Share capital	17	615	615
Treasury shares	17	-4 277	-4 204
Capital reserves	17	15 554	15 095
Retained earnings	17	249 456	219 249
Shareholders' equity		261 348	230 755
Liabilities and shareholders' equity		343 700	304 920

Consolidated financial statements

Income statement

in CHF 1 000	Note	2012	2011
Net sales	18	444 623	415 983
Changes in inventory		-526	1 865
Other operating income	19	238	232
Capitalized own services	19	1 248	2 098
Material expenses		-187 503	-180 707
Personnel expenses	20	-116 899	-109 894
Other operating expenses	21	-49 282	-47 788
Depreciation and amortization	9, 10	-15 596	-14 002
Operating income (EBIT)		76 303	67 787
Financial income	22	1 332	929
Financial expenses	22	-2 673	-6 267
Financial result		-1 341	-5 338
Income before taxes (EBT)		74 962	62 449
Income taxes	23	-13 536	-10 893
Net income		61 426	51 556
Attributable to shareholders of BELIMO Holding AG		61 426	51 556
Earnings per share in CHF	24	100.74	84.61

There are no options or other instruments that could cause dilution.

Statement of comprehensive income

in CHF 1 000	2012	2011
Net income	61 426	51 556
Translation differences	-725	-263
Other comprehensive income after taxes	-725	-263
Total comprehensive income	60 701	51 293
Attributable to shareholders of BELIMO Holding AG	60 701	51 293

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
At January 1, 2011	615	-4 692	14 602	-6 378	207 844	201 466	211 991
Translation differences				-263		-263	-263
Other comprehensive income after taxes				-263		-263	-263
Net income					51 556	51 556	51 556
Total comprehensive income				-263	51 556	51 293	51 293
Purchase of treasury shares		-48					-48
Sale of treasury shares		535	493				1 028
Dividends					-33 509	-33 509	-33 509
At December 31, 2011	615	-4 204	15 095	-6 642	225 891	219 249	230 755
Translation differences				-725		-725	-725
Other comprehensive income after taxes				-725		-725	-725
Net income					61 426	61 426	61 426
Total comprehensive income				-725	61 426	60 701	60 701
Purchase of treasury shares*		-561					-561
Sale of treasury shares		488	459				946
Dividends					-30 494	-30 494	-30 494
At December 31, 2012	615	-4 277	15 554	-7 366	256 823	249 456	261 348

* Thereof 300 treasury shares were acquired as part of the acquisition of BELIMO Servomotoren B.V. (NL).

Consolidated financial statements

Cash flow statement

in CHF 1 000	Note	2012	2011
Net income		61 426	51 556
Income taxes	23	13 536	10 893
Interest result	22	-10	-267
Depreciation of property, plant and equipment	9	11 786	10 899
Amortization of intangible assets	10	3 810	3 103
Income from the sale of property, plant and equipment	9	-139	-134
Other non-cash items		-1 050	-408
Change in accounts receivable and other current assets		-1 033	-2 259
Change in inventories		3 279	-5 564
Change in accounts payable and other current liabilities		3 573	-155
Change in provisions	15	222	-465
Income tax paid		-12 582	-9 840
Cash flow from operating activities		82 818	57 359
Investments in property, plant and equipment	9	-16 683	-11 884
Investments in intangible assets	10	-3 181	-4 582
Sale/(Purchase) of financial assets and securities		550	-699
Sale of property, plant and equipment		181	190
Interest received	22	653	929
Acquisition of companies minus acquired cash and cash equivalents	2	-3 826	
Cash flow from investing activities		-22 306	-16 046
Purchase of treasury shares	17	-63	-48
Sale of treasury shares	17	946	1 033
Dividend distribution	17	-30 494	-33 509
Interest paid	22	-651	-662
Repayment of current interest-bearing liabilities	12	-35	-5
Cash flow from financing activities		-30 297	-33 191
Translation differences arising from cash and cash equivalents		-171	-137
Net cash increase		30 044	7 985
Cash and cash equivalents at beginning of period		75 327	67 342
Cash and cash equivalents at end of period	4	105 371	75 327

Notes to the consolidated financial statements

1 Group accounting principles

1.1 General

BELIMO Holding AG (hereinafter referred to as Belimo or the Group) has its registered office in Hinwil, Switzerland. The balance sheet date for BELIMO Holding AG and all of its subsidiaries and for the consolidated financial statements is December 31, 2012.

1.2 Declaration 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

These consolidated financial statements have been prepared in Swiss francs (CHF), rounded to the nearest thousand. They are based on the acquisition cost method, with the exception of the following assets and liabilities which are stated at fair value: derivative financial instruments and securities held for trading.

The presentation of accounts in accordance with IFRS requires that management make estimates and assumptions and exercise discretion in applying accounting principles. This may influence the income, expenses, assets, liabilities and contingent liabilities as reported at the balance sheet date. In the event that such estimates and assumptions made in good faith by management at the time the accounts 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.

Material assumptions made by the management in applying IFRS that have a material impact on the consolidated financial statements, and estimates where there is a considerable risk of material adjustments being required in the following year, are set out in note 29 Material estimates and assumptions.

1.4 Changes to accounting principles

In the 2012 financial year, Belimo applied the following revised standards for the first time:

- IFRS 7 Disclosures: Transfers of Financial Assets.
- IAS 12 Deferred Tax: Recovery of Underlying Assets.

The introduction of all amended standards had no material impact on the consolidated financial statements.

Notes to the consolidated financial statements

The following new and revised standards were approved but are not yet in force and have not been applied to these consolidated financial statements early.

IAS 19 Employee Benefits: the most important changes in this revised standard are as follows. Until now, Belimo recognized actuarial gains and losses from the periodic recalculations on a straight-line basis over the average remaining period of service and charged to income if they exceeded ten percent of assets or pension fund liabilities, whichever was higher (corridor method). With the elimination of the corridor method from January 1, 2013, actuarial gains and losses will be recognized directly in equity without affecting net income, and included under other comprehensive income. As a result, greater volatility is expected in pension fund assets/liabilities and in consolidated equity. The revised IAS 19 also now calls for a net interest component, which is calculated by multiplying the net pension liability by the discount rate. Since the net pension liability covers both pension plan liabilities and plan assets, this approach implicitly offsets interest expense and the expected return on plan assets. At the same time, the expected return on plan assets is assumed on the basis of the discount rate. Previously, the return on plan assets was estimated on the basis of the expected income of the investment portfolio.

According to current information, the following financial impact is expected for 2012:

- Net income: reduced by approximately CHF 2 million
- Shareholders' equity: reduced by approximately CHF 16 million per December 31, 2012

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

Standard		Entry into force	Planned application
New Standards			
IFRS 10 Consolidated Financial Statements	*	1.1.2013	2013
IFRS 11 Joint Arrangements	*	1.1.2013	2013
IFRS 12 Disclosure of Interests in Other Entities	**	1.1.2013	2013
IFRS 13 Fair Value Measurement	**	1.1.2013	2013
IFRS 9 Financial Instruments	***	1.1.2015	2015

Standard		Entry into force	Planned application
Amendments of Standards			
IAS 1 Presentation of Items of Other Comprehensive Income	**	7.1.2012	2013
Amendments to IFRSs (May 2012)	*	1.1.2013	2013
IAS 27 Separate Financial Statements	*	1.1.2013	2013
IAS 28 Investments in Associates and Joint Ventures	*	1.1.2013	2013
IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities	**	1.1.2013	2013
IFRS 10, IFRS 11, and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	**	1.1.2013	2013
IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities	**	1.1.2014	2014

* No or no significant impact is expected on Belimo's consolidated financial statements.

** Primarily changes in presentation and additional disclosures in Belimo's consolidated financial statements are expected.

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

1.5 Consolidation methods

1.5.1 Scope of consolidation

The consolidated financial statements cover all companies that are controlled either directly or indirectly by BELIMO Holding AG. Control is deemed to exist where Belimo can govern the financial and operating policies of an entity so as to derive benefits from its activities. This applies when the Group holds more than 50 percent of the voting rights or when management is contractually assured or exercised on a de facto basis. These companies are fully consolidated.

Group companies that are acquired or sold during the course of the year are consolidated with effect from the date on which control is assumed and deconsolidated affecting net income from the date on which control is relinquished.

1.5.2 Acquisition accounting

The consolidation of capital at the time of acquisition is based on the purchase method. The purchase price of an acquisition is calculated from the sum of the fair value of the assets acquired, the liabilities assumed and the equity instruments issued by the Group. Pre-existing relationships are effectively settled with the acquisition and therefore separately measured with the purchase method. Transaction costs incurred in connection with an acquisition are recognized in net income. Goodwill from an acquisition is recognized as an asset. It corresponds to the excess of the sum of the purchase price, the share of non-controlling interests in the acquiree and the fair value of the equity share previously held less the balance of the assets, liabilities and contingent liabilities measured at fair value. For each transaction there is a choice of how to measure non-controlling interests. They can be measured either at fair value or at the share of non-controlling interests in the fair value of the net assets acquired. In the event of negative goodwill, the remaining surplus is recognized in income as soon as the fair value of the net assets acquired has been reassessed. Goodwill is tested for impairment at least once a year, or more frequently if events or changes in circumstances indicate that it might be impaired.

Notes to the consolidated financial statements

1.5.3 Eliminations

Assets and liabilities, income and expenses are recognized on a 100 percent basis using the full consolidation method. Intercompany expenses and income and intercompany receivables and payables are offset against each other. Any interim profits earned on intercompany transactions are eliminated affecting net income. Unrealized losses on intercompany transactions are similarly eliminated, unless there is proof of impairment.

1.6 Currency translation

1.6.1 Transactions in foreign currency

Transactions effected in a foreign currency are translated into the functional currency at the rate on the date of the transaction. Monetary assets and liabilities held in foreign currencies are translated into the functional currency at the rate on the balance sheet date. Any exchange gains or losses resulting from transactions and from the translation of balance sheet items in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities valued at historical cost are translated using the exchange rate at the time of the transaction.

1.6.2 Foreign Group companies

Financial statements of foreign Group companies denominated in foreign currencies are translated into CHF as follows: for the balance sheet, at the exchange rates applicable on the balance sheet date; for the income statement, the statement of comprehensive income and the cash flow statement, at the average exchange rate. Any translation differences arising from the different translation of the balance sheet, income statement and the statement of comprehensive income are offset directly against retained earnings with no effect on net income. This similarly applies to loans that meet the definition of equity. The cumulative translation differences are transferred to the income statement at the time of the sale of the Group company.

1.7 Derivative financial instruments

Derivative financial instruments are initially recognized and measured at fair value. Subsequent measurement is also at fair value, with any resulting gains or losses being posted to the financial result.

The fair value of forward exchange contracts is the stock market price on the balance sheet date or the net present value of the forward contract.

The Group does not make use of hedge accounting as defined in IAS 39.

1.8 Property, plant and equipment

1.8.1 Measurement of property, plant and equipment

Items of property, plant and equipment are carried in the balance sheet at purchasing or production cost less cumulative depreciation and any impairment.

Components of property, plant and equipment with varying useful lives are carried and depreciated separately.

1.8.2 Leasing of property, plant and equipment

Property, plant and equipment that is financed with long-term leasing agreements is carried in the balance sheet if the risks and rewards associated with ownership essentially pass to Belimo upon the signing of the agreement.

Measurement is at the lower of fair value and the net present value of the minimum lease payments less cumulative depreciation and any impairment.

The financial reporting of lease payments is described in note 1.22 Leasing.

1.8.3 Subsequent expenses

Subsequent investments are included in the carrying amount of an item of property, plant and equipment if it can be expected that Belimo will derive economic benefits from them in future. Actual maintenance and repair costs are charged to net income.

1.8.4 Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the period of the estimated useful life, or leasing term if shorter. Land is not depreciated. The estimated useful lives are defined for the Group as follows:

Administrative and production buildings (using the component approach: buildings contain components with differing useful lives and these are depreciated accordingly over 10, 15, 25 or 60 years)	10–60 years
Furniture and fixtures, workshop and warehouse facilities	5–10 years
Motor vehicles, office machinery and IT equipment	2–5 years
Leasehold improvements	5–10 years
Transportation equipment, tools and machinery	5–9 years
Tools at suppliers and testing equipment	3–5 years

The presumed residual value, if not immaterial, is reviewed annually.

1.9 Intangible assets

The Group's intangible assets comprise bought-in software, non-contractual customer relationships that have been transferred, as well as internally generated intangible assets.

1.9.1 Goodwill

Goodwill is carried at acquisition cost less any impairment losses. Goodwill is allocated to the cash-generating units and is not amortized but tested for impairment on an annual basis (see 1.14 Impairment test).

1.9.2 Research and development

Research costs incurred for the acquisition of new basic or technological knowledge and understanding are charged to income.

Development costs incurred to obtain new or significantly improved products and processes are capitalized if the resulting products and processes are technically and commercially feasible and if it is likely that there will be some future economic benefit. In addition, the Group must intend and have sufficient resources available to complete the implementation and use or sell the asset.

Notes to the consolidated financial statements

Development projects are managed based on a standard process and their feasibility is continually monitored. The process involves various phases and different milestones. Development projects can be interrupted at any time if the continuation of the project, its feasibility or economic benefit is deemed to be unrealistic. Capitalized development costs include material costs, direct labor costs and directly attributable general overheads, if they are attributable to preparing the asset for use. 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 subjected to an annual impairment test.

The capitalized costs are included in internally generated intangible assets (see 10 Intangible assets).

Other development costs are charged as expenses in the income statement. Capitalized development costs are carried at cost less accumulated amortization and impairments (see 1.14 Impairment test).

1.9.3 Other intangible assets

Other intangible assets are carried at cost less accumulated amortization and impairments (see 1.14 Impairment test).

1.9.4 Subsequent expenses

Subsequent investments are capitalized if it is likely that the future economic benefit will increase. All other expenses are charged directly to income at the time they are incurred.

1.9.5 Amortization

Intangible assets are amortized on a straight-line basis over their estimated useful life, unless this period is indeterminate. Goodwill and intangible assets with an indeterminate useful life are not amortized but are subject to an annual impairment test. Intangible assets with a determinable useful life are amortized from the time at which they become available for use.

The estimated useful life for software and internally generated intangible assets is two to five years, for customer relationships between three and nine years.

Belimo currently has no intangible assets with an indeterminate useful life.

1.10 Securities

Securities held for trading form part of current assets and are measured at fair value, with any change in value being recognized in the financial result. The fair value of securities held for trading is the market price as of the balance sheet date. Ongoing buy and sell transactions are recognized on the basis of the trade date, not settlement date.

1.11 Accounts receivable

Accounts receivable are carried at their amortized historical costs, generally their nominal value less any allowances for accounts receivable that cannot be collected.

The recoverable amount of accounts receivable corresponds to the net present value of the estimated future cash flows.

The allowance is made up of individual allowances for specifically identified items for which objective indications exist that the outstanding amount will not be received in full, and general allowances for groups of receivables with similar risk profiles. The general allowances cover losses that, in the estimation of the Group Executive Committee, will occur but are not yet known. General allowances are based on historical data on the receivables' payment statistics.

As soon as there are sufficient indications that an account receivable will definitely not be paid, the receivable is charged off directly or offset against the individual allowance created for this purpose.

Impairments relating to accounts receivable are reversed if the increase in the recoverable amount can be attributed to an incident that occurred in a period following recognition of the impairment loss.

1.12 Inventories

Inventory items are carried at the lower of cost of acquisition or production or net realizable value. The net realizable value is the expected average selling price less expected completion costs and costs to sell.

Purchased products are measured at cost of acquisition, self-made 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 production capacities. Inventories are measured on the basis of moving average prices.

1.13 Cash and cash equivalents

Cash and cash equivalents are stated at their nominal value. These consist of cash, postal and bank balances and term deposits with a term of up to three months as from acquisition date.

1.14 Impairment test

1.14.1 Approach

The carrying amounts of property, plant and equipment as well as intangible assets are assessed at least once per year. If there are indications of a permanent loss in value, a calculation of the recoverable amount is carried out.

In the case of goodwill, other intangible assets with an indeterminate useful life and intangible assets that are not yet available for use, the recoverable amount is calculated annually, even in the absence of any indication of a loss in value.

Notes to the consolidated financial statements

If the carrying amount of an asset or of the cash-generating unit to which the asset belongs exceeds the recoverable amount, the value is adjusted and recognized in income.

Value adjustments relating to a cash-generating unit or a group of cash-generating units are carried out first on goodwill and then pro rata on the other assets in the cash-generating unit or group.

1.14.2 Calculation of recoverable amount

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. To determine the value in use, the estimated future cash flows are discounted using a pre-tax rate that reflects the risks specific to the asset. If an asset does not generate any cash flows that are predominately independent, the recoverable amount is determined for the cash-generating unit to which that asset belongs.

1.14.3 Reversal of an impairment loss

There is no reversal of impairment losses for goodwill. Impairment losses on other assets are reversed if the estimates used to calculate the recoverable amount have changed, or if the impairment loss has been reduced or no longer exists.

The increase in the carrying amount is limited to the amount that would have resulted had no impairment losses been recognized for the asset in the previous years.

1.15 Shareholders' equity

1.15.1 Share capital

Shares are a component of equity, as they are not redeemable and there is no dividend guarantee.

1.15.2 Treasury shares

The acquisition cost of treasury shares (purchase price and directly attributable transaction costs) is deducted from equity. Shares repurchased are classified as treasury shares and deducted as a negative item from equity.

1.15.3 Dividends

Dividends are reported as liabilities as soon as they are approved by the Annual General Meeting.

1.16 Financial liabilities

Financial liabilities are carried upon initial recognition at fair value less directly attributable transaction costs. Subsequent recognition is at amortized cost, and any differences between the carrying amount and the repayment amount are recognized in the financial result using the effective interest method over the period during which the borrowed funds are utilized.

1.17 Post-employment benefits

1.17.1 Defined contribution plans

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

1.17.2 Defined benefit plans

The obligations under defined benefit plans are determined annually for each plan by calculating the net present value of the defined benefit obligation using the projected unit credit method. The fair value of the plan's assets, the unrecognized actuarial gains and losses as well as the unrecognized service costs are deducted or added. The discount rate is based on the interest rate of prime corporate bonds with close to the same maturities as the liabilities. These are determined annually by independent insurance experts.

The current service costs are charged to net income. The increase in past service costs is calculated on a straight-line basis until the benefits become vested and is included in post-employment benefit expenses. If the benefits become vested with immediate effect, the costs are charged to net income immediately.

1.18 Provisions

Provisions are made if as a result of a prior event the Group has a present obligation, an outflow of funds is likely and the amount can be reliably determined. Provisions are discounted if the effect is material.

1.19 Trade accounts payable and other current liabilities

These liabilities are carried at their amortized costs, generally their nominal value.

1.20 Sales and realization of revenue

Sales are recognized after deduction of sales tax, credits for returns and discounts at the time at which the risks and rewards arising from the goods sold pass to the client.

1.21 Financial result

The financial result is composed primarily of interest payments on borrowed capital based on the effective interest method, interest income, dividend income, foreign currency gains and losses and gains and losses on hedging instruments.

Interest income is recognized in accordance with the effective interest method through the income statement. Dividend income is recognized in income on the due date.

1.22 Leasing

Payments for operating leases are charged directly to income on a straight-line basis over the lease term.

Payments for finance leases are divided into interest and capital repayment amounts using the annuity method. The interest component is distributed over the lease term in such a way as to achieve a constant interest rate on the remaining liability as of the balance sheet date.

Notes to the consolidated financial statements

1.23 Income taxes

Income taxes include current and deferred income taxes. Normally, income taxes are charged to income unless they are linked to an item that is recognized in other comprehensive income or directly in equity.

Current income taxes are charged on the taxable income, based on the tax rates in force as of the balance sheet date, including tax expenses for previous periods.

Deferred taxes are calculated using the balance sheet liability method on all temporary differences between the tax balance sheet values and the IFRS values. No deferred taxes are recognized for the following temporary differences: initial recognition of goodwill, assets or liabilities in conjunction with a transaction that does not affect either taxable income or the year's net income, and investments in subsidiaries if it is likely that the temporary differences will not be realized in the foreseeable future.

Deferred tax assets including the tax benefits from deductible losses carried forward are only taken into account if it is likely that the temporary differences or losses carried forward can be offset against future taxable profits.

2 Changes to the scope of consolidation

On September 28, 2012, Belimo acquired all shares of the distribution company BELIMO Servomotoren B.V., which is domiciled in the Netherlands, at a purchase price of CHF 6.6 million (of which CHF 1.2 million retained). BELIMO Servomotoren B.V. distributes Belimo products in the Benelux countries. Since initial recognition, BELIMO Servomotoren B.V. has contributed CHF 0.3 million to the consolidated net income although some synergy effects will only be realized in the following year. Had the acquisition already taken place by January 1, 2012, management estimates that consolidated sales would have been higher by CHF 2.4 million and consolidated net income by CHF 0.5 million.

The acquisition on September 28, 2012, had the following impact on Belimo's assets and liabilities:

in CHF 1 000	2012 BELIMO Servomo- toren B.V. (NL) Fair value
Cash and cash equivalents	1 580
Trade accounts receivable	1 112
Other accounts receivable and accruals	172
Inventories	380
Property, plant and equipment	27
Intangible assets	7 424
Financial assets	493
Trade accounts payable	-11
Other liabilities and deferrals	-633
Deferred tax liabilities	-1 944
Identifiable net assets	8 600
Purchase price	6 607
Settlement of pre-existing relationship	1 896
Purchase price after settlement of pre-existing relationship	8 503
Negative goodwill on acquisition	-96
Acquired cash and cash equivalents	-1 580
Retained part of purchase price	-1 201
Settlement of pre-existing relationship	-1 896
Net cash outflow	3 826

Identified intangible assets are non-contractual customer relations that have been transferred. The fair value was determined using the multi-period excess earnings method. The discount rate applied is 6.8 percent.

The financial assets are shares of BELIMO Holding AG.

The negative goodwill of CHF 0.1 million arising from the acquisition was recorded as an income under other operating income.

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

Notes to the consolidated financial statements

3 Segment reporting

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

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 internal financial reporting to the Chief Operating Decision Maker, the Board of Directors of BELIMO Holding AG.

The Group has four reportable operating segments which constitute its strategic divisions. With a view to maintaining a market presence in close proximity to customers, the three geographic 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 credited to this segment in the segment reporting.

The activities of the reportable segments are as follows:

Europe. Comprises distribution and sale of Belimo products in the European market.

Americas. Comprises distribution and sale of Belimo products in the American market.

Asia/Pacific. Comprises distribution and sale of Belimo products in the Asia/Pacific market.

Shared Services. Comprises research and development activities, production, customizing, distribution as well as the areas of global product management, finance and administration.

Expenses for the Group Executive Committee and the Board of Directors are listed under "Elimination".

in CHF 1 000	Europe	Americas	Asia/Pacific	Shared Services	Elimination	Total
2011						
Income statement						
Net sales to third parties	229 612	145 381	40 990			415 983
Capitalized own services				2 098		2 098
Personnel and other operating expenses	-32 999	-22 641	-8 673	-100 310	6 940	-157 682
Depreciation and amortization	-1 752	-799	-229	-11 221		-14 002
Segment profit	194 860	121 942	32 087	-109 434	6 940	246 396
Non-allocated changes in inventory						1 865
Non-allocated other operating income						232
Non-allocated material expenses						-180 707
Non-allocated financial result						-5 338
Income before taxes (EBT)						62 449
Investments	898	1 122	773	13 674		16 466
Balance sheet at December 31, 2011						
Trade accounts receivable (net)	44 501	20 777	5 768		-19 653	51 393
Property, plant and equipment and intangible assets	5 517	6 168	983	87 547		100 215
Non-allocated assets						153 312
Total assets						304 920
2012						
Income statement						
Net sales to third parties	239 063	161 279	44 281			444 623
Capitalized own services				1 248		1 248
Personnel and other operating expenses	-34 795	-25 446	-9 661	-103 041	6 763	-166 181
Depreciation and amortization	-2 274	-952	-365	-12 005		-15 596
Segment profit	201 994	134 880	34 256	-113 799	6 763	264 094
Non-allocated changes in inventory						-526
Non-allocated other operating income						238
Non-allocated material expenses						-187 503
Non-allocated financial result						-1 341
Income before taxes (EBT)						74 962
Investments	650	9 276	236	9 702		19 864
Balance sheet at December 31, 2012						
Trade accounts receivable (net)	44 505	21 178	6 493		-19 380	52 796
Property, plant and equipment and intangible assets	11 325	14 111	823	85 147		111 406
Non-allocated assets						179 498
Total assets						343 700

Notes to the consolidated financial statements

The performance of the geographic segments is measured using the cost-sales ratio (personnel expenses, other operating expenses and amortization and depreciation 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 receivables, property, plant and equipment and intangible assets are allocated. No other assets are allocated. The liabilities are only reported in full in the internal financial reporting and are not allocated to the reportable segments.

in CHF 1 000	2012	Share	2011	Share
Sales by application				
Air	269 373	61%	256 529	62%
Water	175 250	39%	159 454	38%
Total	444 623	100%	415 983	100%

Information on geographic regions

The bulk of Belimo's business activity takes place in the US and other regions. Sales and non-current assets are allocated to the regions.

in CHF 1 000	2012	2011
Sales to third parties		
Switzerland	15 377	16 318
USA	129 852	115 568
Other regions	299 394	284 097
Total	444 623	415 983
Non-current assets	12.31.2012	12.31.2011
Switzerland	81 818	84 507
USA	16 886	8 602
Other regions	12 702	7 106
Total	111 406	100 215

4 Cash and cash equivalents

in CHF 1 000	12.31.2012	12.31.2011
in CHF	33 006	57 403
in EUR	7 719	9 495
in USD	12 315	3 552
in other currencies	16 406	4 877
Bank and postal accounts, cash on hand	69 446	75 327
in CHF	33 506	
in EUR	2 418	
Term deposits	35 925	
Total	105 371	75 327

Bank and postal accounts earned an average interest of 0.25 percent and term deposits earned an average interest of 2.13 percent.

5 Securities and financial assets

Securities held for trading consist exclusively of forward foreign exchange contracts and currency options with residual terms of up to 122 days (see 25 Financial risk management).

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

6 Trade accounts receivable

in CHF 1 000	12.31.2012	12.31.2011
Trade accounts receivable	54 468	53 387
Allowances	-1 672	-1 993
Total	52 796	51 393

Trade accounts receivable break down into the following currencies:

in CHF 1 000	12.31.2012	12.31.2011
in CHF	2 328	3 662
in EUR	15 537	14 537
in USD	20 349	20 662
in other currencies	14 582	12 532
Total	52 796	51 393

Notes to the consolidated financial statements

Trade accounts receivable break down into the following regions:

in CHF 1 000	12.31.2012	12.31.2011
Europe	25 277	25 172
Americas	21 178	20 777
Asia/Pacific	6 341	5 444
Total	52 796	51 393

The increase in receivables is primarily attributable to sales growth. There are no cluster risks. The receivables in the Americas relate mainly to the US. The average days sales outstanding (DSO) for trade accounts receivable is 43.7 days (previous year 45.9 days).

Allowances for uncollectible receivables changed as follows in the year under review:

in CHF 1 000	Individual allowances		General allowances	
	2012	2011	2012	2011
Balance at January 1	-1 428	-1 495	-565	-616
Change	277	57	44	46
Translation differences	1	9	-1	5
Balance at December 31	-1 150	-1 428	-522	-565

As at December 31, 2012, individual allowances were CHF 1.2 million (previous year CHF 1.4 million). These allowances refer mainly to two customers in Europe. At the balance sheet date it is considered unlikely that any future payments will be received in connection with these receivables. Accordingly, they have been written off in full. In the year under review, new individual allowances were formed amounting to CHF 0.1 million (previous year CHF 0.4 million).

The age structure of the receivables that were not subject to individual allowances was as follows on the balance sheet date:

in CHF 1 000	12.31.2012		12.31.2011	
	Gross	Allowances	Gross	Allowances
Not due	42 079		41 899	
1 to 30 days overdue	7 888	-278	7 018	-255
31 to 180 days overdue	3 351	-244	3 041	-310
Total	53 318	-522	51 958	-565

The receivables that are not due and that were not subject to individual allowances are primarily receivables arising from long-standing customer relationships. On the basis of empirical values, Belimo does not anticipate any additional defaults.

7 Other accounts receivable and accruals

in CHF 1 000	12.31.2012	12.31.2011
Value-added taxes and social security credit balances	4 077	4 705
Advance payments	987	797
Other receivables and accruals qualifying as financial instruments	363	468
Total	5 427	5 970

Other accounts receivable include mainly reclaimable value-added taxes. On the basis of empirical values, Belimo does not anticipate any defaults in relation to value-added taxes and other accounts receivable.

8 Inventories

in CHF 1 000	12.31.2012	12.31.2011
Raw materials and supplies	41 492	44 489
Work in progress	403	251
Finished goods	24 317	24 460
Total inventories (net)	66 211	69 201
Impairment of raw materials and supplies	-4 417	-3 341
Impairment of finished goods	-4 675	-5 514
Total impairments	-9 092	-8 855

Finished goods are carried at the lower of production cost or net disposal value, less estimated costs to sell. The average inventory period during the year under review amounted to 130 days (previous year 134 days).

Depending on the inventory period, any write-down of inventories is based on Group-wide guidelines. Impairments amount to 12.1 percent (previous year 11.3 percent) of the gross value of the inventory, of which CHF 2.3 million were charged to income in the reporting year (previous year CHF 1.9 million).

Notes to the consolidated financial statements

9 Property, plant and equipment

in CHF 1 000	Land, buildings	Tools, machinery	Furniture, fixtures	Advance payments, assets under con- struction	Total
Purchase costs					
At January 1, 2011	89 475	59 482	20 653		169 610
Additions	308	7 661	3 160	755	11 884
Disposals		-199	-2 082		-2 281
Translation differences	-9	48	-160	40	-82
At December 31, 2011	89 774	66 992	21 571	795	179 132
Additions	8 005	6 058	1 627	992	16 683
Disposals		-854	-2 869		-3 724
Changes in scope of consolidation			27		27
Translation differences	-303	-224	-203	-44	-774
At December 31, 2012	97 476	71 971	20 153	1 743	191 343
Depreciation					
At January 1, 2011	-22 743	-43 484	-15 371		-81 598
Depreciation	-2 364	-6 372	-2 163		-10 899
Disposals		187	2 037		2 224
Translation differences	-9	-37	62		17
At December 31, 2011	-25 116	-49 706	-15 435		-90 256
Depreciation	-2 379	-6 768	-2 639		-11 786
Disposals		843	2 839		3 682
Translation differences	14	134	144		291
At December 31, 2012	-27 481	-55 497	-15 091		-98 069
Carrying amounts					
At January 1, 2011	66 731	15 998	5 282		88 012
At December 31, 2011	64 658	17 286	6 136	795	88 876
At December 31, 2012	69 995	16 474	5 063	1 743	93 274
Insurance values					
At December 31, 2012	96 910	73 948	20 692		191 550

There were no impairments during the period under review. The sale of property, plant and equipment resulted in net income of CHF 0.1 million (previous year CHF 0.1 million).

Obligations for investments in property, plant and equipment amounted to CHF 1.5 million (previous year CHF 8.1 million) and will affect cash flow in 2013. The previous year included CHF 7.1 million for the purchase of property in Danbury (CT, USA) that was paid in full in the year under review and is reported under the asset class Land including the advance payment of CHF 0.8 million from previous year.

Belimo does not hold any property, plant and equipment under finance lease arrangements.

10 Intangible assets

in CHF 1 000	Software	Customer relationships	Internally generated intangible assets	Total
Purchase costs				
At January 1, 2011	14 475	9 406	1 731	25 613
Additions	2 484		2 098	4 582
Disposals	-2 983			-2 983
Translation differences	-8	-199		-207
At December 31, 2011	13 969	9 207	3 829	27 005
Additions	1 933		1 248	3 181
Disposals	-86			-86
Changes in scope of consolidation		7 460		7 460
Translation differences	-22	-28		-50
At December 31, 2012	15 794	16 640	5 077	37 510
Amortization				
At January 1, 2011	-11 349	-4 295		-15 645
Amortization	-1 841	-1 076	-186	-3 103
Disposals	2 983			2 983
Translation differences	1	98		99
At December 31, 2011	-10 207	-5 273	-186	-15 666
Amortization	-2 027	-1 432	-351	-3 810
Disposals	86			86
Translation differences	15	-4		11
At December 31, 2012	-12 132	-6 708	-537	-19 378
Carrying amounts				
At January 1, 2011	3 126	5 111	1 731	9 968
At December 31, 2011	3 763	3 934	3 643	11 340
At December 31, 2012	3 661	9 931	4 540	18 132

There were no impairments during the period under review.

CHF 3.2 million (previous year CHF 2.5 million) of internally generated intangible assets (capitalized development costs) cannot yet be used and have not been amortized yet.

All capitalized intangible assets have a useful life of two to nine years.

There were no obligations for investments in intangible assets (none the previous year).

Notes to the consolidated financial statements

11 Deferred tax assets and liabilities

The deferred tax assets and liabilities can be allocated to the following balance sheet items:

in CHF 1 000	Tax assets	Tax liabilities	12.31.2012 net	Tax assets	Tax liabilities	12.31.2011 net
Accounts receivable	65	749	684	78	755	677
Inventories	323	1 686	1 364	327	1 865	1 538
Property, plant and equipment	213	5 309	5 096	179	5 742	5 563
Intangible assets	4	3 165	3 161	1	1 607	1 606
Current liabilities	122	147	25	83	444	361
Provisions	62	1	-62	56	8	-48
Other balance sheet items		17	17		94	94
Loss carry-forwards	70		-70	37		-37
Total tax assets/liabilities	860	11 075	10 215	760	10 515	9 755
Offsetting	-94	-94		-57	-57	
Deferred tax assets/liabilities (net)	765	10 980	10 215	703	10 458	9 755

Deferred taxes were recognized for all loss carry-forwards.

The Group has the following utilizable loss carry-forwards:

in CHF 1 000	No expiry	12.31.2012	12.31.2011
Loss carry-forwards with capitalized tax effect	208	208	153

No deferred taxes were recognized in other comprehensive income or directly in shareholders' equity in the period under review or in the previous year.

12 Interest-bearing liabilities

in CHF 1 000	Maturity in 1 year	In 1-5 years	12.31.2011	Effective interest rate
Bank debts	35	20 000	20 035	3.0%
Total	35	20 000	20 035	3.0%

in CHF 1 000	Maturity in 1 year	In 1-5 years	12.31.2012	Effective interest rate
Bank debts		20 000	20 000	3.1%
Other non-current financial liabilities		1 201	1 201	2.2%
Total		21 201	21 201	3.0%

All bank debts were granted in CHF, other non-current financial liabilities in EUR. Other non-current financial liabilities include the retained portion of the purchase price of BELIMO Servomotoren B.V. (NL).

The framework agreements with a credit limit of CHF 70 million in total are not subject to any covenants. The interest rates for the individual tranches are fixed. No additional tranches were drawn down in the 2012 reporting year.

The fair value of financial liabilities is CHF 21.4 million (previous year CHF 20.2 million).

13 Trade accounts payable

Trade accounts payable break down into the following currencies:

in CHF 1 000	12.31.2012	12.31.2011
in CHF	4 477	3 317
in EUR	4 212	2 587
in USD	2 793	1 752
in other currencies	1 166	1 036
Total	12 647	8 691

14 Other liabilities and deferrals

in CHF 1 000	12.31.2012	12.31.2011
Derivative financial instruments	22	458
Value-added taxes, social security liabilities and deferrals	6 687	5 552
Advance payments	95	173
Other liabilities and deferrals qualifying as financial instruments	19 402	20 031
Total	26 205	26 214

Other liabilities and deferrals qualifying as financial instruments essentially consist of sales bonuses to customers, overtime credits and bonus plans for employees.

Notes to the consolidated financial statements

15 Provisions

in CHF 1 000	Warranties	Others	Total 2012	Total 2011
At January 1	4 328	361	4 689	5 160
Increase	3 387	42	3 429	4 122
Utilization	-3 206		-3 206	-3 462
Reversals				-1 125
Translation differences		-2	-2	-6
At December 31	4 508	401	4 909	4 689

A probable outflow of funds in an average of one to five years' time is assumed for provisions.

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

Other provisions include, in particular, estimated costs for pending legal proceedings, the outcome of which is unclear at the time of preparing the accounts. Belimo regards its current provisions as being sufficient for its needs.

16 Post-employment benefits

In addition to state social security schemes, some Group companies offer additional post-employment benefit plans, covering approximately half of all employees. These plans provide benefits in the event of death, invalidity or retirement.

Under some of these post-employment benefit plans, employees must make financial contributions, which are supplemented by corresponding employer contributions.

The financing is made in accordance with local legal and fiscal requirements.

The pension plan of the Swiss Group company is based on employer contributions which are a fixed percentage of the applicable salaries and include both savings and risk elements. The plan also contains guaranteed elements, such as the conversion rate and a minimum return. From a legal perspective, the risks relating to the plan are borne by an autonomous pension plan trust fund. In the event of any reorganization measures, the employer's obligation extends beyond payment of contributions. The employees are relieved of any actuarial risk or risk associated with their investment. The plan is classed as a defined benefit plan in accordance with IAS 19 and as defined contribution plan in accordance with the Swiss BVG.

The expected long-term return on plan assets was calculated on the basis of the investment strategy of the pension schemes and the expected long-term returns as at the end of 2012 (weighted average).

In Germany there is a defined benefit plan for one individual retiree who is not covered by a separate trust fund.

In the previous year, the pension plan of the Swiss Group company was re-vised. The basic change was a reduction to the conversion rates and a lowering of the risk benefits.

Starting in the year under review, insured individuals who meet certain criteria can select from two benefit plans with different savings credits. The past ser-vice costs of CHF 2.3 million were calculated as the difference between benefit obligations based on the new plan and the obligations based on the old plan.

Changes to benefit obligations for defined benefit plans are shown as follows:

in CHF 1 000	2012	2011
Present value of benefit obligations at January 1	148 208	142 917
Past service costs	2 324	-8 117
Current service costs	4 930	4 827
Interest costs	3 752	3 987
Employee contributions	3 802	3 513
Employer contributions	-76	-78
Benefits paid from plan assets	-1 606	-1 463
Actuarial losses	13 704	2 638
Translation differences	-8	-17
Present value of benefit obligations at December 31	175 029	148 208

Changes to plan assets for the defined benefit plan are shown as follows:

in CHF 1 000	2012	2011
Available plan assets at fair values at January 1	135 574	129 656
Expected return on plan assets	5 149	4 781
Employer contributions	5 296	5 131
Employee contributions	3 802	3 513
Benefits paid out	-1 606	-1 463
Actuarial gains/(losses)	4 435	-6 044
Available plan assets at fair values at December 31	152 650	135 574

Notes to the consolidated financial statements

in CHF 1 000	12.31.2012	12.31.2011
Defined benefit obligations		
Present value of defined benefit obligations from plans with funded status	174 156	147 400
Fair values of plan assets	-152 650	-135 574
Deficit of plans with funded status	21 506	11 826
Present value of defined benefit obligations from plans with unfunded status	873	808
Unrecognized actuarial losses	-21 816	-12 619
Recognized pension liabilities (net)	564	15

Of the net recognized pension liabilities, CHF 0.1 million are shown as financial assets and CHF 0.7 million as pension liabilities.

With regard to the defined benefit plans, the expenses for post-employment benefits can be broken down as follows:

in CHF 1 000	2012	2011
Cost recognized in income		
Current service costs	8 732	8 340
Interest costs	3 752	3 987
Expected return on plan assets	-5 149	-4 781
Past service costs	2 324	-8 117
Cost of defined benefit plans (gross)	9 659	-571
Employee contributions	-3 802	-3 513
Cost of defined benefit plans (net)	5 857	-4 084
Unrecognized assets		8 609
Cost of defined benefit plans	5 857	4 524

The defined benefit obligations recognized in the balance sheet have changed as follows:

in CHF 1 000	2012	2011
Pension liabilities at January 1 (net)	15	667
Cost of defined benefit plans	5 857	4 524
Benefits paid	-76	-78
Employer contributions	-5 296	-5 131
Translation differences	64	34
Pension liabilities at December 31 (net)	564	15

Historical information:

in CHF 1 000	2012	2011	2010	2009	2008
Present value of defined benefit obligations from plans with funded status	174 156	147 400	142 122	128 432	116 815
Fair values of plan assets	-152 650	-135 574	-129 656	-117 742	-98 796
Deficit of plans with funded status at December 31	21 506	11 826	12 466	10 690	18 019
Experience loss/(gain) on the pension liabilities	617	-1 757	-2 951	2 634	-2 960
Experience (gain)/loss on the pension assets	-4 435	6 044	-2 936	-10 275	22 300

The plan assets of the pension scheme can be broken down as follows:

	12.31.2012	12.31.2011
Shares	34.3%	32.5%
Bonds	47.6%	48.2%
Real estate	15.3%	16.3%
Cash and cash equivalents	2.8%	3.0%
Total	100.0%	100.0%

The actual result on plan assets amounted to CHF 9.6 million (6.3 percent).

The expected employer contributions for the 2013 financial year amount to CHF 5.5 million.

The pension plan trust fund of BELIMO Automation AG continues to hold 1000 Belimo registered shares with a market value of CHF 1.8 million (previous year CHF 1.7 million).

		2012	2011
Actuarial assumptions			
Discount rate	Switzerland	2.0%	2.5%
	Germany	2.7%	4.2%
Interest rate to extrapolate benefits	Switzerland	2.5%	2.8%
	Germany		
Expected return on plan assets	Switzerland	3.3%	3.7%
	Germany		
Expected salary increase rates	Switzerland	2.5%	2.5%
	Germany		
Pension adjustments	Switzerland	0.0%	0.0%
	Germany	1.5%	1.5%

The expected return is calculated as the weighted average of the investment strategy and the expected return for each asset class.

Notes to the consolidated financial statements

17 Share capital and reserves

17.1 Share capital

As at December 31, 2012, the nominal value of the share capital was divided into 615 000 registered shares (fully paid), each with a nominal value of CHF 1.00.

	Issued shares	Treasury shares	Total shares in circulation
At January 1, 2011	615 000	-5 739	609 261
Purchase		-25	-25
Sale		651	651
At December 31, 2011	615 000	-5 113	609 887
Purchase*		-338	-338
Sale		558	558
At December 31, 2012	615 000	-4 893	610 107

* Thereof 300 treasury shares were acquired as part of the acquisition of BELIMO Servomotoren B.V. (NL).

Each registered share entitles the holder to attend the Annual General Meeting of BELIMO Holding AG and entitles the holder to one vote, provided that the shareholder is entered in the Company's share register at the time of the Annual General Meeting.

17.2 Treasury shares

The amount of treasury shares represents the acquisition value of the purchased shares.

17.3 Capital reserves

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.

17.4 Translation differences

This item contains the accumulated translation differences from the translation of the foreign Group companies and Group loans.

17.5 Limit on profit distribution

The amount available for dividend distribution is based on the available distributable retained earnings of BELIMO Holding AG determined in accordance with the legal provisions of the Swiss Code of Obligations.

17.6 Dividends

In the 2012 financial year, BELIMO Holding AG paid a dividend of CHF 30.5 million (CHF 50 per share).

The Board of Directors proposes to the 2013 Annual General Meeting a dividend of CHF 60 per share, which equates to a payout ratio of 60.1 percent. No dividends are paid on treasury shares.

17.7 Significant shareholders

The following shareholders and shareholder groups hold three percent or more of the share capital:

	12.31.2012	12.31.2011
Sarasin Investmentfonds AG		3.09%
Lombard Odier Darier Hentsch Fund Managers SA	3.60%	4.09%
Ameriprise Financial, Inc.	4.62%	3.57%
Werner Roner	5.69%	5.69%
The Capital Group Companies, Inc.	9.98%	9.98%
Group Linsi	19.28%	19.28%

18 Sales

Sales of CHF 444.6 million were achieved with around 32 percent in USD, 31 percent in EUR, 14 percent in CHF and 23 percent in other currencies.

Year-on-year sales developed in the geographical markets as follows:

	CHF	Local currencies
Europe	4.1%	5.7%
Americas	10.9%	5.9%
Asia/Pacific	8.0%	1.7%
Group	6.9%	5.4%

In local currency terms, sales of air applications grew by 4.0 percent and sales of water applications were up 7.5 percent.

Market shares in net sales did not change significantly year-on-year. In Europe it is 54 percent, 36 percent for the Americas, and 10 percent for Asia/Pacific.

Movements in exchange rates had an overall effect on sales of 1.5 percentage points (previous year –12.0 percentage points).

19 Other operating income and capitalized own services

Other operating income of CHF 0.2 million (previous year CHF 0.2 million) includes the negative goodwill arising from the acquisition of BELIMO Servomotoren B.V. (NL) as well as revenue from the sale of advertising and marketing materials to Belimo trade distributors.

Development costs of CHF 1.2 million (previous year CHF 2.1 million) were capitalized.

Notes to the consolidated financial statements

20 Personnel expenses

in CHF 1 000	2012	2011
Wages and salaries	-91 195	-86 541
Social security	-11 454	-10 344
Defined benefit plans	-5 857	-4 524
Defined contribution plans	-2 252	-2 021
Post-employment benefit expenses	-8 109	-6 545
Other personnel expenses	-6 141	-6 465
Total	-116 899	-109 894

Personnel expenses accounted for 26.3 percent of net sales (previous year 26.4 percent).

21 Other operating expenses

in CHF 1 000	2012	2011
Travel and representation	-6 924	-6 435
Rent and cost of business premises	-6 982	-6 012
Consulting	-6 624	-5 556
Marketing	-5 318	-5 361
IT	-5 353	-5 000
Other expenses	-18 081	-19 424
Total	-49 282	-47 788

Other operating expenses accounted for 11.1 percent of net sales (previous year 11.5 percent).

Research and development costs of CHF 27.3 million (previous year CHF 27.6 million) are included mainly in personnel and in other expenses. Thereof, CHF 1.2 million (previous year CHF 2.1 million) were capitalized.

22 Financial result

in CHF 1 000	2012	2011
Interest income	661	929
Net income from securities held for trading (derivatives)	671	
Financial income	1 332	929
Interest expenses	-651	-662
Net expenses from securities held for trading (derivatives)		-522
Foreign currency loss (net)	-1 169	-4 394
Other financial expenses (bank charges)	-853	-689
Financial expenses	-2 673	-6 267
Total	-1 341	-5 338

23 Income taxes

The effective tax rate during the year under review was 18.1 percent (previous year 17.4 percent). Tax expenses can be broken down as follows:

in CHF 1 000	2012	2011
Income taxes relating to current result	-15 302	-10 953
Adjustments from earlier periods	282	822
Current income taxes	-15 020	-10 130
Deferred taxes	1 484	-763
Income tax recognized	-13 536	-10 893

in CHF 1 000	2012	2011
Income before taxes	74 962	62 449
Expected tax expenses	-12 806	-10 719
applicable tax rate	17.1%	17.2%
Non-deductible expenses	-310	-380
Tax-exempt income	24	389
Tax income from earlier periods	282	822
Non-reclaimable withholding taxes	-251	-361
Effect of companies with mixed tax rates	-525	-648
Change in tax rate	68	4
Other	-17	-2
Income tax recognized	-13 536	-10 893
effective tax rate	18.1%	17.4%

The applicable weighted tax rate is 17.1 percent (previous year 17.2 percent).

Notes to the consolidated financial statements

Individual companies are taxed at different rates depending on the origin of income. The effect of these mixed tax rates is shown in the reconciliation as a separate item.

During the reporting period, no current taxes in connection with the measurement of treasury shares were recognized as expenses in shareholders' equity (previous year CHF 0.005 million). No taxes on foreign currency loans to Group companies were recognized in other comprehensive income (previous year CHF 0.001 million).

24 Earnings per share

	2012	2011
Net income in CHF 1 000	61 426	51 556
Average number of outstanding shares	609 761	609 342
Earnings per share in CHF	100.74	84.61

There are no options or other instruments that could cause dilution.

25 Financial risk management

25.1 General

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

Financial risk management is based on guidelines issued by Belimo's Board of Directors concerning the aims, principles, tasks and approval authorities of financial management. The Board of Directors holds supreme responsibility for the company's financial risk management. It has assigned the duty of constantly monitoring financial risks to Belimo's Group Treasury. The Group Executive Committee and the Board of Directors receive regular information about existing risks.

The principles established for risk management are aimed at identifying and analyzing the risks to which the Group is exposed, defining appropriate limits, establishing controls and monitoring the risks and compliance with limits. The risk management principles and processes applied are reviewed regularly to accommodate changes in market conditions and the Group's activities.

The following sections give an overview of the extent of the individual risks, how these risks are hedged, and the Group's capital management. Further information on financial risks is also provided in other parts of the notes (see the Financial Statements of BELIMO Holding AG, note 8 Risk Assessment pursuant to Article 663b No. 12 of the Swiss Code of Obligations, page 90).

25.2 Default risk

Default risk is the risk that Belimo will suffer financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Belimo's default risk mainly arises from trade accounts receivable 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. Generally speaking, these deposits have terms of less than three months.

Transactions involving derivative financial instruments are also only entered into with major financial institutions, and Belimo does not have material open positions with any of these.

The default risk from trade accounts receivable is limited, since the Group's customer base is broad and spread over a variety of geographic regions. The extent of the default risk is mainly determined by the specific characteristics of each individual customer. The risk assessment includes an appraisal of creditworthiness, taking into account a variety of factors such as past financial history. Credit limits are set according to regional aspects. Some new customers are only supplied against payment in advance.

The maximum default risk is the carrying value of the individual financial assets. There are no guarantees or similar obligations that could lead to an increase in the risk beyond the carrying amounts. The maximum default risk as at the balance sheet date was as follows:

in CHF 1 000	Carrying amounts	
	12.31.2012	12.31.2011
Cash and cash equivalents	105 371	75 327
Securities (foreign currency hedging transactions)	315	81
Trade accounts receivable	52 796	51 393
Other receivables and accruals qualifying as financial instruments	363	468
Financial assets (not including pension plan assets)	906	1 003
Total	159 751	128 272

25.3 Market risk

Market risk is the risk that changes in market prices such as exchange rates, interest rates and stock prices could have an impact on the income from and market value of the financial instruments held by Belimo. Monitoring and controlling these risks ensures that they do not exceed a certain level.

25.3.1 Foreign exchange risk

The Belimo Group's international strategy means that it is exposed to foreign exchange risks. These financial risks arise from transactions that take place in currencies other than the functional currency of the company in question, particularly those relating to the purchase and sale of merchandise. Such transactions are conducted mainly in EUR and USD.

Notes to the consolidated financial statements

The Group's bank debts are not subject to any foreign exchange risks as these loans were all taken out by the Swiss companies in their functional currency, the CHF.

In order to limit the risks from foreign exchange fluctuations in merchandise transactions, Belimo aims to employ natural hedging as the primary strategy, seeking to keep cash inflows and outflows in a specific currency in balance as far as possible. Invoices between Group companies are mainly issued 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 issue their sales invoices to third parties mainly in local currency. Exchange rate risks thus affect the Swiss company almost exclusively, with the result that the risks can be managed more easily.

In order to hedge the remaining net positions, Group Treasury selectively enters into forward foreign currency hedging transactions. Mainly the EUR and USD are hedged. These currencies regularly have a surplus of incoming payments.

The following table shows the foreign exchange risks from 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
At December 31, 2011							
Cash and cash equivalents	361	6	5 591	177	197	7	892
Trade accounts receivable	2 713	375	10 691	1 613	2 774	2 623	13 661
Other receivables			258	365	10		152
Financial assets							30
Trade accounts payable		-2 562	-2 415				-1 560
Other payables		-887	-402				-2 652
Currency exposure	3 074	-3 068	13 724	2 155	2 980	2 630	10 523
At December 31, 2012							
Cash and cash equivalents	6 327	3	5 412	2 864	142	19	7 887
Trade accounts receivable	3 208	310	9 905	1 525	2 192	3 097	14 135
Other receivables		57	20	370	8		252
Financial assets							33
Trade accounts payable		-3 144	-3 876				-2 243
Other payables		-1 057	-254				-2 451
Other non-current financial liabilities			-1 201				
Currency exposure	9 535	-3 830	10 006	4 759	2 342	3 116	17 611

A realistically conceivable change in exchange rates against the CHF for the mentioned currencies as of December 31, 2012, would have the following effects on the income statement, taking into account the existing hedging transactions. This analysis assumes that all other variables remain the same, particularly interest rates. The analysis for the previous year was performed on the basis of the same assumptions.

Effect in CHF 1 000			Gain	Loss
At December 31, 2011				
CAD	+/-	9.9%	304	-304
EUR	+/-	7.4%	910	-946
GBP	+/-	9.6%	208	-208
HKD	+/-	11.5%	344	-344
PLN	+/-	12.0%	315	-315
USD	+/-	11.3%	-587	-236
Total			1 493	-2 352
At December 31, 2012				
CAD	+/-	3.7%	354	-354
EUR	+/-	0.5%	-7	15
GBP	+/-	2.2%	103	-103
HKD	+/-	4.2%	99	-99
PLN	+/-	4.4%	136	-136
USD	+/-	4.3%	462	-109
Total			1 147	-786

The method of determining the realistically conceivable changes in exchange rates is derived from the maximum rate fluctuation in the reporting period divided by two.

Notes to the consolidated financial statements

As at the balance sheet date, the following foreign currency hedging transactions were outstanding:

in CHF 1 000	12.31.2012	12.31.2011
Foreign currency hedging transactions		
in EUR	4 226	
in USD	8 521	6 320
Forward foreign exchange contracts	12 747	6 320
in EUR	10 607	2 508
in USD		10 310
Foreign exchange options	10 607	12 817
Total contract values	23 354	19 137
Replacement values		
positive	301	6
negative	-7	-245
for forward foreign exchange contracts	295	-239
positive	14	75
negative	-16	-214
for foreign exchange options	-2	-139
Total replacement values positive	315	81
Total replacement values negative	-22	-458

Forward foreign exchange contracts and currency options are the only financial instruments held by Belimo that are measured at fair value. In the fair value hierarchy according to IFRS 7, these valuations are assigned to level 2. They are not based on listed prices in active markets, but are derived from directly or indirectly observed input factors.

The positive replacement values are included in securities, the negative values in other liabilities. The changes in replacement values recognized in net income are contained in the financial result (see 22 Financial result).

The forward foreign exchange contracts and options in USD as at December 31, 2012, mature in 92 days or less, and options in EUR mature in 122 days or less.

25.3.2 Interest rate risk

The interest rate risk is divided up into an interest-related cash flow risk, that is the risk that future interest payments will change because of fluctuations in the market interest rate, and an interest-related risk of a change in market value, that is the risk that the market value of a financial instrument will change due to fluctuations in the market interest rate.

The interest-bearing financial assets and liabilities held by the Group relate to cash and cash equivalents, bank debts, other financial liabilities and, to an insignificant extent, rental deposit accounts.

Interest rates on cash and cash equivalents are subject to change at short notice, after three months at the latest.

Within the framework credit limit of CHF 70 million, fixed advances are taken up at fixed rates for various terms, depending on the company's short- and medium-term liquidity requirements.

More information on the interest rate profile is available in note 12 Interest-bearing liabilities.

Market value sensitivity analysis for fixed-rate financial instruments

Belimo does not hold any fixed-rate financial assets (rental deposit accounts and term deposits) or liabilities (bank debts, other non-current financial liabilities) which are classified as at fair value through net income. These financial instruments are valued at amortized cost. A change in the market interest rate for these positions would therefore have no effect on net income for the year.

Cash flow sensitivity analysis for variable-rate financial instruments

Belimo is exposed to an interest-related cash flow risk in variable-rate cash and cash equivalents and variable-rate liabilities to banks. An increase in the interest rate by 50 basis points would have increased consolidated net income by CHF 0.2 million (previous year CHF 0.1 million). An equivalent reduction in the interest rate would have had an equivalent downward impact. This analysis assumes that all other factors remain the same (particularly foreign exchange rates).

A change in the interest rate would have had no impact on equity, since Belimo does not hold fixed-rate financial assets that are classified as available for sale and does not carry out interest rate hedges that are treated as cash flow hedges.

25.4 Liquidity risk

It is Belimo's aim to have sufficient liquidity reserves and unutilized credit lines available at all times so that it can meet its financial obligations when due, both under normal circumstances and when conditions are tight.

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

Within the framework credit limit of CHF 70 million, Belimo can raise loans for various periods as it requires. Belimo aims to preserve maximum flexibility in its liquidity planning through flexible use of the general credit limits and by staggering the maturity dates of the individual amounts.

Inflows and outflows from foreign currency hedging transactions are dependent on exchange rate movements and may not occur.

Notes to the consolidated financial statements

The following table shows the contractual maturities (including interest) of the financial liabilities held by Belimo:

in CHF 1000	Carrying amounts	Total contractual cash flows	Up to 6 months	6-12 months	1-5 years
At December 31, 2011					
Non-derivative financial liabilities					
Bank debts	20 035	20 725	125	90	20 510
Trade accounts payable	8 691	8 691	8 691		
Other payables	20 031	20 031	15 435	4 597	
Subtotal	48 758	49 448	24 251	4 687	20 510
Derivative financial instruments					
Foreign currency hedging transactions	378				
Outflow		-19 346	-19 346		
Inflow		19 120	19 120		
Total	49 136	49 221	24 025	4 687	20 510
At December 31, 2012					
Non-derivative financial liabilities					
Bank debts	20 000	20 361	64	64	20 234
Other non-current financial liabilities	1 201	1 270			1 270
Trade accounts payable	12 647	12 647	12 647		
Other payables	19 402	19 402	14 130	5 272	
Subtotal	53 250	53 681	26 841	5 336	21 504
Derivative financial instruments					
Foreign currency hedging transactions	-293				
Outflow		-23 059	-23 059		
Inflow		23 322	23 322		
Total	52 957	53 944	27 104	5 336	21 504

25.5 Categories of financial instruments

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

in CHF 1 000	Carrying amounts	
	12.31.2012	12.31.2011
Loans and receivables		
Bank current accounts and term deposits	105 371	75 327
Loans and trade accounts receivable	52 796	51 393
Other receivables and accruals qualifying as financial instruments	363	468
Financial assets (not including pension plan assets)	906	1 003
Total	159 436	128 191
Financial assets held for trading		
Securities (foreign currency hedging transactions)	315	81
Total	315	81
Financial liabilities valued at amortized cost		
Bank debts	20 000	20 035
Other non-current financial liabilities	1 201	
Trade accounts payable	12 647	8 691
Other liabilities and deferrals qualifying as financial instruments	19 402	20 031
Total	53 250	48 758
Financial liabilities held for trading		
Other liabilities (foreign currency hedging transactions)	22	458
Total	22	458

25.6 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 reflects 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 25.0 percent at December 31, 2012. The objective is to maintain or increase this. 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 49.9 percent and 60.1 percent.

Notes to the consolidated financial statements

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.

No employee participation programs are in force.

26 Leasing

Lease agreements exist for the business premises and vehicles used by Group companies. These agreements are classed as operating leases. The terms range between one and eleven years.

The due dates of the future minimum lease payments are as follows:

in CHF 1 000	Up to 1 year	1–5 years	Over 5 years	Total
Lease agreements at December 31, 2011	3 457	8 257	685	12 399
Lease agreements at December 31, 2012	3 515	5 541	303	9 358

There were no liabilities relating to a finance lease as at December 31, 2012 and 2011.

In addition, no contingent rent has been paid in the current year.

27 Contingent liabilities

There were no contingent liabilities as at December 31, 2012.

28 Related parties

Related parties include the members of the Group Executive Committee and the Board of Directors and persons or companies related to them (see notes 3 and 4 Corporate Governance), significant shareholders and companies controlled or significantly influenced by them (see 17.7 Significant shareholders) and the Group's post-employment benefit plans.

The remuneration of the Board of Directors and Group Executive Committee in the reporting period was made up as follows (see the Financial statements of BELIMO Holding AG, note 6 Remuneration of the Board of Directors and Group Executive Committee, pages 88 to 90):

in CHF 1 000	2012	2011
Wages and salaries	3 548	3 509
Pension contributions	473	444
Total	4 021	3 953

Breakdown of wages and salaries by executive and non-executive members:

in CHF 1 000	2012	2011
Board of Directors (non-executive members)	724	724
Group Executive Committee (executive members)	3 297	3 230
Total	4 021	3 953

Shares held by related parties totaled 121 805 (previous year 121 978 shares). No shares were allocated to related parties or companies during the reporting period.

The pension plan trust fund of BELIMO Automation AG continues to hold 1000 Belimo registered shares.

29 Material estimates and assumptions

29.1 Parameters for the calculation of post-employment benefit liabilities

In calculating the post-employment benefit liability (see 16 Post-employment benefits) discount rates of 2.0 percent for Switzerland and 2.7 percent for abroad were applied. A reduction in these rates would have led to a significant increase in the present value of post-employment entitlements (in the order of CHF 14.7 million if the discount rate had changed by 0.5 percentage points). As a result, the actuarial losses not recognized in the financial statements would have increased. According to the current IAS 19 standard, these would have had to be recognized in net income in subsequent years since they exceed the corridor. The amortization, however, is invalid because the revised IAS 19 standard must be applied starting in 2013. The net obligation would thus increase by the amount mentioned above affecting shareholders' equity accordingly.

29.2 Income taxes

The Group is subject to income tax at the level of the holding company and its subsidiaries. Extensive estimates are required to determine the worldwide provision for current and deferred tax obligations and the application of tax loss carry-forwards. There are transactions and calculations for which the ultimate tax liability is uncertain in the reporting period. Where final tax assessments or tax audits of such matters differ from the amounts that were initially recorded, such differences may materially impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the consolidated financial statements

30 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		
	2012	2011	Change	2012	2011	Change
AUD	0.95	0.96	-0.9%	0.97	0.92	5.7%
BRL	0.45	0.50	-10.4%	0.49	0.54	-9.2%
CAD	0.92	0.92	0.0%	0.94	0.90	3.8%
EUR	1.21	1.22	-0.8%	1.21	1.24	-2.6%
GBP	1.48	1.46	1.4%	1.48	1.43	3.8%
HKD	0.12	0.12	-2.4%	0.12	0.11	5.6%
INR	0.02	0.02	-4.3%	0.02	0.02	-8.7%
NOK	0.16	0.16	4.3%	0.16	0.16	1.4%
PLN	0.30	0.28	7.4%	0.29	0.31	-5.9%
RMB	0.15	0.15	-1.4%	0.15	0.14	7.4%
USD	0.91	0.94	-2.6%	0.94	0.89	5.3%

31 Subsidiary companies

At December 31, 2012, the following companies were owned by BELIMO Holding AG:

Company	Function	Percentage held	Currency	Share capital in 1 000
BELIMO Actuators Pty. Ltd. (Mulgrave, Melbourne, Australia)	D	100%	AUD	10
BELIMO Brasil – Comércio de Automação Ltda. (São Paulo, Brazil)	D	100%	BRL	211
BELIMO Actuators Ltd. (Hong Kong, People's Republic of China)	D	100%	HKD	10
BELIMO Actuators (Shanghai) Trading Ltd. (Shanghai, People's Republic of China)	P, D	100%	RMB	13 940
BELIMO Customization (Shanghai) Co. Ltd. (Shanghai, People's Republic of China)	I	100%	RMB	765
BELIMO Stellantriebe Vertriebs GmbH (Stuttgart, Germany)	D	100%	EUR	205
BELIMO Finland Oy (Helsinki, Finland)	D	100%	EUR	100
BELIMO SARL (Courtry, France)	D	100%	EUR	80
BELIMO Automation UK Ltd. (Shepperton, Great Britain)	D	100%	GBP	0.1
BELIMO Actuators (India) Pve Ltd. (Mumbai, Republic of India)	D	100%	INR	773*
BELIMO Servomotori S.r.l. (Bergamo, Italy)	D	100%	EUR	47
BELIMO Aircontrols (CAN), Inc. (Mississauga, Canada)	D	100%	CAD	95
BELIMO Servomotoren B.V. (Vaassen, Netherlands)	D	100%**	EUR	18

Company	Function	Percentage held	Currency	Share capital in 1 000
BELIMO Automation Norge A/S (Oslo, Norway)	D	100%	NOK	501
BELIMO Automation Handelsgesellschaft m.b.H. (Vienna, Austria)	D	100%	EUR	36
BELIMO Silowniki S.A. (Warsaw, Poland)	D	100%	PLN	500
BELIMO Automation AG (Hinwil, Switzerland)	P, D, R&D	100%	CHF	500
BELIMO Ibérica de Servomotores S.A. (Madrid, Spain)	D	100%	EUR	301
BELIMO Automation FZE (Dubai, United Arab Emirates)	D	100%	USD	273
BELIMO Aircontrols (USA), Inc. (Danbury, United States of America)	D, H	100%	USD	200
BELIMO Customization (USA), Inc. (Danbury, United States of America)	P	100%***	USD	45
BELIMO Technology (USA), Inc. (Danbury, United States of America)	R&D	100%***	USD	30

* Share capital increase INR 0.088 million.

** Acquired on September 28, 2012.

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

H = Holding company

P = Production

D = Distribution

R&D = Research and development

I = Inactive

32 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on February 19, 2013. They are subject to approval by the Annual General Meeting on April 8, 2013.

No other events occurred between December 31, 2012, and February 19, 2013, that would have caused an adjustment to the carrying amounts of the Group's assets and liabilities or that the Group is required to disclose here.

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of BELIMO Holding AG, Hinwil

As statutory auditor, we have audited the accompanying consolidated financial statements on pages 35 to 79 of BELIMO Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes for the year ended December 31, 2012.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2012, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an in-

ternal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG



Reto Benz
Licensed Audit Expert
Auditor in Charge



Jan Brönnimann
Licensed Audit Expert

Zurich, February 19, 2013



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Financial statements of BELIMO Holding AG

Balance sheet at December 31

in CHF 1 000	Note	2012	2011
Cash, cash equivalents and securities	4	85 739	60 436
Accounts receivable from Group companies		463	401
Accounts receivable from third parties		576	146
Accrued income		8	
Current assets		86 786	60 983
Securities		50	50
Investments in Group companies	2	47 902	40 624
Loans to Group companies		71 133	63 066
Non-current assets		119 085	103 740
Assets		205 871	164 723
Accounts payable to Group companies		32 303	8 522
Accounts payable to third parties		26	463
Accrued liabilities		1 506	871
Current liabilities		33 835	9 856
Provisions		100	100
Non-current financial liabilities	5	1 201	
Non-current liabilities		1 301	100
Liabilities		35 136	9 956
Share capital		615	615
General legal reserves		9 744	9 744
Reserve for treasury shares	4	4 277	4 204
Retained earnings		109 636	87 853
Net income		46 463	52 351
Available earnings		156 099	140 204
Shareholders' equity		170 735	154 767
Liabilities and shareholders' equity		205 871	164 723

Income statement

in CHF 1 000	Note	2012	2011
Income from investments in Group companies		40 614	46 584
License fees		5 000	6 704
Financial income		4 184	3 866
Revenue		49 798	57 154
Personnel expenses	6	-737	-737
Other expenses		-671	-718
Financial expenses		-669	-2 590
Exchange losses on loans to Group companies		-421	-134
Taxes		-837	-624
Expenses		-3 335	-4 803
Net income		46 463	52 351

Notes to the financial statements

1 General information

The financial statements of BELIMO Holding AG are prepared in compliance with Swiss corporate law. While the consolidated financial statements provide information regarding the economic situation of the Group as a whole, the information contained in BELIMO Holding AG's financial statements concerns the parent company alone. The available earnings reported in these financial statements provide the basis for the decision to be made by the shareholders concerning the distribution of dividends.

2 Subsidiary companies

At December 31, 2012, the following companies were owned by BELIMO Holding AG:

Company	Function	Percentage held	Currency	Share capital in 1 000
BELIMO Actuators Pty. Ltd. (Mulgrave, Melbourne, Australia)	D	100%	AUD	10
BELIMO Brasil – Comércio de Automação Ltda. (São Paulo, Brazil)	D	100%	BRL	211
BELIMO Actuators Ltd. (Hong Kong, People's Republic of China)	D	100%	HKD	10
BELIMO Actuators (Shanghai) Trading Ltd. (Shanghai, People's Republic of China)	P, D	100%	RMB	13 940
BELIMO Customization (Shanghai) Co. Ltd. (Shanghai, People's Republic of China)	I	100%	RMB	765
BELIMO Stellantriebe Vertriebs GmbH (Stuttgart, Germany)	D	100%	EUR	205
BELIMO Finland Oy (Helsinki, Finland)	D	100%	EUR	100
BELIMO SARL (Courtry, France)	D	100%	EUR	80
BELIMO Automation UK Ltd. (Shepperton, Great Britain)	D	100%	GBP	0.1
BELIMO Actuators (India) Pve Ltd. (Mumbai, Republic of India)	D	100%	INR	773*
BELIMO Servomotori S.r.l. (Bergamo, Italy)	D	100%	EUR	47
BELIMO Aircontrols (CAN), Inc. (Mississauga, Canada)	D	100%	CAD	95
BELIMO Servomotoren B.V. (Vaassen, Netherlands)	D	100%**	EUR	18
BELIMO Automation Norge A/S (Oslo, Norway)	D	100%	NOK	501
BELIMO Automation Handelsgesellschaft m.b.H. (Vienna, Austria)	D	100%	EUR	36
BELIMO Silowniki S.A. (Warsaw, Poland)	D	100%	PLN	500
BELIMO Automation AG (Hinwil, Switzerland)	P, D, R&D	100%	CHF	500
BELIMO Ibérica de Servomotores S.A. (Madrid, Spain)	D	100%	EUR	301

Company	Function	Percentage held	Currency	Share capital in 1000
BELIMO Automation FZE (Dubai, United Arab Emirates)	D	100%	USD	273
BELIMO Aircontrols (USA), Inc. (Danbury, United States of America)	D, H	100%	USD	200
BELIMO Customization (USA), Inc. (Danbury, United States of America)	P	100%***	USD	45
BELIMO Technology (USA), Inc. (Danbury, United States of America)	R&D	100%***	USD	30

* Share capital increase INR 0.088 million.

** Acquired on September 28, 2012.

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

H = Holding company

P = Production

D = Distribution

R&D = Research and development

I = Inactive

3 Warranties, guarantees and pledges given in favor of third parties

The framework agreements with a credit limit of CHF 70 million in total (on which either BELIMO Holding AG or BELIMO Automation AG may draw) are not subject to any covenants.

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.

4 Cash and cash equivalents, securities, reserve for treasury shares

The cash, cash equivalents and securities include cash and cash equivalents of CHF 81.1 million, currency hedging transactions measured at fair value, and treasury shares of CHF 4.3 million, which were reported in the balance sheet at acquisition cost.

The reserve for treasury shares amounts to CHF 4.3 million and corresponds to the acquisition cost of the acquired shares.

Reserve for treasury shares

	2012		2011	
	Number of shares	Value in CHF 1000	Number of shares	Value in CHF 1000
Balance at January 1	5 113	4 204	5 739	4 692
Purchase*	338	561	25	48
Sale	-558	-488	-651	-535
Balance at December 31	4 893	4 277	5 113	4 204

* Thereof 300 treasury shares were acquired in the reporting period as part of the acquisition of BELIMO Servomotoren B.V. (NL).

Notes to the financial statements

The average transaction price of the treasury shares purchased in the reporting period was CHF 1659.80 (previous year CHF 1900.04), and the value per share sold was CHF 1696.00 (previous year CHF 1587.35). These values corresponded to the fair values.

The pension plan trust fund of BELIMO Automation AG continues to hold 1000 Belimo registered shares which are not included in the above figures.

5 Non-current financial liabilities

Non-current financial liabilities comprise the retained portion of the purchase price of BELIMO Servomotoren B.V. (NL).

6 Remuneration of the Board of Directors and Group Executive Committee

The amount of the remuneration paid to the Board of Directors and Group Executive Committee is submitted to the Board of the Directors by the Remuneration Committee for approval.

Board of Directors and Group Executive Committee

in CHF 1 000	Basic remuneration	Bonus	Pension contributions	Total 2012	Total 2011
To five non-executive members of the Board of Directors	690		34	724	724
To seven members of the Group Executive Committee*	1 718	1 141	439	3 297	3 230
Total	2 408	1 141	473	4 021	3 953

* Matthias Haas, Head of Asia/Pacific, left Belimo on June 30, 2012. Gary Economides, appointed as successor, started on November 1, 2012.

Disclosure of remuneration is on a cash basis, as this is only definitively determined after reporting is complete.

Board of Directors (non-executive members)

in CHF 1 000	Basic remuneration	Pension contributions	Total 2012	Total 2011
Prof. Dr. Hans Peter Wehrli, Chairman	234	12	246	246
Werner Buck, Deputy Chairman	114	5	119	119
Martin Hess, Member	114	6	120	120
Walter Linsi, Member	114	5	119	119
Dr. Robert Straub, Member (until AGM 2011)				40
Dr. Martin Zwyssig, Member (since AGM 2011)	114	6	120	80
Total	690	34	724	724

The members of the Board of Directors are remunerated by means of a fixed fee. Activities carried out as a member of a committee of the Board are not subject to additional compensation.

Highest overall remuneration

The highest remuneration paid to a member of the Group Executive Committee was CHF 0.8 million to Dr. Jacques Sanche (CEO).

in CHF 1 000	Basic remuneration	Bonus	Pension contributions	Total 2012	Total 2011
Dr. Jacques Sanche	363	286	101	750	808

Additional information on executive bodies and the procedure for determining remuneration and participation programs and their content is included in the report section entitled Corporate Governance under notes 3, 4 and 5.

The following table shows the participations of the members of the Board of Directors and the Group Executive Committee as well as their related parties.

Participations at December 31

	2012 Number of shares	2011 Number of shares
Board of Directors		
Werner Buck	544	792
Martin Hess	348	348
Walter Linsi*	10 187	10 187
Prof. Dr. Hans Peter Wehrli	1 400	1 400
Dr. Martin Zwysig	25	
Total Board of Directors	12 504	12 727
Group Executive Committee		
Lukas Eigenmann	191	191
Matthias Haas	**	70
Dr. Jacques Sanche	110	50
Peter Schmidlin	547	487
Lars van der Haegen	10	10
Felix Winter	50	50
Total Group Executive Committee	908	858

* Walter Linsi is a member of the registered shareholder group Linsi, which holds a total of 118 580 voting shares.

** No related party in the reporting period (see Corporate Governance, notes 3 and 4).

Notes to the financial statements

Shares and options

No shares or options were allocated, and no conversion or option rights are outstanding.

Credits and loans

No credits or loans were granted to any members of executive bodies nor are any credits or loans outstanding.

Related parties

During the reporting year no further remuneration was paid nor loans granted to related parties. As a result, there are no credits or loans outstanding.

7 Significant shareholders

The following shareholders and shareholder groups hold three percent or more of the share capital:

	12.31.2012	12.31.2011
Sarasin Investmentfonds AG		3.09%
Lombard Odier Darier Hentsch Fund Managers SA	3.60%	4.09%
Ameriprise Financial, Inc.	4.62%	3.57%
Werner Roner	5.69%	5.69%
The Capital Group Companies, Inc.	9.98%	9.98%
Group Linsi	19.28%	19.28%

8 Risk assessment

Belimo Holding AG carried out a company-wide risk assessment in the reporting period, using systematic risk management methodology. This was implemented on the basis of group workshops and individual interviews and was divided into three phases:

Risk identification and evaluation, causes and action analysis and implementation of the actions defined. The Board of Directors is responsible for risk management, the Group Executive Committee is responsible for its operational implementation. The results of the risk assessment were discussed with and approved by the Board of Directors.

Appropriation of available earnings at December 31

in CHF 1 000	2012	2011
Balance carried forward from previous year	109 710	87 366
Change in reserve for treasury shares	-73	487
Available distributable balance carried forward	109 636	87 853
Net income	46 463	52 351
Available earnings	156 099	140 204
Dividend of CHF 60 per share (previous year CHF 50)	-36 900	-30 750
Unpaid dividends on treasury shares*		256
Balance carried forward	119 199	109 710

* No dividends are paid on the shares held by BELIMO Holding AG. On the ex-dividend day, BELIMO Holding AG held 5113 treasury shares.

The Board of Directors proposes to the 2013 Annual General Meeting a dividend of CHF 60 per share.

The dividend is expected to be paid on April 16, 2013.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of BELIMO Holding AG, Hinwil

As statutory auditor, we have audited the accompanying financial statements on pages 84 to 91 of BELIMO Holding AG, which comprise the balance sheet, income statement and notes for the year ended December 31, 2012.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement

of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2012, comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

KPMG AG



Reto Benz
Licensed Audit Expert
Auditor in Charge



Jan Brönnimann
Licensed Audit Expert

Zurich, February 19, 2013



The Charles Hayden Memorial Library, Massachusetts Institute of Technology (MIT), Cambridge, MA, USA

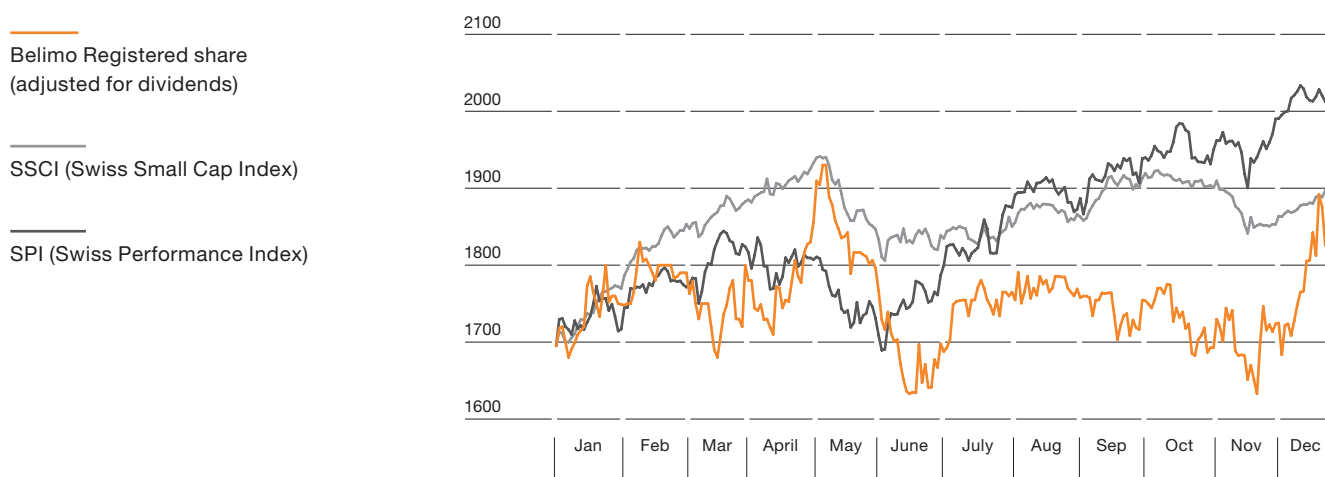


The Charles Hayden Memorial Library, Massachusetts Institute of Technology (MIT), Cambridge, MA, USA

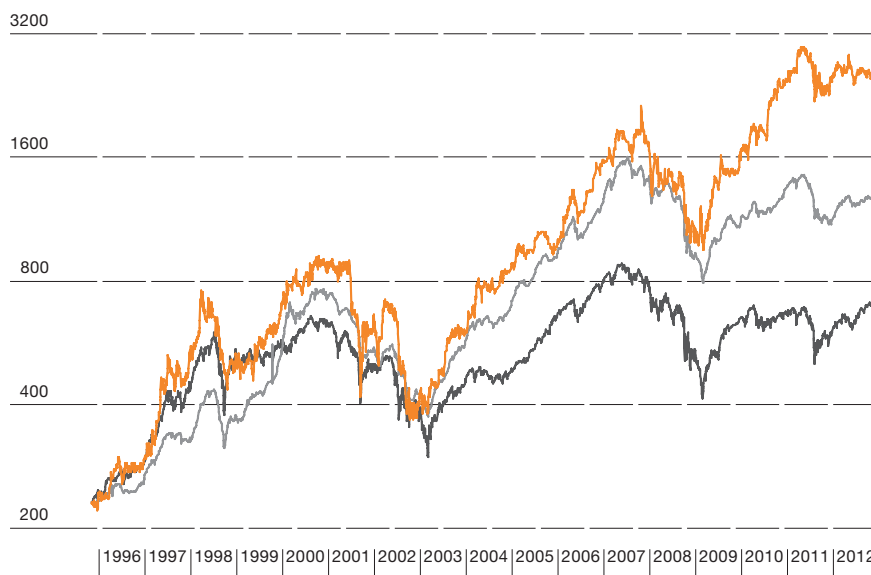


Information for investors

Performance since January 1, 2012 in CHF



Performance since IPO, in CHF



Opting out: see Corporate Governance, note 7.1

Limitation of transferability: see Corporate Governance, note 2.6

Limitation of voting rights: see Corporate Governance, note 6.1

ISIN number: CH0001503199

Stock market information from 2008 to 2012

	2012	2011	2010	2009	2008
Share capital					
Number of registered shares at December 31	615 000	615 000	615 000	615 000	615 000
Average number of outstanding shares	609 761	609 342	606 762	605 707	608 153
Information per registered share					
Earnings, in CHF	101	85	101	81	76
Cash flow from operating activities, in CHF	136	94	110	107	99
Operating income (EBIT), in CHF	125	111	137	101	105
Shareholders' equity, in CHF	429	379	349	283	241
Dividend, in CHF (as proposed by the Board of Directors for next year)	60	50	55	40	40
Return on dividend at December 31, in percent	3.4%	2.9%	3.3%	3.5%	5.3%
Payout ratio, in percent of net income	60.1%	59.6%	55.1%	49.9%	53.3%
Price-earnings ratio at December 31	17.7	20.2	16.9	14.4	10.0
Stock market prices in CHF					
High	1 870	2 000	1 718	1 180	1 298
Low	1 559	1 445	1 100	680	691
Year-end	1 763	1 695	1 690	1 150	750
Market capitalization in CHF million					
High	1 150	1 230	1 057	726	798
Low	959	889	677	418	425
Year-end	1 084	1 042	1 039	707	461
In percent of shareholders' equity at December 31	415%	452%	490%	407%	311%
Average daily trading volume					
In number of shares	359	365	590	470	519

Five-year summary

Five-year summary of the Belimo Group

in CHF 1 000 (unless indicated otherwise)	2012	2011	2010	2009	2008
Income statement					
Net sales	444 623	415 983	426 399	385 887	403 757
Operating income (EBITDA) in percent of net sales	91 900 20.7%	81 789 19.7%	96 573 22.6%	74 927 19.4%	78 592 19.5%
Operating income (EBIT) in percent of net sales	76 303 17.2%	67 787 16.3%	83 217 19.5%	61 881 16.0%	64 543 16.0%
Personnel expenses in percent of net sales	116 899 26.3%	109 894 26.4%	109 305 25.6%	106 991 27.7%	106 662 26.4%
Research and development in percent of net sales	27 344 6.1%	27 564 6.6%	25 218 5.9%	24 030 6.2%	23 502 5.8%
Operating expenses in percent of net sales	166 181 37.4%	157 682 37.9%	156 194 36.6%	151 834 39.3%	156 534 38.8%
Depreciation and amortization in percent of net sales	15 596 3.5%	14 002 3.4%	13 356 3.1%	13 046 3.4%	14 049 3.5%
Net income in percent of net sales	61 426 13.8%	51 556 12.4%	61 344 14.4%	49 273 12.8%	46 148 11.4%
Cash flow					
Cash flow from operating activities in percent of net sales	82 818 18.6%	57 359 13.8%	66 726 15.6%	65 996 17.1%	60 632 15.0%
Free cash flow in percent of net sales	60 513 13.6%	41 313 9.9%	52 798 12.4%	51 893 13.4%	46 447 11.5%
Investments (gross)	19 864	16 466	15 130	14 218	11 079
Dividend distribution	30 494	33 509	24 239	24 227	27 458
Balance sheet					
Total assets	343 700	304 920	286 200	247 359	246 813
Cash and cash equivalents in percent of total assets	105 371 30.7%	75 327 24.7%	67 342 23.5%	36 574 14.8%	27 888 11.3%
Current assets in percent of total assets	230 511 67.1%	202 358 66.4%	186 718 65.2%	146 943 59.4%	147 396 59.7%
Net working capital in percent of net sales	185 926 41.8%	163 994 39.4%	148 024 34.7%	108 557 28.1%	87 466 21.7%
Non-current assets in percent of total assets	113 189 32.9%	102 562 33.6%	99 482 34.8%	100 416 40.6%	99 417 40.3%
Current liabilities in percent of total assets	44 586 13.0%	38 363 12.6%	38 694 13.5%	38 386 15.5%	59 931 24.3%
Non-current liabilities in percent of total assets	37 766 11.0%	35 802 11.7%	35 515 12.4%	34 997 14.1%	38 466 15.6%
Shareholders' equity in percent of total assets	261 348 76.0%	230 755 75.7%	211 991 74.1%	173 976 70.3%	148 416 60.1%
Key figures					
Net sales year-on-year growth, in percent	6.9%	-2.4%	10.5%	-4.4%	8.6%
Net sales in local currencies year-on-year growth, in percent	5.4%	9.6%	14.7%	-1.5%	14.7%
Return on equity (ROE), in percent	25.0%	23.3%	31.8%	30.6%	32.3%
Return on invested capital (ROIC), in percent	30.4%	28.4%	36.1%	28.0%	28.2%
Quick ratio, in percent	365.8%	342.2%	315.1%	225.3%	137.8%
Days sales outstanding (DSO)	43.7	45.9	42.9	46.5	43.1
Inventory period	130	134	127	137	132
Fixed-assets-to-equity ratio, in percent	264.3%	259.9%	248.8%	208.1%	188.0%
Number of employees (FTE's, yearly average)	1 209	1 141	1 075	1 069	1 047
Net sales per employee	368	364	397	361	386
Number of actuators shipped, in million items	4.9	4.5	4.3	3.7	4.1

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