# Financial Report

# Consolidated Financial Statements

## Consolidated Income Statement

| in CHF 1 000 | Note | 2019 | % [1] | 2018 restated [2] | % [1] |
|---|---|---|---|---|---|
| Net sales | 3 | 692 680 | 100.0 | 642 368 | 100.0 |
| Other operating income | 5 | 901 | 0.1 | 1 257 | 0.2 |
| Material expenses | | – 278 886 | – 40.3 | – 266 127 | – 41.4 |
| Personnel expenses | 4 | – 188 263 | – 27.2 | – 171 195 | – 26.7 |
| Other operating expenses | 5 | – 72 208 | – 10.4 | – 71 304 | – 11.1 |
| Depreciation and amortization | 13, 14 | – 30 355 | – 4.4 | – 25 160 | – 3.9 |
| **Earnings before interest and taxes (EBIT)** | | **123 869** | **17.9** | **109 839** | **17.1** |
| Financial income | 6 | 479 | 0.1 | 644 | 0.1 |
| Financial expenses | 6 | – 2 175 | – 0.3 | – 1 655 | – 0.3 |
| Foreign exchange gain/(loss) | 6 | – 2 390 | – 0.3 | – 3 919 | – 0.6 |
| **Financial result** | | **– 4 086** | **– 0.6** | **– 4 930** | **– 0.8** |
| **Earnings before taxes (EBT)** | | **119 783** | **17.3** | **104 909** | **16.3** |
| Income taxes | 7 | 1 320 | 0.2 | – 18 700 | – 2.9 |
| **Net income** | | **121 103** | **17.5** | **86 209** | **13.4** |
| Attributable to shareholders of BELIMO Holding AG | | 121 144 | 17.5 | 86 209 | 13.4 |
| Attributable to non-controlling interests | | – 41 | – | – | – |
| **Earnings per share in CHF** | 8 | **197.00** | | **140.22** | |

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

[1] in percent of net sales
[2] see note 1.3

## Consolidated Statement of Comprehensive Income

| in CHF 1 000 | Note | 2019 | | 2018 | |
|---|---|---|---|---|---|
| **Net income** | | **121 103** | | **86 209** | |
| Currency translation adjustment | | – 2 567 | | – 1 603 | |
| Tax effect | 7 | 53 | | – 51 | |
| **Items that are or may be reclassified subsequently to the income statement** | | **– 2 513** | | **– 1 653** | |
| Remeasurement of post-employment benefits | 19 | 16 352 | | – 7 734 | |
| Tax effect | 7 | – 3 443 | | 1 187 | |
| **Items that will not be reclassified subsequently to the income statement** | | **12 909** | | **– 6 546** | |
| **Other comprehensive income, net of tax** | | **10 395** | | **– 8 200** | |
| **Total comprehensive income** | | **131 499** | | **78 010** | |
| Attributable to shareholders of BELIMO Holding AG | | 131 540 | | 78 010 | |
| Attributable to non-controlling interests | | – 41 | | – | |

## Consolidated Balance Sheet

| in CHF 1 000 | Note | 12.31.2019 | 12.31.2018 restated [1] | 01.01.2018 restated [1] |
|---|---|---|---|---|
| Cash and cash equivalents | 9 | 172 563 | 155 138 | 113 178 |
| Trade receivables | 10 | 88 638 | 87 173 | 83 257 |
| Inventories | 11 | 103 475 | 97 903 | 95 132 |
| Other assets | 12 | 9 731 | 7 793 | 10 030 |
| Current tax assets | | 490 | 274 | 576 |
| **Current assets** | | **374 897** | **348 281** | **302 173** |
| Property, plant and equipment | 13 | 190 916 | 163 119 | 166 029 |
| Intangible assets | 14 | 13 178 | 14 893 | 17 064 |
| Non-current financial assets | 15 | 1 885 | 1 812 | 1 596 |
| Non-current employee benefit assets | 19 | 9 003 | – | 2 466 |
| Deferred tax assets | 7 | 12 123 | 3 367 | 2 648 |
| **Non-current assets** | | **227 105** | **183 191** | **189 803** |
| **Assets** | | **602 002** | **531 472** | **491 976** |
| Trade payables | | 15 660 | 18 409 | 17 108 |
| Other liabilities | 16 | 46 418 | 41 297 | 38 250 |
| Current financial liabilities | 17 | 4 016 | 1 463 | – |
| Current provisions | 18 | 3 987 | 4 920 | 4 345 |
| Current tax liabilities | | 7 667 | 5 000 | 3 778 |
| **Current liabilities** | | **77 748** | **71 089** | **63 481** |
| Non-current financial liabilities | 17 | 9 698 | – | 1 515 |
| Non-current provisions | 18 | 1 084 | 1 226 | 1 170 |
| Non-current employee benefit liabilities | 19 | 3 950 | 10 297 | 3 788 |
| Deferred tax liabilities | 7 | 2 178 | 11 617 | 11 323 |
| **Non-current liabilities** | | **16 910** | **23 140** | **17 796** |
| **Liabilities** | | **94 658** | **94 229** | **81 277** |
| Equity attributable to shareholders of BELIMO Holding AG | 8 | 507 289 | 437 243 | 410 699 |
| Equity attributable to non-controlling interests | 8 | 55 | – | – |
| **Shareholders' equity** | | **507 344** | **437 243** | **410 699** |
| **Liabilities and shareholders' equity** | | **602 002** | **531 472** | **491 976** |

[1] see note 1.3

## Consolidated Statement of Changes in Equity

| in CHF 1 000 | Share capital | Treasury shares | Capital reserves | Currency translation adjustment | Retained earnings | Attributable to share-holders of BELIMO Holding AG | Attribut-able to non-con-trolling interests | Total sharehold-ers' equity |
|---|---|---|---|---|---|---|---|---|
| **As at January 1, 2018** | 615 | – 262 | 23 219 | – 2 935 | 392 683 | **413 320** | – | **413 320** |
| Restatement [1] | | | | | – 2 621 | – 2 621 | – | – 2 621 |
| **As at January 1, 2018, restated [1]** | 615 | – 262 | 23 219 | – 2 935 | 390 062 | **410 699** | – | **410 699** |
| Net income | | | | | 86 209 | 86 209 | – | 86 209 |
| Other comprehensive income, net of tax | | | | – 1 653 | – 6 546 | – 8 200 | – | – 8 200 |
| **Total comprehensive income** | | | | – 1 653 | 79 663 | **78 010** | – | **78 010** |
| Sale of treasury shares | | 195 | 596 | | | 791 | – | 791 |
| Dividends | | | | | – 52 256 | – 52 256 | – | – 52 256 |
| **As at December 31, 2018, restated [1]** | 615 | – 67 | 23 814 | – 4 588 | 417 469 | **437 243** | – | **437 243** |
| Net income | | | | | 121 144 | 121 144 | – 41 | 121 103 |
| Other comprehensive income, net of tax | | | | – 2 513 | 12 909 | 10 395 | – | 10 395 |
| **Total comprehensive income** | | | | – 2 513 | 134 053 | **131 540** | **– 41** | **131 499** |
| Equity contribution by non-controlling interests | | | | | | | 96 | 96 |
| Dividends | | | | | – 61 494 | – 61 494 | – | – 61 494 |
| **As at December 31, 2019** | 615 | – 67 | 23 814 | – 7 101 | 490 028 | **507 289** | **55** | **507 344** |

[1] see note 1.3

## Consolidated Statement of Cash Flows

| in CHF 1 000 | Note | 2019 | 2018 |
|---|---|---|---|
| Net income | | 121 103 | 86 209 |
| Income taxes | 7 | – 1 320 | 18 700 |
| Interest result | 6 | 640 | – 470 |
| Depreciation of property, plant and equipment | 13 | 24 255 | 19 145 |
| Amortization of intangible assets | 14 | 6 100 | 6 015 |
| Gain on sale of property, plant and equipment | 13 | – 208 | – 151 |
| Other non-cash items | | 634 | 513 |
| Change in net working capital | | – 11 638 | – 8 232 |
| Change in other current receivables and assets | | – 746 | 4 378 |
| Change in other current payables and liabilities | | 5 628 | 3 609 |
| Change in provisions | 18 | – 1 066 | 642 |
| Income taxes paid | | – 17 984 | – 16 421 |
| **Cash flow from operating activities** | | **125 400** | **113 938** |
| Investments in property, plant and equipment | 13 | – 35 958 | – 16 160 |
| Investments in intangible assets | 14 | – 4 694 | – 4 331 |
| Purchase of financial assets | | – 10 188 | – 24 |
| Sale of financial assets | | 10 076 | 4 |
| Sale of property, plant and equipment | | 259 | 306 |
| Interest received | 6 | 356 | 528 |
| Payment of residual purchase price for acquisition from earlier periods | 2 | – 1 399 | – |
| **Cash flow used in investing activities** | | **– 41 549** | **– 19 677** |
| Sale of treasury shares | 8 | – | 791 |
| Dividends paid | 8 | – 61 494 | – 52 256 |
| Interest paid | 17 | – 885 | – 67 |
| Repayment of lease liabilities | 17 | – 3 576 | – |
| Equity contribution by non-controlling interests | 2 | 96 | – |
| **Cash flow used in financing activities** | | **– 65 860** | **– 51 533** |
| Currency translation adjustment | | – 567 | – 768 |
| **Change in cash and cash equivalents** | | **17 425** | **41 960** |
| Cash and cash equivalents at beginning of period | | 155 138 | 113 178 |
| **Cash and cash equivalents at end of period** | 9 | **172 563** | **155 138** |

# Notes to the Consolidated Financial Statements

## 1 General

### 1.1 Corporate Information

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

### 1.2 Basis of Preparation

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

The reporting date for BELIMO Holding AG, all of its subsidiaries and for these consolidated financial statements is December 31, 2019. The consolidated financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. Due to rounding, amounts presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount. The consolidated financial statements are prepared on the historical cost basis, with the exception of the derivative financial instruments, which are stated at fair value. The consolidated financial statements are published exclusively in English.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the notes (see notes 7 Income Taxes, 13 Property, Plant and Equipment, 17 Financial Liabilities, 18 Provisions and 19 Non-current Employee Benefits).

### 1.3 Restatements and changes in presentation

In 2019, Belimo conducted a worldwide IAS 19 analysis with focus on long-term employee benefits. As a result of the employee growth in recent years, the defined benefit obligation for jubilee agreements became material. As a consequence the Group decided to recognize a jubilee provision and to correct and restate comparative information, in accordance with IAS 8.42. The opening balance 2018 was amended as shown below.

| in CHF 1 000 | 01.01.2018 reported | Restatement | 01.01.2018 restated |
|---|---|---|---|
| Deferred tax assets | 2 228 | 420 | 2 648 |
| Non-current employee benefit liabilities | 747 | 3 041 | 3 788 |
| Shareholders' equity | 413 320 | −2 621 | 410 699 |

Due to materiality reasons, Belimo decided to leave the jubilee provision in 2018 unchanged. Consequently the restatement did not have any impact on net income and only an immaterial impact on currency translation adjustments in total comprehensive income 2018.

| in CHF 1 000 | 12.31.2018 reported | Restatement | 12.31.2018 restated |
|---|---|---|---|
| Deferred tax assets | 2 947 | 420 | 3 367 |
| Non-current employee benefit liabilities | 7 258 | 3 039 | 10 297 |
| Shareholders' equity | 439 862 | – 2 619 | 437 243 |

In order to improve disclosure, Belimo reports net foreign exchange gains or losses separately from financial income and expenses in the consolidated income statement. The comparative figures have been adjusted accordingly.

### 1.4 Changes to Accounting Policies

**Effective new and amended standards and interpretations**

Belimo has initially applied IFRS 16 Leases from January 1, 2019. A number of other amended standards and interpretations became also effective in 2019 with no material impact on these consolidated financial statements.

IFRS 16 replaced IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease. Under IAS 17, operating lease expenses were recognized on a straight-line basis over the term of the lease. Only timing differences between actual lease payments and the linearized expenses were recognized as assets or liabilities. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, Belimo recognizes right-of-use assets that represent the right to use the underlying asset, and lease liabilities that correspond to the obligation to make lease payments.

In accordance with the transitional provisions, the modified retrospective approach was applied. Comparative information was not restated.

The group used different practical expedients permitted by IFRS 16. It has elected to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by any prepaid or accrued lease payments. Thus, initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application. Since Belimo recognized the right-of-use asset at the amount equal to the lease liabilities, there was no impact on the retained earnings. Furthermore, leases for which the lease term ended within 12 months of the date of initial application were accounted for in the same way as short-term leases.

The table below outlines the transition between IAS 17 and IFRS 16 on January 1, 2019.

| in CHF 1 000 | Transition IAS 17 to IFRS 16 |
|---|---|
| Operating lease commitments disclosed on December 31, 2018 | 9 656 |
| Discounting impact using the incremental borrowing rates | – 791 |
| Short-term leases recognized as expenses | – 192 |
| Low-value leases recognized as expenses | – 6 |
| Impact of extension and termination options | 4 225 |
| **Lease liabilities recognized on January 1, 2019** | **12 891** |

The weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application was 4.4 percent.

In accordance with IFRS 16, the Group has decided to not recognize short-term leases and leases of low-value assets on the balance sheet. To determine the lease term, renewal options on lease contracts are considered on a case-by-case basis following a regular assessment. The borrowing rates used for the measurement of the lease liabilities have been defined based on a base rate depending on the currency and maturity of the underlying leasing contract and a risk premium considering the company as well as asset specific risks.

Following the adoption of IFRS 16, the Group has presented right-of-use of leased assets as a component of property, plant and equipment and the lease liabilities as financial liabilities in the statement of financial position. Cash payments for the principal portion of lease payments as well as for the interest portion have been classified as cash flow used in financing activities. Payments for short-term and low-value leases are part of the cash flow from operating activities.

As of January 1, 2019, the Group has recognized CHF 12.9 million as right-of-use of leased assets and as lease liabilities. In the reporting period, depreciation of right-of-use of leased assets of CHF 3.9 million and interest expenses of CHF 0.6 million were recognized in accordance with IFRS 16. Furthermore, the Group's consolidated statement of cash flow was impacted by a shift of a cash outflow from cash flow from operating activities to cash flow used in financing activities of CHF 4.2 million.

**New and amended standards and interpretations issued but not yet effective**
A number of new and revised standards and interpretations get effective on January 1, 2020 or later and earlier application is permitted. Belimo has not early adopted these standards.

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

| | Effective date | Planned application |
|---|---|---|
| **Amendments of Standards** | | |
| Amendments to References to Conceptual Framework in IFRS Standards[1] | 01.01.2020 | 2020 |
| Definition of a Business (Amendments to IFRS 3)[1] | 01.01.2020 | 2020 |
| Definition of Material (Amendments to IAS 1 and IAS 8)[1] | 01.01.2020 | 2020 |
| Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)[1] | 01.01.2020 | 2020 |
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1)[1] | 01.01.2022 | 2022 |

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

### 1.5 Basis of Consolidation

**Scope of Consolidation**

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

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

**Eliminations**

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

### 1.6 Currency Translation

**Transactions in Foreign Currency**

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

**Foreign Operations**

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

| | Year-end rates | | Average rates | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| in CHF | | | | |
| CAD | 0.75 | 0.72 | 0.75 | 0.76 |
| CNY | 0.14 | 0.14 | 0.14 | 0.15 |
| EUR | 1.09 | 1.13 | 1.12 | 1.16 |
| PLN | 0.26 | 0.26 | 0.26 | 0.27 |
| USD | 0.97 | 0.98 | 0.99 | 0.98 |

## 2 Changes to the Scope of Consolidation

On January 29, 2019, BELIMO InnoVision AG, a wholly-owned subsidiary of BELIMO Holding AG, was founded. It is located in Hinwil (Switzerland) and will invest in innovative start-ups in the HVAC sector. The company will also enter into strategic partnerships with national and international companies in the future.

On March 28, 2019, BELIMO Automation Deutschland GmbH was founded. The company, fully owned by BELIMO Holding AG, will operate the new service and logistics center in Großröhrsdorf near Dresden (Germany).

On May 31, 2019, BELIMO InnoVision AG participated with a majority interest in the foundation of BEREVA GmbH. This start-up, headquartered in the Veneto region of northeastern Italy, will be active in the development, manufacturing and sale of valves used to control and optimize refrigeration circuits.

In 2017, Belimo acquired all shares of the distribution company BELIMO AB, which is domiciled in Sweden. The contractually agreed retained portion of the purchase price and its accumulated interest of totally CHF 1.5 million was settled in the reporting year.

In the previous year, BELIMO Automation Malaysia SDN. BHD was founded.

## 3 Segment Reporting

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

Sales are measured net of sales tax, credits for returns and discounts and are recognized when control of the goods transfers to the customer. Due to the current business model, the performance obligations are satisfied at a point in time. Generally, sales are recognized upon shipment or upon delivery, as defined in the general terms and conditions and in compliance with generally accepted incoterms. Performance obligations in contracts with customers have a duration of one year or less. Warranty conditions solely provide a customer with assurance that the related product complies with agreed-upon specifications. Consequently, the accounting for the warranty is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Payment terms are adapted to the local market conditions. For the major part of the revenue recognition payment terms of 1 to 60 days are applied.

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

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

The activities of the reportable segments are as follows:

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

**Shared Services.** Research and development activities, production, logistics, customizing, the functions finance and administration, strategy and brand management as well as the expenses for the Group Executive Committee and the Board of Directors.

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

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

| in CHF 1 000 | Europe | Americas | Asia Pacific | Shared Services | Elimination | Total |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Income statement** | | | | | | |
| Net sales to third parties | 328 777 | 272 849 | 91 054 | – | – | 692 680 |
| Other operating income | – | – | – | 558 | – | 558 |
| Operating expenses | – 46 498 | – 38 289 | – 19 015 | – 173 737 | 17 067 | – 260 472 |
| Depreciation and amortization | – 3 833 | – 4 449 | – 2 047 | – 20 025 | – | – 30 355 |
| **Segment profit** | **278 446** | **230 110** | **69 992** | **– 193 204** | **17 067** | **402 412** |
| Unallocated other operating income | | | | | | 343 |
| Unallocated material expenses | | | | | | – 278 886 |
| Unallocated financial result | | | | | | – 4 086 |
| **Earnings before taxes (EBT)** | | | | | | **119 783** |
| Cash effective investments in property, plant and equipment and intangible assets | 1 953 | 1 284 | 3 787 | 33 627 | – | 40 652 |
| **Balance sheet as at December 31, 2019** | | | | | | |
| Trade receivables | 62 417 | 34 543 | 19 408 | – | – 27 729 | 88 638 |
| Property, plant and equipment and intangible assets | 13 258 | 44 162 | 8 588 | 138 086 | – | 204 094 |
| Unallocated assets | | | | | | 309 270 |
| **Total assets** | | | | | | **602 002** |
| **2018** | | | | | | |
| **Income statement** | | | | | | |
| Net sales to third parties | 317 200 | 242 885 | 82 283 | – | – | 642 368 |
| Other operating income | – | – | – | 679 | – | 679 |
| Operating expenses | – 45 402 | – 35 487 | – 17 777 | – 160 456 | 16 623 | – 242 499 |
| Depreciation and amortization | – 2 733 | – 3 649 | – 482 | – 18 296 | – | – 25 160 |
| **Segment profit** | **269 065** | **203 749** | **64 024** | **– 178 073** | **16 623** | **375 388** |
| Unallocated other operating income | | | | | | 578 |
| Unallocated material expenses | | | | | | – 266 127 |
| Unallocated financial result | | | | | | – 4 930 |
| **Earnings before taxes (EBT)** | | | | | | **104 909** |
| Cash effective investments in property, plant and equipment and intangible assets | 1 073 | 1 243 | 1 102 | 17 073 | – | 20 491 |
| **Balance sheet as at December 31, 2018, restated[1)]** | | | | | | |
| Trade receivables | 66 283 | 35 192 | 15 074 | – | – 29 376 | 87 173 |
| Property, plant and equipment and intangible assets | 8 389 | 46 083 | 2 203 | 121 336 | – | 178 012 |
| Unallocated assets, restated[1)] | | | | | | 266 287 |
| **Total assets, restated[1)]** | | | | | | **531 472** |

[1)] see note 1.3

Net sales growth by market regions was as follows:

| | CHF | Local currencies |
|---|---|---|
| Europe | 3.6% | 6.8% |
| Americas | 12.3% | 11.0% |
| Asia Pacific | 10.7% | 12.7% |
| **Group** | **7.8%** | **9.2%** |

Overall, movements in exchange rates had an effect of –1.4 percentage points on net sales (previous year +1.2 percentage points). Around 36 percent of net sales were denominated in US dollar, 29 percent in euro, 10 percent in Swiss franc and 25 percent in other currencies.

Europe contributed 48 percent (previous year 49 percent), Americas 39 percent (previous year 38 percent) and Asia Pacific 13 percent (previous year 13 percent) to the total net sales.

The net sales by applications were as follows:

| | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| in CHF 1 000 | | | | |
| Air | 385 480 | 56% | 365 442 | 57% |
| Water | 307 200 | 44% | 276 926 | 43% |
| **Total** | **692 680** | **100%** | **642 368** | **100%** |

In local currencies, net sales of air applications grew by 7.1 percent and net sales of water applications increased by 11.9 percent.

The following table shows information on geographic regions:

| | Net sales to third parties | | Property, plant and equipment, intangible assets | |
|---|---|---|---|---|
| | 2019 | 2018 | 12.31.2019 | 12.31.2018 |
| in CHF 1 000 | | | | |
| Germany | 69 781 | 71 467 | 12 964 | 223 |
| Central Eastern Europe | 51 197 | 50 407 | 477 | 159 |
| Italy | 22 877 | 20 873 | 1 181 | 571 |
| France | 22 369 | 19 608 | 966 | 215 |
| Switzerland | 21 246 | 18 801 | 112 815 | 110 101 |
| Others | 141 308 | 136 044 | 10 180 | 7 221 |
| **Europe** | **328 777** | **317 200** | **138 582** | **118 490** |
| USA | 215 818 | 193 845 | 54 366 | 56 462 |
| Canada | 46 887 | 39 445 | 521 | 153 |
| Others | 10 143 | 9 596 | 250 | 143 |
| **Americas** | **272 849** | **242 885** | **55 137** | **56 757** |
| China | 44 575 | 38 325 | 3 785 | 1 466 |
| Others | 46 479 | 43 959 | 6 590 | 1 299 |
| **Asia Pacific** | **91 054** | **82 283** | **10 375** | **2 765** |
| **Total** | **692 680** | **642 368** | **204 094** | **178 012** |

## 4 Personnel Expenses

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

| in CHF 1 000 | 2019 | 2018 |
|---|---|---|
| Wages and salaries | – 144 719 | – 131 139 |
| Social security contributions | – 20 342 | – 18 491 |
| Defined benefit expenses | – 9 380 | – 9 294 |
| Defined contribution expenses | – 4 067 | – 3 635 |
| Other personnel expenses | – 9 754 | – 8 636 |
| **Total** | **– 188 263** | **– 171 195** |

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

## 5 Other Operating Income and Expenses

| in CHF 1 000 | 2019 | 2018 |
|---|---|---|
| Own work capitalized | 558 | 679 |
| Other income | 343 | 578 |
| **Other operating income** | **901** | **1 257** |

| in CHF 1 000 | 2019 | 2018 |
|---|---|---|
| Travel and representation | – 10 251 | – 9 103 |
| Cost of business premises | – 5 138 | – 8 048 |
| Consulting | – 9 032 | – 8 076 |
| Marketing | – 8 417 | – 8 753 |
| IT | – 8 430 | – 7 798 |
| External research and development | – 20 467 | – 19 002 |
| Miscellaneous expenses | – 10 472 | – 10 525 |
| **Other operating expenses** | **– 72 208** | **– 71 304** |

Research and development costs of CHF 50.7 million (previous year CHF 47.2 million) are included mainly in personnel and in external research and development expenses. Thereof, CHF 0.6 million (previous year CHF 0.7 million) were capitalized. Miscellaneous expenses include changes in operating provisions as well as changes in allowances for doubtful trade receivables and freight expenses.

## 6 Financial Result

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

| | 2019 | 2018 restated[1] |
|---|---|---|
| in CHF 1 000 | | |
| Interest income | 359 | 588 |
| Net gain from derivative financial instruments | 120 | 57 |
| **Financial income** | **479** | **644** |
| Interest expenses | – 1 000 | – 118 |
| Other financial expenses (bank charges) | – 1 175 | – 1 537 |
| **Financial expenses** | **– 2 175** | **– 1 655** |
| **Foreign exchange gain/(loss)** | **– 2 390** | **– 3 919** |
| **Total** | **– 4 086** | **– 4 930** |

[1] see note 1.3

## 7 Income Taxes

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

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

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

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

Income tax expenses consist of the following:

| in CHF 1 000 | 2019 | 2018 |
|---|---|---|
| Income taxes relating to current year | – 20 708 | – 18 627 |
| Adjustments from previous years | 394 | 690 |
| **Current income taxes** | **– 20 314** | **– 17 937** |
| **Deferred taxes** | **21 634** | **– 763** |
| **Income tax recognized** | **1 320** | **– 18 700** |

| in CHF 1 000 | 2019 | 2018 |
|---|---|---|
| **Income before taxes** | **119 783** | **104 909** |
| Expected tax expenses | – 19 578 | – 17 330 |
| applicable tax rate | 16.3% | 16.5% |
| Non-deductible expenses | – 434 | – 375 |
| Tax-exempt income | 26 938 | 85 |
| Adjustments from previous years | 394 | 690 |
| Non-reclaimable withholding taxes | – 933 | – 541 |
| Effect of companies with mixed tax rates | – 371 | – 1 285 |
| Change in tax rate | – 4 622 | 63 |
| Other | – 73 | – 7 |
| **Income tax recognized** | **1 320** | **– 18 700** |
| effective tax rate | – 1.1% | 17.8% |

On January 1, 2020, the Swiss federal law on the tax reform and AHV financing (TRAF) entered into force. Belimo used to benefit from tax regulations that have been abolished by TRAF. To reduce disadvantages the Canton of Zurich, where Belimo is headquartered, introduced certain provisions in the cantonal tax laws (e.g. patent box, additional R&D deductions) including transitional measures (step-up mechanism or dual rate approach). At Belimo, these transitional measures will compensate the cash effects of the entry costs into the patent box introduced by TRAF. In the financial year 2019, the tax reform impacted income taxes positively by CHF 22.1 million, without affecting cash flow. Meanwhile, in the balance sheet deferred taxes on intangible assets of CHF 26.8 million were recognized. In subsequent periods, these tax assets will be recovered by means of amortization. Overall, the tax burden as per local regulations will remain stable over the next years.

Some Group companies are taxed at different rates depending on the source of income. The effect of these mixed tax rates is presented as a separate item in the reconciliation above. The deferred tax assets and liabilities were attributable to the following balance sheet items:

| | 12.31.2019 | | | 12.31.2018 restated[1] | | |
|---|---|---|---|---|---|---|
| | Deferred tax | | | Deferred tax | | |
| | assets | liabilities | net | assets | liabilities | net |
| in CHF 1 000 | | | | | | |
| Receivables | 297 | – 2 670 | – 2 373 | 191 | – 1 416 | – 1 224 |
| Inventories | 390 | – 4 589 | – 4 199 | 483 | – 2 654 | – 2 170 |
| Property, plant and equipment | 258 | – 8 552 | – 8 294 | 270 | – 5 993 | – 5 723 |
| Intangible assets | 26 852 | – 1 504 | 25 348 | – | – 1 863 | – 1 863 |
| Non-current employee benefits | 60 | – 1 896 | – 1 836 | 1 504 | – | 1 504 |
| Current liabilities | 525 | – | 525 | 420 | – | 420 |
| Non-current financial liabilities | 250 | – | 250 | – | – | – |
| Provisions | – | – | – | 6 | – | 6 |
| Tax losses carried forward and tax credits | 825 | – | 825 | 800 | – | 800 |
| Deferred taxes associated with investments in subsidiaries | – | – 300 | – 300 | – | – | – |
| **Total (gross)** | **29 459** | **– 19 514** | **9 945** | **3 675** | **– 11 924** | **– 8 250** |
| Set-off of tax | – 17 335 | 17 335 | – | – 308 | 308 | – |
| **Total (net)** | **12 123** | **– 2 178** | **9 945** | **3 367** | **– 11 617** | **– 8 250** |

[1] see note 1.3

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

| | 2019 | 2018 restated[1] |
|---|---|---|
| in CHF 1 000 | | |
| **As at January 1** | **– 8 250** | **– 9 095** |
| Restatement[1] | – | 420 |
| **As at January 1, restated[1]** | **– 8 250** | **– 8 675** |
| Recognized in the income statement | 21 634 | – 763 |
| Recognized in other comprehensive income | – 3 443 | 1 187 |
| Translation differences | 4 | 1 |
| **As at December 31** | **9 945** | **– 8 250** |

[1] see note 1.3

The Group has CHF 0.8 million (previous year CHF 0.8 million) deferred tax assets relating to utilizable tax losses carried forward and tax credits, thereof CHF 0.2 million expiring after a minimum of 5 years and CHF 0.6 million with no expiry. There were no unrecognized deferred taxes on losses carried forward.

## 8 Shareholders' Equity and Earnings per Share

Shares are a component of equity, as they are not redeemable and there is no dividend guarantee. Treasury shares are recorded as a deduction from equity. Realized gains or losses on the sale of treasury shares are also recognized in equity as a component of retained earnings. Capital reserves correspond to premiums from capital increases and the gains or from the sale of treasury shares. Currency translation adjustments contain the accumulated foreign exchange differences arising from the translation of the financial statements of foreign Group companies and intercompany loans which form part of a net investment in a foreign operation. Retained earnings include the remeasurement of the post-employment benefits and their tax effect as well as accumulated retained earnings of prior periods.

| | | 2019 | 2018 |
|---|---|---|---|
| Net income attributable to shareholders of BELIMO Holding AG | in CHF 1 000 | 121 144 | 86 209 |
| Average outstanding shares | Number | 614 943 | 614 834 |
| Dividend per registered share [1] | in CHF | 150 | 100 |
| Total dividend [1] | in CHF 1 000 | 92 250 | 61 500 |
| **Earnings per share** | in CHF | **197.00** | **140.22** |

[1] 2019: Proposed by the Board of Directors

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

### Share Capital

| | | 12.31.2019 | 12.31.2018 |
|---|---|---|---|
| Par value per share | in CHF | 1.00 | 1.00 |
| Outstanding shares | Number | 614 943 | 614 943 |
| Treasury shares | Number | 57 | 57 |
| **Total registered shares** | Number | **615 000** | **615 000** |

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

### Treasury Shares

| | 2019 | 2018 |
|---|---|---|
| Number of shares | | |
| **As at January 1** | **57** | **222** |
| Sales of treasury shares | – | – 165 |
| **As at December 31** | **57** | **57** |

### Capital Reserves and Retained Earnings

| | 12.31.2019 | 12.31.2018 restated [1] |
|---|---|---|
| in CHF 1 000 | | |
| Capital reserves | 23 814 | 23 814 |
| Retained earnings (incl. CTA) | 482 927 | 412 881 |
| **Total** | **506 741** | **436 696** |

[1] see note 1.3

## 9 Cash and Cash Equivalents

Cash and cash equivalents are measured at amortized cost. While they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and therefore no valuation allowance has been recognized.

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| in CHF 1 000 | | |
| Cash | 152 563 | 155 138 |
| Cash equivalents | 20 000 | – |
| **Total** | **172 563** | **155 138** |

As at December 31, 2019, cash consisted of bank and postal accounts and cash on hand. Cash equivalents included term deposits with a maturity of three months or less.

## 10 Trade Receivables

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| in CHF 1 000 | | |
| Trade receivables | 90 813 | 89 557 |
| Allowance | – 2 175 | – 2 385 |
| **Total** | **88 638** | **87 173** |

Trade receivables by market region were as follows:

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| in CHF 1 000 | | |
| Europe | 34 856 | 36 982 |
| Americas | 34 543 | 35 192 |
| Asia Pacific | 19 240 | 14 998 |
| **Total** | **88 638** | **87 173** |

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

Movements in allowance for doubtful trade receivables were as follows:

| | 2019 | 2018 |
|---|---|---|
| in CHF 1 000 | | |
| **As at January 1** | **–2 385** | **–2 361** |
| Increase | –266 | –643 |
| Utilization | 194 | 527 |
| Reversals | 219 | 34 |
| Translation differences | 63 | 58 |
| **As at December 31** | **–2 175** | **–2 385** |

The aging and allowance of trade receivables were as follows:

| | | | 12.31.2019 | | 12.31.2018 |
|---|---|---|---|---|---|
| | Default rate | Gross | Allowance | Gross | Allowance |
| in CHF 1 000 | | | | | |
| Not due | 0.5% | 67 944 | –357 | 63 647 | –336 |
| Overdue 1 to 30 days | 3.0% | 15 028 | –451 | 17 762 | –533 |
| Overdue 31 to 60 days | 5.0% | 4 662 | –233 | 4 684 | –234 |
| Overdue 61 to 180 days | 10.0% | 2 272 | –227 | 2 424 | –242 |
| **Total trade receivables measured using the provision matrix** | | **89 906** | **–1 268** | **88 517** | **–1 345** |
| Individual allowances | 100.0% | 907 | –907 | 1 040 | –1 040 |
| **Total** | | **90 813** | **–2 175** | **89 557** | **–2 385** |

## 11 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The net realizable value is the expected average selling price less the expected costs of completion and the estimated costs necessary to make the sale.

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| in CHF 1 000 | | |
| Raw materials and consumables | 51 471 | 49 390 |
| Work in progress | 352 | 455 |
| Finished goods | 51 652 | 48 058 |
| **Total inventories (net)** | **103 475** | **97 903** |
| Allowance on raw materials and consumables | –2 067 | –2 752 |
| Allowance on finished goods | –5 383 | –5 927 |
| **Total allowance** | **–7 450** | **–8 679** |

Finished goods increased by CHF 3.6 million (previous year remained nearly unchanged). The allowance amounted to 6.7 percent (previous year 8.1 percent) of the gross value of inventories.

Movements in allowance were as follows:

| in CHF 1 000 | 2019 | 2018 |
|---|---|---|
| **As at January 1** | **–8 679** | **–7 956** |
| Increase | –1 928 | –4 495 |
| Utilization | 2 830 | 3 533 |
| Reversals | 269 | 111 |
| Translation differences | 59 | 129 |
| **As at December 31** | **–7 450** | **–8 679** |

## 12 Other Assets

Derivative financial instruments are measured at fair value through profit or loss with any changes therein recognized in the financial result. Other receivables and accruals qualifying as financial instruments are recognized at amortized costs. While they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and therefore no valuation allowance has been recognized.

| in CHF 1 000 | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Non-income tax receivables | 5 955 | 4 283 |
| Advance payments and deferred expenses | 3 264 | 3 192 |
| Fair value of derivative financial instruments | 257 | 121 |
| Other receivables | 255 | 197 |
| **Total** | **9 731** | **7 793** |

## 13 Property, Plant and Equipment

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

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

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

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

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

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

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

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

Land and Buildings: The Group leases land and buildings for its office and warehouse space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Typically, leases are made for a fixed period of 1–5 years and may include extension options. Management judgement is required to define if an extension option is reasonably certain to be exercised.
Furniture, Fixtures, Movables Equipment: The major part refers to leased cars as well as office equipment, with a contract duration of 3 years on average.

| in CHF 1 000 | Land, buildings | Tools, machinery | Furniture, fixtures, movable equipment | Advance payments, assets under construction | Total |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| **As at January 1, 2018** | **186 623** | **99 630** | **23 616** | **2 003** | **311 872** |
| Additions | 3 303 | 8 847 | 3 230 | 780 | **16 160** |
| Disposals | –22 | –3 120 | –2 173 | –28 | **–5 344** |
| Reclassifications | 643 | 1 201 | 81 | –1 926 | – |
| Translation differences | 509 | 26 | –390 | –9 | **136** |
| **As at December 31, 2018** | **191 055** | **106 584** | **24 364** | **820** | **322 823** |
| Impact from changes in accounting policies as at January 1, 2019 | 11 758 | – | 1 133 | – | **12 891** |
| Additions | 22 693 | 10 409 | 5 186 | 2 591 | **40 879** |
| Disposals | –654 | –2 960 | –2 550 | – | **–6 164** |
| Reclassifications | 4 | 669 | 148 | –821 | – |
| Translation differences | –1 488 | –294 | –360 | –16 | **–2 158** |
| **As at December 31, 2019** | **223 367** | **114 409** | **27 920** | **2 574** | **368 270** |
| **Accumulated depreciation** | | | | | |
| **As at January 1, 2018** | **–52 155** | **–78 160** | **–15 528** | | **–145 843** |
| Depreciation | –7 045 | –9 133 | –2 967 | | **–19 145** |
| Disposals | 22 | 3 078 | 2 088 | | **5 189** |
| Translation differences | –113 | –20 | 229 | | **95** |
| **As at December 31, 2018** | **–59 292** | **–84 235** | **–16 178** | | **–159 704** |
| Depreciation | –10 976 | –9 293 | –3 985 | | **–24 255** |
| Disposals | 444 | 2 957 | 2 464 | | **5 865** |
| Translation differences | 321 | 188 | 230 | | **739** |
| **As at December 31, 2019** | **–69 502** | **–90 383** | **–17 469** | | **–177 354** |
| **Carrying amounts** | | | | | |
| As at January 1, 2018 | 134 467 | 21 470 | 8 088 | 2 003 | **166 029** |
| **As at December 31, 2018** | **131 763** | **22 349** | **8 186** | **820** | **163 119** |
| **As at December 31, 2019** | **153 865** | **24 026** | **10 451** | **2 574** | **190 916** |

The additions of CHF 40.9 million consisted of CHF 36.0 million cash effective capital expenditures, CHF 4.6 million non-cash effective additions of right-of-use assets for leases and CHF 0.3 million deferred considerations for investments.

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

Commitments for investments in property, plant and equipment amounted to CHF 4.3 million (previous year CHF 1.7 million).

### Additional Disclosures Leased Property, Plant and Equipment

| in CHF 1 000 | Land, buildings | Furniture, fixtures, movable equipment | Total |
|---|---|---|---|
| Impact from changes of accounting policies as at January 1, 2019 | 11 758 | 1 133 | 12 891 |
| Net carrying amount as at December 31, 2019 | 14 572 | 1 008 | 15 579 |
| Additions to the right-of-use assets 2019 | 6 642 | 568 | 7 211 |
| Depreciation 2019 | – 3 263 | – 652 | – 3 915 |

The total cash outflow for lease payments was as follows:

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

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

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

## 14 Intangible Assets

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

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

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

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

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

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. The impairment process is similar to the one described in note 13 Property, Plant and Equipment.

| in CHF 1 000 | Software, other intangible assets | Customer relationships | Internally generated intangible assets | Advance payments | Total |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| **As at January 1, 2018** | **22 593** | **14 191** | **8 265** | **676** | **45 726** |
| Additions | 3 315 | – | 679 | 337 | **4 331** |
| Disposals | – 317 | – | – 3 701 | – | **– 4 018** |
| Reclassifications | 631 | – | – | – 631 | – |
| Translation differences | 15 | – 751 | – | 1 | **– 736** |
| **As at December 31, 2018** | **26 237** | **13 440** | **5 243** | **383** | **45 304** |
| Additions | 2 761 | – | 558 | 1 375 | **4 694** |
| Disposals | – 801 | – 317 | – 341 | – | **– 1 459** |
| Reclassifications | 131 | – | – | – 131 | – |
| Translation differences | – 42 | – 606 | – | – 2 | **– 649** |
| **As at December 31, 2019** | **28 287** | **12 517** | **5 460** | **1 625** | **47 889** |
| | | | | | |
| **Accumulated amortization** | | | | | |
| **As at January 1, 2018** | **– 18 478** | **– 5 596** | **– 4 588** | | **– 28 662** |
| Amortization | – 3 046 | – 1 793 | – 1 176 | | **– 6 015** |
| Disposals | 317 | – | 3 701 | | **4 018** |
| Translation differences | – 12 | 260 | – | | **248** |
| **As at December 31, 2018** | **– 21 219** | **– 7 129** | **– 2 063** | | **– 30 411** |
| Amortization | – 3 474 | – 1 600 | – 1 026 | | **– 6 100** |
| Disposals | 801 | 317 | 341 | | **1 459** |
| Translation differences | 38 | 303 | – | | **341** |
| **As at December 31, 2019** | **– 23 855** | **– 8 108** | **– 2 748** | | **– 34 711** |
| | | | | | |
| **Carrying amounts** | | | | | |
| As at January 1, 2018 | 4 116 | 8 595 | 3 677 | 676 | **17 064** |
| **As at December 31, 2018** | **5 018** | **6 311** | **3 180** | **383** | **14 893** |
| **As at December 31, 2019** | **4 432** | **4 409** | **2 712** | **1 625** | **13 178** |

CHF 0.6 million (previous year CHF 0.1 million) of internally generated intangible assets (capitalized development costs) are not yet available for use and have not been amortized yet.

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

Commitments for investments in intangible assets amounted to CHF 4.2 million (previous year CHF 1.8 million).

## 15 Non-current Financial Assets

Financial assets are measured at amortized costs. While they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and therefore no valuation allowance has been recognized.

Non-current financial assets primarily comprise deposits relating to lease agreements for the business premises of various Group companies as well as loans to finance Belimo distribution companies.

## 16 Other Liabilities

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

| in CHF 1 000 | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Liabilities to employees | 20 750 | 17 516 |
| Accrued volume rebates to customers | 13 175 | 11 952 |
| Non-income tax payables | 5 183 | 4 941 |
| Social security liabilities | 2 779 | 2 350 |
| Fair value of derivative financial instruments | 17 | 1 |
| Other liabilities and accrued expenses | 4 514 | 4 536 |
| **Total** | **46 418** | **41 297** |

## 17 Financial Liabilities

Financial liabilities are recognized at amortized costs. Lease liabilities are initially measured at the present value of the lease payments. Management judgement is required to determine the lease liabilities. Further details about lease accounting is described in note 13 Property, Plant and Equipment.

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

| in CHF 1 000 | Lease liabilities | Other loans and borrowings |
|---|---|---|
| **As at January 1, 2018** | – | **1 515** |
| Interest expenses | – | 42 |
| Translation differences | – | – 94 |
| **Non-cash effective movements** | – | **– 52** |
| **As at December 31, 2018** | – | **1 463** |
| Interest paid | – 586 | – 89 |
| Repayments | – 3 576 | – |
| **Cash flow used in financing activities** | **– 4 162** | **– 89** |
| Payment of residual purchase price for acquisition from earlier periods | – | – 1 399 |
| **Cash flow used in investing activities** | – | **– 1 399** |
| Impact from changes in accounting policies as at January 1, 2019 | 12 891 | – |
| Non-cash effective leasing movements | 4 394 | – |
| Deferred payments for investments in property, plant and equipment | – | 279 |
| Interest expenses | 586 | 25 |
| Translation differences | – 267 | – 7 |
| **Non-cash effective movements** | **17 604** | **296** |
| **As at December 31, 2019** | **13 442** | **272** |

Interest paid not related to financial liabilities and therefore not included in the table above amounted to CHF 0.2 million (previous year CHF 0.1 million).

## 18 Provisions

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

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

| in CHF 1 000 | Warranties | Others | Total 2019 | Total 2018 |
|---|---|---|---|---|
| **As at January 1** | **5 755** | **391** | **6 146** | **5 515** |
| Increase | 2 742 | – | 2 742 | 4 810 |
| Utilization | – 2 791 | – 100 | – 2 891 | – 3 418 |
| Reversals | – 901 | – 16 | – 917 | – 750 |
| Translation differences | – | – 10 | – 10 | – 10 |
| **As at December 31** | **4 805** | **266** | **5 071** | **6 146** |
| of which current provisions | 3 987 | – | 3 987 | 4 920 |
| of which non-current provisions | 818 | 266 | 1 084 | 1 226 |

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

## 19 Non-current Employee Benefits

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

Defined benefit expenses recognized in the income statement include current service costs (service costs in the reporting period) and past service costs (gains/losses from plan amendments and curtailments). The net interest result (multiplication of the net defined benefit asset/liability with the discount rate) is recognized in the financial result. Remeasurement of the net defined benefit asset/liability which comprise actuarial gains and losses on the defined benefit obligation and the return on plan assets, excluding amounts included in the net interest result are recognized in other comprehensive income and are not reclassified subsequently to the income statement. Asset surpluses are considered only to the extent of possible future reimbursement or reduction of contributions in accordance with IFRIC 14.

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

| | 12.31.2019 | 12.31.2018 restated[1] |
|---|---|---|
| in CHF 1 000 | | |
| Post-employment benefits | 9 003 | – |
| **Non-current employee benefit assets** | **9 003** | – |
| | | |
| Post-employment benefits | 581 | 7 258 |
| Other non-current employee benefits | 3 369 | 3 039 |
| **Non-current employee benefit liabilities** | **3 950** | **10 297** |

[1] see note 1.3

Other non-current employee benefits mainly include jubilee provisions.

### 19.1 Post-Employment Benefits

In addition to state social security schemes, some Group companies offer additional post-employment benefit plans, covering approximately half of all employees. Under some of these post-employment benefit plans, employees must make contributions, which are supplemented by corresponding employer contributions. The funding is made in accordance with local legal and fiscal requirements. Employees receive benefits in the event of death, disability or retirement. The most significant post-employment benefit plans exist in Switzerland, accounting for 99.8 percent of the defined benefit obligation and 100 percent of the plan assets.

**Post-Employment Benefit Plan of BELIMO Automation AG**

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

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

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

**Post-Employment Benefits Development**
In the reporting year as well as in the previous year, there were no amendments to the plan.

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| in CHF 1 000 | | |
| Present value of funded obligations | – 285 855 | – 255 583 |
| Fair values of plan assets | 294 858 | 248 993 |
| **Surplus/(deficit) of funded plans** | **9 003** | **– 6 591** |
| | | |
| Present value of unfunded obligations | – 581 | – 668 |
| **Total surplus/(deficit) of defined benefit pension plans** | **8 422** | **– 7 258** |
| of which recognized as non-current asset | 9 003 | – |
| of which recognized as non-current liability | – 581 | – 7 258 |

In 2019, the return on plan assets of CHF 35.4 million (previous year negative CHF 14.1 million) resulted in a surplus of CHF 9.0 million for the Swiss pension plan. The asset ceiling, being the present value of any economic benefits available in the form of reductions in future contributions to the Swiss pension plan, exceeded the surplus. Consequently, the surplus was fully recognized as non-current asset as at December 31, 2019.

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

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Defined benefit obligations | Fair value of plan assets | Net defined benefit asset/(liability) | Defined benefit obligations | Fair value of plan assets | Net defined benefit asset/(liability) |
| in CHF 1 000 | | | | | | |
| **As at January 1** | **–256 251** | **248 993** | **–7 258** | **–251 975** | **253 694** | **1 719** |
| **Movements included in the income statement** | | | | | | |
| Current service costs | –9 380 | | –9 380 | –9 294 | | –9 294 |
| Interest result (net) | –2 396 | 2 392 | –4 | –1 618 | 1 670 | 52 |
| **Total movements included in the income statement** | **–11 776** | **2 392** | **–9 385** | **–10 912** | **1 670** | **–9 242** |
| **Movements included in other comprehensive income** | | | | | | |
| Change in financial assumptions | –19 952 | | –19 952 | 10 201 | | 10 201 |
| Experience adjustments | 3 250 | | 3 250 | –2 101 | | –2 101 |
| Return on plan assets (excluding interest income) | | 33 054 | 33 054 | | –15 834 | –15 834 |
| **Total remeasurement included in other comprehensive income** | **–16 702** | **33 054** | **16 352** | **8 100** | **–15 834** | **–7 734** |
| Translation differences | 24 | | 24 | 26 | | 26 |
| **Total movements included in other comprehensive income** | **–16 678** | **33 054** | **16 376** | **8 126** | **–15 834** | **–7 707** |
| **Other movements** | | | | | | |
| Employer contributions | | 8 615 | 8 615 | | 7 893 | 7 893 |
| Employee contributions | –6 377 | 6 377 | | –5 735 | 5 735 | |
| Benefits paid from plan assets | 4 572 | –4 572 | | 4 165 | –4 165 | |
| Benefits paid by the employer | 74 | | 74 | 79 | | 79 |
| **Total other movements** | **–1 730** | **10 420** | **8 689** | **–1 490** | **9 462** | **7 972** |
| **As at December 31** | **–286 436** | **294 859** | **8 422** | **–256 251** | **248 993** | **–7 258** |

The experience-based adjustments to pension obligations resulted in an actuarial gain of CHF 3.3 million (previous year loss of CHF 2.1 million) on the plan's projected benefit obligations.

The cash flow for annuity payments and other obligations can be planned reliably. The weighted average duration of the defined benefit obligations is 20.7 years (previous year 16.4 years). The investment strategy ensures the availability of liquidity at all times.

**Investment Portfolio**

The major categories of plan assets were as follows:

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Shares | 33.0% | 32.4% |
| Bonds | 46.6% | 47.3% |
| Real estate | 17.7% | 17.6% |
| Cash and cash equivalents | 1.6% | 1.3% |
| Assets held by insurance company | 1.1% | 1.4% |
| **Total** | **100.0%** | **100.0%** |

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

The expected employer contributions for 2020 amount to CHF 8.8 million.

**Actuarial Assumptions and Sensitivity Analysis**

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Discount rate | 0.30% | 0.95% |
| Interest rate used in projecting retirement benefits | 1.00% | 1.75% |
| Expected salary increases | 2.00% | 2.00% |
| Expected pension increases | 0.00% | 0.00% |
| Life expectancy as at age of 65 in years: male/female | 22.72/24.76 | 22.61/24.65 |

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| **Increase (+)/decrease (–) of the present value of defined benefit obligations** | | |
| **Discount rate** | | |
| Increase by 25 basis points | –3.2% | –3.0% |
| Decrease by 25 basis points | 3.4% | 3.2% |
| **Interest rate used in projecting retirement benefits** | | |
| Increase by 25 basis points | 0.4% | 0.4% |
| Decrease by 25 basis points | –0.4% | –0.4% |
| **Expected salary increases** | | |
| Increase by 50 basis points | 0.9% | 0.8% |
| Decrease by 50 basis points | –0.9% | –0.9% |
| **Life expectancy** | | |
| Increase by 1 year | 2.1% | 2.0% |
| Decrease by 1 year | –2.1% | –2.0% |

## 20 Financial Risk Management

### 20.1 General

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

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

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

### 20.2 Credit Risk

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

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

The credit risk from trade receivables is limited, since the Group's customer base is broad and spread over a variety of geographical areas. Credit risk is mainly influenced by the specific characteristics of each individual customer. The risk assessment includes an analysis of the creditworthiness, taking into account a variety of factors such as credit ratings or payment history. Credit limits are set according to regional aspects. Certain new customers are only supplied against payment in advance. The maximum default risk is the carrying amount of the individual assets as of the reporting date (see table in note 20.5 Categories of Financial Instruments). There are no guarantees or similar obligations that could lead to an increase in the risk beyond the carrying amounts.

### 20.3 Liquidity Risk

Liquidity risk is the risk that Belimo will not be able to meet its financial obligations as they fall due. It is the aim of Belimo to have sufficient liquidity and unused credit lines available at all times so that it can meet its financial obligations when due, both under normal and stressed conditions. Liquidity is centrally managed and controlled by Group Treasury. The subsidiaries are adequately financed by intercompany loans to meet their ongoing commitments.

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

Belimo has concluded the following lines of credit: Committed credit lines of CHF 40.0 million (not used as of December 31, 2019) and uncommitted credit lines of CHF 27.0 million (not used as of December 31, 2019).

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

| | Less than 1 year | 1–5 years | More than 5 years | Total |
|---|---|---|---|---|
| in CHF 1 000 | | | | |
| As at December 31, 2019 | | | | |
| Trade payables | 15 660 | – | – | 15 660 |
| Lease liabilities | 3 914 | 8 963 | 2 037 | 14 914 |
| Financial liabilities | 190 | – | 81 | 272 |
| Other liabilities qualifying as financial instruments | 17 689 | – | – | 17 689 |
| Derivative financial instruments | 17 | – | – | 17 |
| **Financial liabilities** | **37 470** | **8 963** | **2 118** | **48 552** |
| | | | | |
| As at December 31, 2018 | | | | |
| Trade payables | 18 409 | – | – | 18 409 |
| Financial liabilities | 1 463 | – | – | 1 463 |
| Other liabilities qualifying as financial instruments | 16 488 | – | – | 16 488 |
| Derivative financial instruments | 1 | – | – | 1 |
| **Financial liabilities** | **36 362** | – | – | **36 362** |

### 20.4 Market Risk

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

**Foreign Currency Risk**

The Group's international operations expose it to foreign currency risks. These risks arise from transactions that are denominated in currencies other than the functional currency of the respective Group companies (transaction risk) as well as from investments in foreign subsidiaries (translation risk).

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

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

| | 12.31.2019 | | | 12.31.2018 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| in CHF 1 000 | | | | | | |
| CAD | 10 635 | – 3 | 10 632 | 9 501 | – | 9 501 |
| CHF | 2 728 | – 15 903 | – 13 175 | 2 345 | – 12 589 | – 10 244 |
| EUR | 20 336 | – 3 989 | 16 347 | 24 878 | – 6 033 | 18 846 |
| PLN | 8 728 | – | 8 728 | 10 837 | – | 10 837 |
| USD | 25 367 | – 5 523 | 19 844 | 35 426 | – 6 796 | 28 630 |
| Other | 20 299 | – 1 050 | 19 250 | 19 380 | – 2 559 | 16 821 |
| **Total** | **88 093** | **– 26 467** | **61 625** | **102 366** | **– 27 977** | **74 389** |

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

| | | 12.31.2019 | | 12.31.2018 | |
|---|---|---|---|---|---|
| | | Exchange | | Exchange | |
| | | gain | loss | gain | loss |
| in CHF 1 000 | | | | | |
| CAD | +/- 5% | 385 | – 417 | 475 | – 475 |
| CHF | -/+ 5% | 659 | – 659 | 513 | – 513 |
| EUR | +/- 5% | 817 | – 817 | 618 | – 590 |
| PLN | +/- 5% | 436 | – 436 | 542 | – 542 |
| USD | +/- 5% | 701 | – 219 | 817 | – 719 |
| **Total** | | **2 999** | **– 2 549** | **2 965** | **– 2 839** |

This analysis assumes that all other variables are held constant and takes into account hedging transactions. In the previous year the same assumptions were applied. Due to materiality reasons, Belimo decided to not disclose the exposure and sensitivity for HKD and GBP anymore.

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| in CHF 1 000 | | |
| **Foreign currency hedging instruments** | | |
| in CAD | 2 593 | – |
| in EUR | – | 6 772 |
| in USD | 10 886 | 13 318 |
| **Total forward foreign exchange contracts** | **13 479** | **20 090** |
| | | |
| **Fair values** | | |
| positive | 257 | 121 |
| negative | – 17 | – 1 |
| **Total fair values** | **240** | **120** |

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

The positive fair values are included in other assets, the negative fair values in other liabilities. The changes in fair values recognized in the income statement are included in the financial result (see note 6 Financial Result). The foreign currency hedging instruments as at December 31, 2019, mature in 44 days or less.

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

### 20.5 Categories of Financial Instruments

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

| | Carrying amounts | |
|---|---|---|
| | **12.31.2019** | **12.31.2018** |
| in CHF 1 000 | | |
| **Financial assets held to collect measured at amortized cost** | | |
| Cash and cash equivalents | 172 563 | 155 138 |
| Trade receivables | 88 638 | 87 173 |
| Other receivables | 255 | 197 |
| Financial assets | 1 885 | 1 812 |
| **Total** | **263 341** | **244 319** |
| | | |
| **Financial assets measured at fair value through profit or loss** | | |
| Fair value of derivative financial instruments | 257 | 121 |
| **Total** | **257** | **121** |
| | | |
| **Financial liabilities measured at amortized cost** | | |
| Current financial liabilities | 4 016 | 1 463 |
| Trade payables | 15 660 | 18 409 |
| Non-current financial liabilities | 9 698 | – |
| Other liabilities and accrued expenses qualifying as financial instruments | 17 689 | 16 488 |
| **Total** | **47 063** | **36 360** |
| | | |
| **Financial liabilities measured at fair value through profit or loss** | | |
| Fair value of derivative financial instruments | 17 | 1 |
| **Total** | **17** | **1** |

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

### 20.6 Capital Management

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

The Board of Directors monitors the shareholder structure and the return on equity. The company strives for a diversified and international shareholder base. The return on equity (defined as net income as a proportion of the average equity held) was 25.6 percent as at December 31, 2019 (previous year 20.3 percent). In 2019, it was impacted substantially by the Swiss tax reform (see note 7 Income Taxes). The objective is to maintain or increase this ratio. Furthermore, the Board of Directors strives to achieve a continuous payout ratio. However, it may diverge from this policy based on the economic outlook at any particular time or because of planned future investment activities. In the past five years, the payout ratio has been between 66.1 and 76.1 percent.

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

## 21 Contingent Liabilities

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

## 22 Related Parties

Related parties include the members of the Group Executive Committee and the Board of Directors as well as individuals or companies related to them (see corporate governance, pages 42 to 53) and the Group's post-employment benefit plans.

The remuneration of the Board of Directors and Group Executive Committee consists of the following (see remuneration report, pages 20 to 23):

| | 2019 | 2018 |
|---|---|---|
| in CHF 1 000 | | |
| Short-term employee benefits | 4 727 | 4 394 |
| Post-employment benefits | 790 | 694 |
| **Total** | **5 517** | **5 088** |

Breakdown of remuneration by executive and non-executive members:

| | 2019 | 2018 |
|---|---|---|
| in CHF 1 000 | | |
| Board of Directors (non-executive members) | 808 | 888 |
| Group Executive Committee (executive members) | 4 709 | 4 200 |
| **Total** | **5 517** | **5 088** |

In total, 12 410 shares were held by related parties (previous year 6 360 shares). No shares were granted to related parties during the reporting period.

## 23 Subsidiaries

BELIMO Holding AG held the following subsidiaries:

| Company, place of incorporation | Country | Currency | Share Capital in 1 000 | Activities | Group interest 12.31.2019 | Group interest 12.31.2018 |
|---|---|---|---|---|---|---|
| **Europe** | | | | | | |
| BELIMO Automation AG, Hinwil | CH | CHF | 500 | P, D, R&D | 100% | 100% |
| BELIMO InnoVision AG, Hinwil | CH | CHF | 1 000 | H | 100% | 1) |
| BELIMO Stellantriebe Vertriebs GmbH, Stuttgart | DE | EUR | 205 | D | 100% | 100% |
| BELIMO Automation Deutschland GmbH, Großröhrsdorf | DE | EUR | 4 050 | P, R&D | 100% | 2) |
| BELIMO Automation Handelsgesellschaft m.b.H., Vienna | AT | EUR | 36 | D | 100% | 100% |
| BELIMO Silowniki S.A., Warsaw | PL | PLN | 500 | D | 100% | 100% |
| BELIMO Servomotoren B.V., Vaassen | NL | EUR | 18 | D | 100% | 100% |
| BELIMO Automation UK Ltd., Shepperton | GB | GBP | 0.1 | D | 100% | 100% |
| BELIMO Automation Norge A/S, Oslo | NO | NOK | 501 | D | 100% | 100% |
| BELIMO Finland Oy, Helsinki | FI | EUR | 100 | D | 100% | 100% |
| Belimo AB, Nacka | SE | SEK | 1 000 | D | 100% | 100% |
| BELIMO SARL, Courtry | FR | EUR | 80 | D | 100% | 100% |
| BELIMO Ibérica de Servomotores S.A., Madrid | ES | EUR | 301 | D | 100% | 100% |
| BELIMO Italia S.r.l., Grassobbio | IT | EUR | 47 | D | 100% | 100% |
| BEREVA S.r.l., Ora 4) | IT | EUR | 500 | D, R&D | 83% | 3) |
| BELIMO Automation FZE, Dubai | AE | USD | 273 | D | 100% | 100% |
| Belimo Turkey Otomasyon A.Ş., Istanbul | TR | TRY | 1 000 | D | 100% | 100% |
| **Americas** | | | | | | |
| BELIMO Aircontrols (USA), Inc., Danbury | US | USD | 200 | D, H | 100% | 100% |
| BELIMO Customization (USA), Inc., Danbury 5) | US | USD | 45 | P | 100% | 100% |
| BELIMO Technology (USA), Inc., Danbury 5) | US | USD | 30 | R&D | 100% | 100% |
| BELIMO Aircontrols (CAN), Inc., Mississauga | CA | CAD | 95 | D | 100% | 100% |
| BELIMO Brasil – Comércio de Automação Ltda., São Paulo | BR | BRL | 6 718 | D | 100% | 100% |
| **Asia Pacific** | | | | | | |
| BELIMO Actuators Ltd., Hong Kong | HK | HKD | 10 | D | 100% | 100% |
| BELIMO Actuators Pty. Ltd., Mulgrave, Melbourne | AU | AUD | 10 | D | 100% | 100% |
| BELIMO Actuators (Shanghai) Trading Ltd., Shanghai | CN | CNY | 19 555 | I | 100% | 100% |
| BELIMO Automation (Shanghai) Co., Ltd., Shanghai | CN | CNY | 765 | P, D | 100% | 100% |
| BELIMO Actuators (India) Pve Ltd., Mumbai | IN | INR | 1 096 | D | 100% | 100% |
| BELIMO Automation Malaysia SDN. BHD., Kuala Lumpur | MY | MYR | 1 900 | D | 100% | 100% |

1) Incorporated on January 29, 2019
2) Incorporated on March 28, 2019
3) Incorporated on May 31, 2019
4) Investment held by BELIMO InnoVision
5) Investment held by BELIMO Aircontrols (USA)

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

## 24 Events after the Reporting Date

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2020. They are subject to approval by the Annual General Meeting on March 30, 2020.

No events have occurred up to March 6, 2020, which would necessitate adjustments to the carrying amounts of the Group's assets or liabilities, or which require additional disclosure.

KPMG

# Statutory Auditor's Report

**To the General Meeting of BELIMO Holding AG, Hinwil**

## Report on the Audit of the Consolidated Financial Statements

**Opinion**

We have audited the consolidated financial statements of BELIMO Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 86 to 123) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Basis for Opinion**

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

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

**Key Audit Matters**

**Inventory valuation**

**Revenue recognition**

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

## Inventory valuation

**Key Audit Matter**
Inventory forms a significant part of the Group's assets, amounting to CHF 103.5 Mio as at 31 December 2019. The valuation of self-made products is underlying management judgements with regards to planned production capacities which impacts standard costs.

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

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

**For further information on inventory valuation refer to the following:**
— Note 11 to the consolidated financial statements

## Revenue recognition

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

**Our response**
We have analysed the processes set up to ensure a correct application of the accrual principle. We have identified internal controls with regards to revenue recognition and have tested operating effectiveness of selected controls applying a sampling method. Furthermore, we have, amongst others, performed the following audit procedures:
— Evaluation of the accrual principle as of 31 December 2019 by comparing invoices to delivery papers and evaluating incoterms.
— Evaluation of profit margins and deviation analyses for significant product groups and geographical markets, identifying deviations to prior year and to our expectations. We have discussed such analyses with management.
— Assessing completeness and accuracy of recognition of revenue deductions by evaluating credit notes issued in 2020 on the one hand, and by applying retrospective procedures evaluating charge-backs actually paid out compared to prior year on the other hand.

**For further information on revenue recognition refer to the following:**
— Note 3 to the consolidated financial statements

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

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

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

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

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

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

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

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

| | |
|---|---|
| Reto Benz<br>Licensed Audit Expert<br>Auditor in Charge | Reto Kaufmann<br>Licensed Audit Expert |

Zurich, 6 March 2020

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

# Financial Statements of BELIMO Holding AG

## Income Statement

| | Note | 2019 | 2018 |
|---|---|---|---|
| in CHF 1 000 | | | |
| Dividend income – Group companies | | 75 248 | 64 181 |
| License fees – Group companies | | 8 149 | 7 456 |
| Other financial income | 2.1 | 4 709 | 8 081 |
| **Revenue** | | **88 105** | **79 718** |
| Personnel expenses | | – 926 | – 911 |
| Other operating expenses | | – 812 | – 748 |
| Financial expenses | 2.1 | – 947 | – 69 |
| Impairment loss | | – 555 | – |
| Direct taxes | | – 1 450 | – 1 694 |
| **Expenses** | | **– 4 691** | **– 3 421** |
| **Net income** | | **83 414** | **76 297** |

## Balance Sheet

| | Note | 12.31.2019 | 12.31.2018 |
|---|---|---|---|
| in CHF 1 000 | | | |
| Cash and cash equivalents | | 113 203 | 81 327 |
| Other current receivables – Group companies | 2.2 | 1 047 | 15 665 |
| Other current receivables – Third parties | | 277 | 154 |
| Accrued income and prepaid expenses | | 14 | – |
| **Current assets** | | **114 542** | **97 147** |
| Financial assets – Group companies | | 145 759 | 136 449 |
| Financial assets – Third parties | | – | 50 |
| Investments – Group companies | 2.3 | 65 903 | 56 131 |
| **Non-current assets** | | **211 662** | **192 630** |
| **Assets** | | **326 204** | **289 777** |
| Current interest-bearing liabilities – Third parties | 2.4 | – | 1 463 |
| Other current liabilities – Group companies | 2.2 | 16 253 | – |
| Other current liabilities – Third parties | | 29 | 10 |
| Deferred income and accrued expenses | | 828 | 1 030 |
| **Current liabilities** | | **17 110** | **2 503** |
| Provisions | | – | 100 |
| **Non-current liabilities** | | – | **100** |
| **Liabilities** | | **17 110** | **2 603** |
| Share capital | | 615 | 615 |
| Legal capital reserves | | 9 164 | 9 164 |
| Legal retained earnings | | 580 | 580 |
| Voluntary retained earnings | | 298 803 | 276 883 |
| Treasury shares | 2.5 | – 67 | – 67 |
| **Shareholders' equity** | | **309 095** | **287 174** |
| **Liabilities and shareholders' equity** | | **326 204** | **289 777** |

# Notes to the Financial Statements

## 1 Accounting Policies

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

These financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. Due to rounding, amounts presented throughout this report may not add up precisely to the totals provided.

### 1.2 Financial Assets
Financial assets include long-term loans. Loans denominated in foreign currencies are translated at the rate at the reporting date, whereby unrealized losses are fully recognized, and unrealized gains are only recorded to the extent of previous losses.

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

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

## 2 Information on Items in the Income Statement and Balance Sheet

### 2.1 Other Financial Income and Financial Expenses
Other financial income mainly contains interest income on loans to Group companies.

In 2019, net foreign exchange losses of CHF 0.8 million were recognized as financial expenses, whereas in 2018 net foreign exchange gains of CHF 3.0 million were recorded as other financial income.

### 2.2 Other current Receivables and Liabilities – Group Companies
As at December 31, 2019, BELIMO Holding AG owed BELIMO Automation AG CHF 16.3 million (previous year other current receivables of CHF 14.8 million).

### 2.3 Investments – Group Companies

Information on the investments held, directly and indirectly, by BELIMO Holding AG is given in the list of group companies on page 122 of the Annual Report.

### 2.4 Current Interest-Bearing Liabilities

The deferred consideration of the purchase price of Belimo AB, Sweden, acquired in 2017, and accrued interest thereon was paid in 2019.

### 2.5 Treasury Shares

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of shares | Value in CHF 1 000 | Number of shares | Value in CHF 1 000 |
| **As at January 1** | **57** | **67** | **222** | **262** |
| Sale | – | – | – 165 | – 195 |
| **As at December 31** | **57** | **67** | **57** | **67** |

In the reporting year, no treasury shares were sold (previous year 165 shares at an average selling price of CHF 4 838).

## 3 Other Information

### 3.1 Full-Time Equivalents

BELIMO Holding AG does not have any employees.

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

The framework agreements with a credit limit of CHF 67 million in total (on which either BELIMO Holding AG or BELIMO Automation AG may draw) are not subject to any covenants.

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

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

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

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Number of shares | | |
| **Board of Directors** | | |
| Prof. Adrian Altenburger | 50 | 50 |
| Patrick Burkhalter | 3 565 | 3 565 |
| Sandra Emme | 20 | 20 |
| Martin Hess[1] | – | 420 |
| Urban Linsi[1],[2] | 8 010 | – |
| Prof. em. Dr. Hans Peter Wehrli[1] | – | 1 300 |
| Dr. Martin Zwyssig | 25 | 25 |
| **Total Board of Directors** | **11 670** | **5 380** |
| | | |
| **Group Executive Committee** | | |
| Lukas Eigenmann | 175 | 200 |
| James W. Furlong | 60 | 60 |
| Peter Schmidlin | 403 | 630 |
| Louis Scheidegger[1] | 32 | – |
| Beat Trutmann[1] | – | 20 |
| Lars van der Haegen | 70 | 70 |
| **Total Group Executive Committee** | **740** | **980** |

[1] No related party at the corresponding reporting date (see corporate governance, pages 42 to 53).
[2] Urban Linsi is a member of the registered shareholder group Linsi, which holds a total of 118 580 voting shares.

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

### 3.4 Significant Shareholders

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

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| The Capital Group Companies, Inc.[1] | 5.21% | – |
| Group Linsi | 19.28% | 19.28% |

[1] Not above five percent at the corresponding reporting date.

### 3.5 Events after the Reporting Date

No events have occurred, which would necessitate adjustments to the carrying amounts in these financial statements or would need to be disclosed here.

# Appropriation of Available Earnings

| in CHF 1 000 | 12.31.2019 |
|---|---|
| Balance carried forward from previous year | 215 389 |
| Net income | 83 414 |
| **Available earnings** | **298 803** |
| | |
| **Proposed appropriation of available earnings by the Board of Directors** | |
| Dividend of CHF 150.00 per share[1)] | – 92 250 |
| **Balance carried forward** | **206 553** |

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

The Board of Directors proposes to the 2020 Annual General Meeting a dividend of CHF 150.00 per share.

The dividend is expected to be paid on April 3, 2020.

KPMG

# Statutory Auditor's Report

**To the General Meeting of BELIMO Holding AG, Hinwil**

## Report on the Audit of the Financial Statements

**Opinion**
We have audited the financial statements of BELIMO Holding AG, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 128 to 133) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

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

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

**Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Reto Benz
Licensed Audit Expert
Auditor in Charge

Reto Kaufmann
Licensed Audit Expert

Zurich, 6 March 2020

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

# Information for Investors

## Stock Market Information from 2015 to 2019

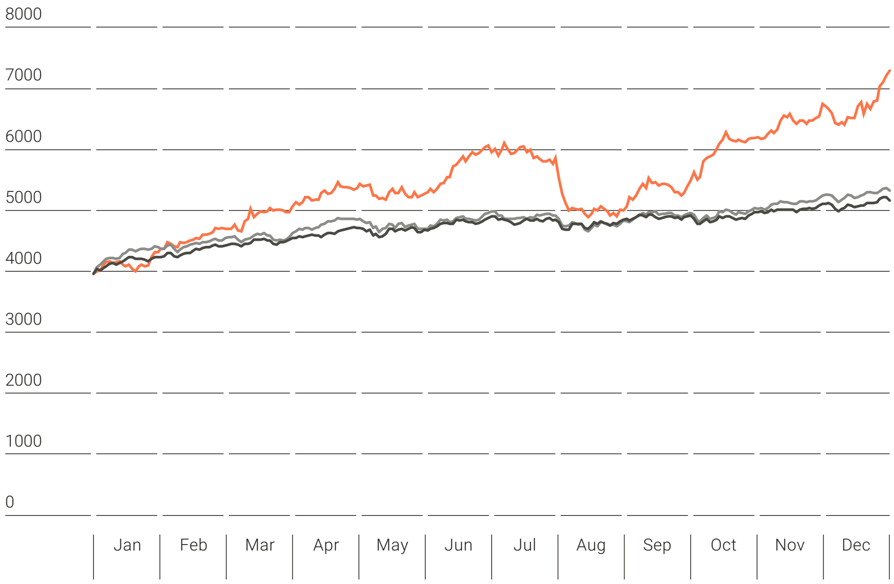
| | 2019 | 2018 restated[1] | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Share capital** | | | | | |
| Number of registered shares as at December 31 | 615 000 | 615 000 | 615 000 | 615 000 | 615 000 |
| Average number of outstanding shares | 614 943 | 614 834 | 614 691 | 614 493 | 614 407 |
| **Information per average outstanding share** | | | | | |
| Earnings, in CHF | 197 | 140 | 126 | 114 | 92 |
| Cash flow from operating activities, in CHF | 204 | 185 | 134 | 147 | 115 |
| Operating income (EBIT), in CHF | 201 | 179 | 151 | 142 | 121 |
| Shareholders' equity, in CHF | 825 | 711 | 673 | 600 | 548 |
| **Information per registered share** | | | | | |
| Dividend, in CHF (as proposed by the Board of Directors for next year) | 150 | 100 | 85 | 75 | 65 |
| Return on dividend as at December 31, in percent | 2.1% | 2.5% | 2.0% | 2.4% | 2.7% |
| Payout ratio, in percent of net income attributable to Belimo shareholders | 76.1% | 71.3% | 67.5% | 66.1% | 71.1% |
| Price-earnings ratio as at December 31 | 37.0 | 28.1 | 33.9 | 27.1 | 26.8 |
| **Stock market prices in CHF** | | | | | |
| High | 7 300 | 4 995 | 4 380 | 3 408 | 2 458 |
| Low | 3 930 | 3 750 | 3 021 | 2 221 | 1 950 |
| Year-end | 7 290 | 3 940 | 4 266 | 3 078 | 2 450 |
| **Market capitalization in CHF million** | | | | | |
| High | 4 490 | 3 072 | 2 694 | 2 096 | 1 512 |
| Low | 2 417 | 2 306 | 1 858 | 1 366 | 1 199 |
| Year-end | 4 483 | 2 423 | 2 624 | 1 893 | 1 507 |
| In percent of shareholders' equity as at December 31 | 884% | 554% | 634% | 513% | 447% |
| **Average daily trading volume** | | | | | |
| In number of shares | 935 | 424 | 331 | 356 | 566 |

[1] see note 1.3

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

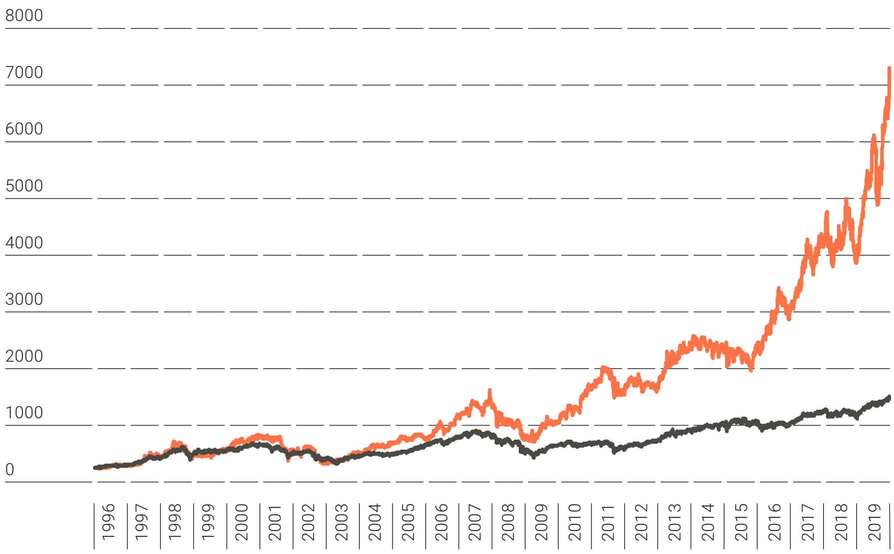
## Performance since January 1, 2019

in CHF




## Performance since IPO

in CHF




- Belimo Registered Share (ISIN: CH0001503199)
- SMCI (Swiss Middle Cap Index), adjusted
- SPI (Swiss Performance Index), adjusted

# Five-Year Financial Summary

## Five-Year Summary of the Belimo Group

| in CHF 1 000 (unless indicated otherwise) | 2019 | 2018 restated[1] | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net sales | 692 680 | 642 368 | 579 853 | 533 650 | 493 299 |
| Operating income (EBITDA) | 154 224 | 134 999 | 117 388 | 110 280 | 95 818 |
| in percent of net sales | 22.3% | 21.0% | 20.2% | 20.7% | 19.4% |
| Operating income (EBIT) | 123 869 | 109 839 | 92 621 | 86 964 | 74 630 |
| in percent of net sales | 17.9% | 17.1% | 16.0% | 16.3% | 15.1% |
| Personnel expenses | 188 263 | 171 195 | 157 877 | 146 354 | 139 573 |
| in percent of net sales | 27.2% | 26.7% | 27.2% | 27.4% | 28.3% |
| Research and development | 50 683 | 47 248 | 44 423 | 37 721 | 34 653 |
| in percent of net sales | 7.3% | 7.4% | 7.7% | 7.1% | 7.0% |
| Operating expenses | 260 471 | 242 499 | 224 952 | 204 341 | 192 877 |
| in percent of net sales | 37.6% | 37.8% | 38.8% | 38.3% | 39.1% |
| Depreciation and amortization | 30 355 | 25 160 | 24 767 | 23 315 | 21 188 |
| in percent of net sales | 4.4% | 3.9% | 4.3% | 4.4% | 4.3% |
| Net income | 121 103 | 86 209 | 77 490 | 69 753 | 56 229 |
| in percent of net sales | 17.5% | 13.4% | 13.4% | 13.1% | 11.4% |
| **Cash flow** | | | | | |
| Cash flow from operating activities | 125 400 | 113 938 | 82 318 | 90 282 | 70 371 |
| in percent of net sales | 18.1% | 17.7% | 14.2% | 16.9% | 14.3% |
| Free cash flow | 83 852 | 94 261 | 54 857 | 75 151 | 37 038 |
| in percent of net sales | 12.1% | 14.7% | 9.5% | 14.1% | 7.5% |
| Investments in property, plant and equipment and intangible assets | 40 652 | 20 491 | 24 919 | 15 796 | 34 031 |
| Dividend distribution | 61 494 | 52 256 | 46 092 | 39 937 | 39 936 |
| **Balance sheet** | | | | | |
| Total assets | 602 002 | 531 472 | 491 886 | 451 869 | 413 041 |
| Cash and cash equivalents | 172 563 | 155 138 | 113 178 | 103 670 | 67 687 |
| in percent of total assets | 28.7% | 29.2% | 23.0% | 22.9% | 16.4% |
| Current assets | 374 897 | 348 281 | 302 503 | 267 012 | 224 542 |
| in percent of total assets | 62.3% | 65.5% | 61.5% | 59.1% | 54.4% |
| Net working capital | 176 453 | 166 667 | 161 610 | 138 240 | 134 429 |
| in percent of net sales | 25.5% | 25.9% | 27.9% | 25.9% | 27.3% |
| Non-current assets | 227 105 | 183 191 | 189 383 | 184 857 | 188 499 |
| in percent of total assets | 37.7% | 34.5% | 38.5% | 40.9% | 45.6% |
| Current liabilities | 77 748 | 71 089 | 63 481 | 53 536 | 47 470 |
| in percent of total assets | 12.9% | 13.4% | 12.9% | 11.8% | 11.5% |
| Non-current liabilities | 16 910 | 23 140 | 14 755 | 29 368 | 28 615 |
| in percent of total assets | 2.8% | 4.4% | 3.0% | 6.5% | 6.9% |
| Shareholders' equity | 507 344 | 437 243 | 413 650 | 368 965 | 336 956 |
| in percent of total assets | 84.3% | 82.3% | 84.1% | 81.7% | 81.6% |
| **Key figures** | | | | | |
| Net sales year-on-year growth, in percent | 7.8% | 10.8% | 8.7% | 8.2% | – 0.1% |
| Net sales in local currencies year-on-year growth, in percent | 9.2% | 9.6% | 8.2% | 6.8% | 3.6% |
| Return on equity (ROE), in percent | 25.6% | 20.3% | 19.8% | 19.8% | 17.2% |
| Return on invested capital (ROIC), in percent | 27.8% | 27.8% | 23.4% | 23.8% | 20.8% |
| Quick ratio, in percent | 344.3% | 347.6% | 321.2% | 342.1% | 297.6% |
| Days sales outstanding (DSO) | 54.9 | 55.8 | 56.3 | 55.0 | 55.4 |
| Inventory period (DIO) | 145 | 144 | 145 | 145 | 152 |
| Equity-to-fixed-assets ratio, in percent | 230.8% | 251.3% | 226.2% | 215.5% | 193.9% |
| Number of employees (FTEs, yearly average) | 1 712 | 1 591 | 1 483 | 1 416 | 1 387 |
| Net sales per employee | 405 | 404 | 391 | 377 | 356 |
| Actuators shipped, in million items | 7.2 | 6.7 | 6.3 | 5.9 | 5.6 |

[1] see note 1.3

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

# Publications and Agenda

| | |
|---|---|
| Publication of Annual Report 2019 / Media and Financial Analysts Conference | March 9, 2020 |
| Annual General Meeting 2020 | March 30, 2020 |
| Dividend Payment | April 3, 2020 |
| Publication of Semiannual Report 2020 | August 3, 2020 |
| Publication of Sales 2020 | January 21, 2021 |
| Publication of Annual Report 2020 / Media and Financial Analysts Conference | March 8, 2021 |
| Annual General Meeting 2021 | March 29, 2021 |

**Credits**
Concept/Editing: BELIMO Holding AG, Hinwil (Switzerland)
Design/Realization: Greuter Stähli Grafik, Zurich (Switzerland)
Consultant on sustainability and GRI reporting: Sustainserv GmbH, Zurich (Switzerland) and Boston (Massachusetts, USA)

Photography:
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