

BELIMO Holding AG Annual Report 2002



Credits

Concept / Editing:
BELIMO Holding AG

Design and composition:
agor ag, Zurich

Printed by:
Staffel Druck AG, Zurich

Photos Belimo:
Gerhard Krischker, Zurich

Image concept:
The full-page photographs
show Belimo staff in the new
Belimo building LONGUS in
Hinwil, Switzerland.

The Annual Report is published in
German and English.
In case of discrepancies between
the German and the English
versions of this annual report,
the German version shall prevail.

BELIMO Holding AG Annual Report 2002

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In 2002, the Belimo Group achieved good results compared to the industry as a whole. Net sales increased by 3.8 percent to CHF 237.9 million. Earnings decreased by 13.1 percent to CHF 20.2 million. The return on equity is around 21.0 percent, the return on sales decreased slightly to 14.1 percent.



Prof. Dr. Hans Peter Wehrli (left)
and Dr. Andreas Ernst Steiner

Based on these results, the Board of Directors proposes to the General Meeting of Shareholders a dividend of CHF 15.00 per share.

As the leading manufacturer of electrical actuators for damper adjustment in HVAC installations, we were able to further expand our market position and to strengthen the business area of valves and valve actuators. In particular, the retrofit business of valves again developed well. Overall, our sales increase was above market growth, although we did not completely achieve our goals. In particular, due to the drop of the US dollar and a weakened Euro compared to the Swiss franc, exchange rate losses affected the result to the tune of CHF 2.9 million.

The further buildup of the European market for valves and valve actuators succeeded in most markets, in spite of the difficult environment. The US market was able to meet our growth expectations – last but not least due to the new safety-relevant fire damper actuators. The Asian region again recorded a further sales increase; market consolidation there progressed well. In the People's Republic of China, in particular, we were able to develop a strong sales organization, providing better support in our efforts to open up this growth market. The high initial costs have already proven their worthiness in the results of this region. Local sales growth in local currency was 4.9 percent in Europe, 8.9 percent in the Americas, and in Asia 33.9 percent.

Our position as an independent supplier of high-quality components to the OEM (Original Equipment Manufacturer) and contractor sector continues to be strong. In this context, we benefited from an increasing number of independent controls companies and systems integrators who prefer independent suppliers of components. Worth mentioning is the renewal of global supply agreements with two large European clients and the conclusion of a global supply agreement with an important market player in the Americas. The development in the new window ventilation system FLS business, however, shows mixed signals. On the one hand, this area has made a sales contribution for the first time, and the 1,800 systems already in operation have proven themselves in practice. On the other hand, the sales achieved so far were substantially below expectations.

Overall, we were able to confirm our technological leader position with 20 new market-relevant products. This development received strong support from research and development in which Belimo invested about CHF 13.3 million in the year 2002. The corresponding expenses were charged to the income statement in their entirety.

Having regional business units in Europe, Asia, and the Americas taking care of their respective markets has proven its value, the same as the creation of the business unit Technology which is in charge of research, development, and manufacturing. As the business unit Finance and Business Services, it acts as a supporting process unit for the regions.

For the first time in the present annual report, Belimo dedicates a separate chapter (pages 47 to 53) to «Corporate Governance». Thus, our annual report meets the SWX (Swiss Exchange) guidelines.

The Board of Directors has assigned the position of Chief Financial Officer (CFO) to Beat Trutmann. He took over the responsibility as of January 1, 2003. Before that, he was CFO of the Disetronic Group. The previous CFO, Barbara Müller-Junker, left the company effective October 31, 2002.

The quality of our products and services, the good availability worldwide, and a customer-oriented range of offers are the basis of Belimo's success. Since our principles are firmly anchored in our corporate culture, they are being consistently put into practice by every employee, even in a decentralized organizational structure. By doing this, our values are fully deployed in-house as well as in dealing with our customers and partners, and they enable us to profit long-term from the advantages of a dynamic market.

We take this opportunity to thank all our business partners for the trust they have shown us in the past year. We also express our thanks to our employees for making our success possible by their extraordinary dedication and efforts under difficult market conditions.

We are looking forward to the challenges of the coming year.



Hans Peter Wehrli

Andreas Ernst Steiner

Board of Directors of BELIMO Holding AG



From left to right:

Dr. Robert Straub, Walter Linsi, Dr. Andreas Ernst Steiner, Prof. Dr. Hans Peter Wehrli (Chairman), Walter Burkhalter (Vice-chairman)

Executive Committee of the Belimo Group



Dr. Andreas Ernst Steiner,
President (CEO)



Beat Trutmann,
Business unit Finance and
Business Services (CFO)



Peter Schmidlin,
Business unit Technology



Alex Brunner,
Business unit Europe



Werner Buck,
Business unit Americas



Matthias Haas,
Business unit Asia

The Board of Directors runs the Belimo Group as a consolidated group of companies. It defines the corporate mission, the policy, and sets Group objectives. It delegates the operational management to the Executive Committee.

Our vision. «Together to the Top» – at present and in future, jointly with our customers and business partners, we shall achieve success and top results.

Our mission. The Belimo Group is the market leader and provides the best customer benefits by developing, manufacturing, and marketing electrical actuators for control devices in air and water ducts as well as valves in heating, ventilation, and air-conditioning systems.

With this commitment, we target a specific area of application and thus a clearly defined set of customers. This allows us to accede to their interests and to contribute to their success. This orientation leads us the way providing stability in a fast changing environment.

Our knowledge and know-how take their leads from our mission statement. To meet it, we need satisfied customers and enthusiastic employees who take the company and society to heart. The balance of varying interests can only be achieved via binding values.

Our values. Our attitude to customers, shareholders, employees, business partners, and society is one of respect. We keep our obligations and promises. We are honest, fair, and cooperating, maintaining our integrity, and communicating openly. We demand and appreciate achievements from individuals, but we are also aware that the overall performance can only be achieved jointly. Our openness requires a binding language and corresponding actions. Our employees are active in different locations around the world, being from different cultures, and yet work together successfully. This is only possible because we tolerate and respect other mentalities. We are mindful of the environment and include our suppliers in this commitment.

Our attitude and our behavior make us credible. They convey meaning to our work and provide a basis for our strategy. Only on this foundation will long-term success be possible.



With a high degree of market presence and innovative products, we were able to further enhance our market position and to achieve respectable growth – in spite of Europe-wide declining investments in building construction.

The economic upswing forecast for the 2nd half-year of 2002 did not materialize. Nevertheless, Belimo was able to increase sales in Europe (in local currencies) by 4.9 percent. At the same time, margins were subject to increased pressure due to the tight market situation. Substantially above expectations were the results in the markets of Russia, Finland, Spain, and Great Britain. The Swiss subsidiary Lineg, too, again achieved substantial growth with mixing actuators.

Partner for small and medium size controls contractors. Results confirm our strategy, namely to present ourselves to the heating, ventilation, and air-conditioning industry as an independent, neutral supplier of actuation technology – particularly to the segment of small and medium-sized controls contractors. As a supplier of a full range of air and water actuators, Belimo proves to be the ideal and competent partner for such companies.

This was also confirmed at the most important trade fair for the European region, «Light + Building» in Frankfurt / Germany. Both the clever field-bus systems as well as the MP-bus developed by Belimo for cost-effective integration of the actuators and sensors in overarching bus systems met with great interest. The new VAV controllers designed for state-of-the-art communication technologies also met with good acceptance, the same as the fire damper actuators developed for the most diverse requirements.

High growth rate in fire protection. In the OEM business, the fire protection and smoke extraction segments scored highest with growth rates in the double-digit range. Noteworthy growth rates were also achieved by the introduction of the new, compact NMV-D2M variable air volume controller.

Successful valve solutions. A particularly large share in sales growth was due to the success in the retrofit business for valve solutions. For example, in the completely rehabilitated administrative building of the Second German Television channel (ZDF) in Mainz, Germany, 7,600 of the reliable, soil-resistant characterized control valves with rotary actuators from Belimo were installed. Also in new installations, the cost-effective solution with the characterized control valve continues to be highly popular. Among its many users, for instance, is the Olympic village in Athens, Greece. Overall, in the year 2002 sales with actuators and valves in water applications increased by 27.0 percent.



Alex Brunner, Manager business unit Europe



Retrofit of heating and cooling water circuits with Belimo products in the high-rise on the ZDF television premises in Mainz / Germany.



The new trade fair tower in Basel / Switzerland with fire protection and smoke extraction solutions from Belimo.



Innovation and excellent customer relationships ensured good business development in a difficult, recessive environment of the Americas: Sales experienced a marked increase.

Belimo Americas increased sales (in local currencies) by 8.9 percent while the market in the region decreased by about 6.0 percent. With 7.5 percent growth, the business in Canada developed more slowly than the regional average. Latin America continued to record only scant growth rates, due to the extremely difficult conditions in the main markets of Argentina and Brazil.

Sustainable success in the OEM business. Excellent customer relationships, products and services of high value, and employees who impress with their know-how and creativity, have proven to be key factors for sustainable success – in particular also in the USA. The OEM business, for instance, increased by 23.0 percent. Two leading US manufacturers of fan units and equipment for rooftop units contributed essentially to this growth.

Characterized control valves become standard. The development in the area of the characterized control valve may also be seen as the fruit of a consistently customer-oriented market strategy. Introduced into the USA in 1999, it has meanwhile become the new standard. Sales of more than 200,000 units in the year 2002 alone are proof of a high level of functionality and quality. All in all, growth with products for water applications was stronger than in the traditional air control business.

Market share gains due to total solutions. The contracting business was struggling with difficult conditions – the market decreased by more than 7.0 percent. Therefore, Belimo's achievement of 6.0 percent growth must be considered very commendable, and thus confirmed its strong position among controls contractors and systems integrators. Equally decisive for this success was our ability to submit complete offers, both for water as well as air applications. This is further proof that our total-offer strategy has found broad acceptance in the market.



Werner Buck, Manager business unit Americas



Center of Omaha, Nebraska / USA:
All buildings on the photo are equipped with Belimo actuators.



Also in the Paris Hotel, Las Vegas / USA, Belimo actuators and valves are in operation.



The purposeful development of our regional presence in Asia is producing results. Belimo was able to increase sales in this region (in local currencies) by 33.9 percent.

The first year for the business unit Asia, now directly managed in the region, was characterized by the development and expansion of the Asian market. It is our goal to make better use of the potential available in that area. Some initial, important intermediate targets have been achieved.

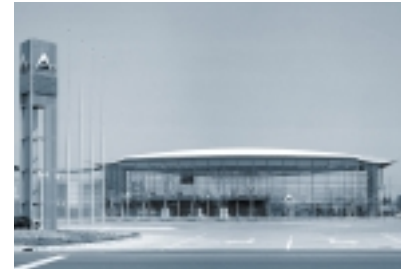
New structures show effects. The new registered office in Shanghai was set up in a minimum of time with the required units for sales, support, and product management. All positions could be filled with experienced personalities from the industry in the region. The distribution structured along the lines of the OEM and contracting businesses can offer products and services to its regional customers at the quality level of Europe and the Americas. Customers appreciate this: We were able to significantly enlarge our customer base in the past business year. Belimo has managed to establish itself in the new markets as a trustworthy, reliable partner.

Growth engine PR China. Markets in Asia grow at geographically different rates. Belimo recorded a strong widening of its customer base in the People's Republic of China, above all. In keeping with this, sales there increased by more than 36.0 percent. This corresponds to more than triple the growth of the total market.

Disparate development in the region. A still difficult economic environment is affecting the development in Southwest and Southeast Asia. Political instability hampers investors' willingness to invest and slows down business development. Although Belimo was able to increase its sales, it remained behind expectations. In Northeast Asia, results are disparate. While the economic climate in Japan is still one of restraint, Korea has overcome the recession of the past few years and is now enjoying an extraordinarily good development.



Matthias Haas, Manager business unit Asia



The Shanghai International Expo Center has been equipped with about 600 NM damper actuators by Belimo.



250 damper actuators for airhandling units in the Chinese Ministry for Foreign Affairs Beijing / China



Highly dynamic markets also call for high flexibility and permanent renewal of supporting services.

These challenges defined the activities of the Business unit Finance and Business Services also in 2002.

Human Resources management. The management tool of the «Balanced Scorecard» elaborated in the previous year, had its full effect for the first time in 2002, providing all relevant information to the strategic and operational management. The new model combines the strategic management indicators with the action plans. Non-monetary magnitudes, such as customer satisfaction, are striven for more and more and followed up over time. There were also some innovations in the pension scheme: To satisfy individual needs of insurees, the system changed from a defined benefit plan to a defined contribution plan as of January 1, 2003.

LONGUS – the new building. Among numerous other projects, the new LONGUS wing in Hinwil kept us busy in the year under review. After 17 months of construction, the building was handed over to Belimo in the course of an official ceremony. Seven former locations are now united by the new building. This pooling of facilities simplifies logistics, saving considerable costs in the process, and it makes cooperation and communication among business units and staff much easier. A special challenge for IT was the move of EDP to the new site. Since all employees worldwide access the central IT system in Switzerland, the move had to happen without interruption. For safety-technical optimization of the IT installation, a new backup system was installed in the LONGUS which can immediately take over the function of the productive system should the latter fail.

Information of employees. To motivate employees for continuous improvement and operational innovation, comprehensive information is a must. The Executive Committee therefore informs employees personally in three events per year on the course of business and topical developments. In addition, periodic events in individual business units assure a continuous information transfer. Furthermore, almost all employees have access to current information via the newly established Intranet.



Beat Trutmann, Manager business unit Finance and Business Services



The new Belimo wing LONGUS (front) in Hinwil / Switzerland.



The new server center.



Innovation close to the customer has assured a technologically leading position to Belimo since its existence. The business unit Technology carried on this tradition also in 2002 and set new standards for multifunctional actuators and motor technology.

In 2001, Belimo introduced multifunction technology (MFT) in the market with great expectations. The year under review confirmed that these expectations were not exaggerated. Based on this future-oriented technology – which met with wide acclaim in expert circles – we were able to realize a series of customer-specific developments.

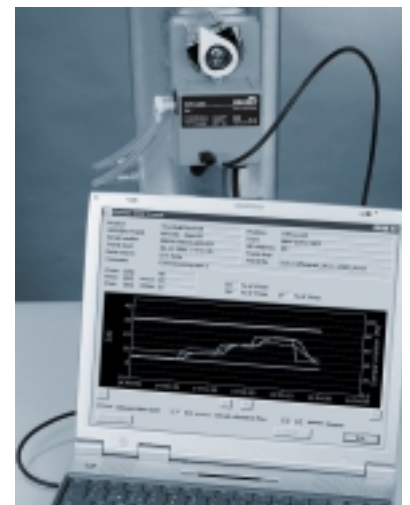
MFT actuators for bus systems. At the same time, the business unit Technology expanded the product range in the field of water and fire protection applications with MFT units and further enhanced the PC-based, configuration software for the MFT and MFT2 actuators. In fire protection, communication among actuators via LON® bus, the incorporation of sensors, and additional safety define a new standard in systems intelligence. This allows to substantially reduce maintenance costs in building management. In the fall, the first MFT fire protection devices were placed on the market.

Innovation with great customer benefits. The spirit of innovation combined with the immediate application and long-term securing of technological leadership also dominated the other development areas. Belimo created the first small actuator specifically designed for the water product range in record time. The supply of spring-return actuator and communication software for a novel complete system for façade ventilation – a project realized by Belimo in close cooperation with one of its clients – is a further example of customer-driven innovation. At the beginning of a promising future, there is the application-specific, integrated circuit (ASIC) for brushless D.C. motors without Hall sensors. Their particular strength is the variety of new functions, inclusive of the Belimo MP bus communication interface. The sophisticated ASIC circuitry will be introduced step-by-step beginning in 2003.

Optimization of processes and costs. In addition to developing and introducing new technologies, our special focus in 2002 was on further optimization of processes and costs. The move to the new building in Hinwil was used to streamline in-house logistic processes. The «Product Life Cycle Management» (PLM) project created the basis for designing the entire technical production documentation process more efficiently and paperless. The «JUMP» project for optimizing the logistics and delivery processes enabled us to further increase on-time delivery, quality, and flexibility vis-à-vis our customers' wishes.



Peter Schmidlin, Manager business unit Technology



With the VAV PC-tool, variable air volume controllers can be configured via PC and analyzed with ease.



New developments allow miniaturization of actuators.



For the first time in 2002, the new subsidiary BELIMO Fensterlüftungssysteme AG achieved relevant sales. In spite of them, the market of controlled, natural ventilation did not develop as expected.

After the year 2001 was characterized by the market launch of the innovative window ventilation system FLS, for market-strategic considerations, Belimo incorporated BELIMO Fensterlüftungssysteme AG as an independent subsidiary – retroactively to January 1, 2002. This permits to really concentrate on the window ventilation business.

Redesigned communication for new target groups. Experience in the market has shown that the distribution channels of window ventilation systems differ considerably from the traditional business of the Belimo Group. For the first time, Belimo moves a product directly into the visual field of users, building owners, and architects. This calls for suitably adapted market communications.

First success in a difficult market environment. For the first time, the new subsidiary achieved sales in the markets of Switzerland, Austria, and Germany. However, demand remained below our expectations. Developing the market with comfort solutions turned out to be difficult in a recessive environment. Acquisition via building projects, however, developed successfully – still, a considerable time lag is to be expected before they result in sales.

Potential for the most diverse applications. Close observation of the market and our initial experience with the new systems point to further potential. Based on demand, the product range was expanded by window ventilation systems without intelligence of their own. The development of accessory parts created the conditions for using them with additional window types, thus multiplying the application opportunities for window ventilation systems. Since the window ventilation systems may be controlled centrally or decentrally, they can easily be integrated into diverse air-conditioning systems. The bus components developed in-house for integrating window ventilation systems into building technology are already operating successfully.



Training in FLS assembly for conservatories at a window manufacturer's.



More than 550 FLS were built into the new Belimo wing in Hinwil / Switzerland.



In the new multipurpose building of Sarnen / Switzerland, the clerestory windows were equipped with FLS.



Income statement. In 2002, net sales rose by 3.8 percent to reach CHF 237.9 million while the effects of exchange rate changes caused net income to decline by 13.1 percent to CHF 20.2 million.

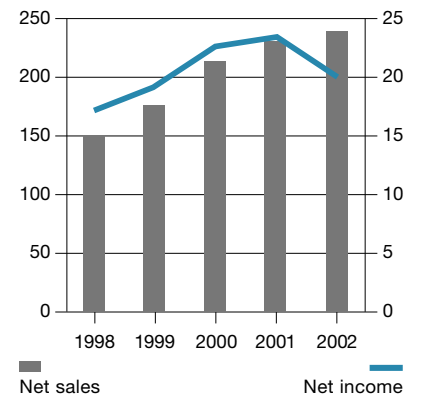
Sales of water valve actuators continued to increase during 2002. This segment achieved an increase in revenues expressed in Swiss francs of 10.0 percent, while sales of actuators for use in air applications remained at the prior year levels. For the first time, sales of window ventilation systems of CHF 0.5 million were recorded. Expressed in local currencies, the sales of actuators for use in water applications increased by 32.7 percent, and those for use in air applications by 4.3 percent. Geographical segments have now been defined based on the location of the business units. Expressed in local currencies, growth rates of 4.9 percent in Europe, 8.9 percent in Americas, and 33.9 percent in Asia were achieved.

During 2002, a total of 2.2 million actuators for use in air and water applications were delivered to customers.

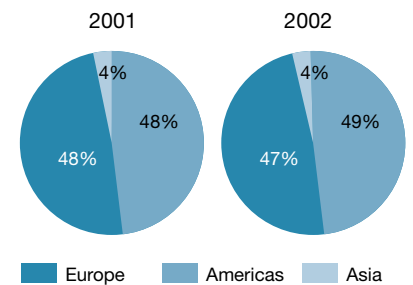
Impact of expansion of facilities on the consolidated financial statements. The construction of the new building LONGUS in Hinwil, which began in May of 2001, was successfully completed according to schedule before the end of the year. The existing building was expanded by some 22,600 m² in office and production space through the new construction. Costs of the construction were CHF 70.0 million, compared with budgeted costs of CHF 72.0 million. During the year, CHF 44.9 million were invested in capital expenditures, of which CHF 36.0 million were financed with a building loan and the remaining CHF 8.9 million with available liquidity.

Due to the new construction, the return on invested capital (ROIC), the balance sheet financial ratios, as well as the cash flow statement, show significant changes in comparison with the prior year.

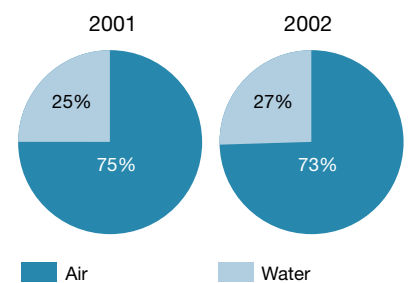
Net sales and net income (in CHF million)



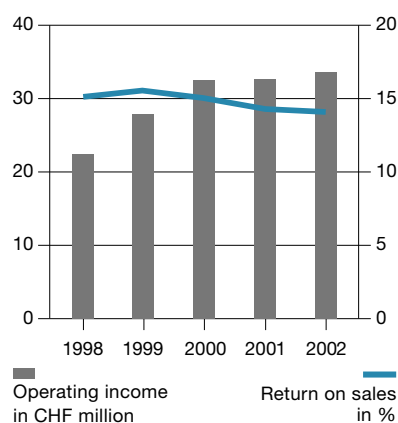
Gross sales by business unit (prior year restated)



Gross sales by type of application



Operating income / Return on sales

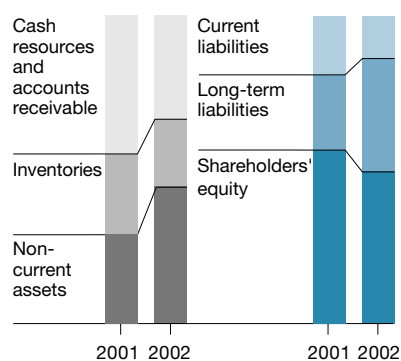


Profitability. An increase of 2.4 percent could be achieved in operating income (EBIT), which rose from 32.8 million to CHF 33.6 million. The return on sales (EBIT as a percentage of net sales, or ROS) was 14.1 percent (prior year 14.3 percent).

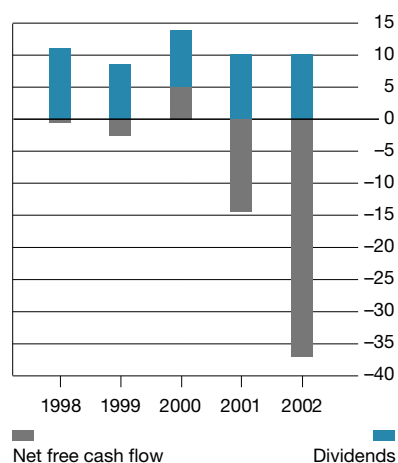
The return on equity (ROE) amounts to 21.0 percent. The return on invested capital (ROIC) declined to 23.3 percent (prior year: 33.4 percent). This development was the result of the capital expenditures in plant and equipment and the increase in long-term liabilities.

Balance sheet. Total assets rose by CHF 36.9 million compared with 2001, climbing to CHF 199.1 million. Cash, cash equivalents and marketable securities, together with accounts receivable, increased by 10.1 percent to CHF 64.2 million. Expressed as a percentage of total assets, however, this represents a decrease from 44.0 percent in the previous year to 32.2 percent in the current year. Non-current assets grew from 29.6 percent to 45.1 percent of total assets, and long-term liabilities represented 36.8 percent thereof at year-end (prior year: 23.4 percent). The equity ratio (shareholders' equity as a percentage of total assets) decreased from 57.7 percent in the prior year to 49.3 percent.

Balance sheet structure



Net free cash flow development (in CHF million)



Cash flow statement. Cash flow declined by 20.1 percent to CHF 26.5 million. Net cash resources showed a slight decline of CHF 0.4 million compared with the prior year. The free cash flow (funds generated from operations less funds used for investment activities) was CHF -26.5 million for the year (CHF -4.3 million in the prior year), and the net free cash flow (free cash flow less dividends) amounted to CHF -37.5 million. This development is due to the increase in investments from CHF 29.8 million in the prior year to CHF 49.0 million in connection with the new building.

Employees. As of year-end, the Belimo Group employed 732 persons. The average number of employees (full-time equivalents) increased by 6.2 per cent during 2002 to 686 (prior year: 646).

By business units	2002	2001
Europe	62%	64%
Americas	33%	33%
Asia	5%	3%
By function	2002	2001
Sales, marketing and distribution	28%	27%
Assembly, purchasing	46%	46%
Research, development	12%	13%
Administration	14%	14%

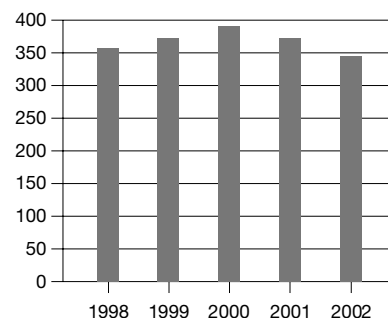
The increase in sales, marketing and distribution is attributable to the expansion of the Asian business unit. Net sales per employee declined by 2.3 per cent compared with 2001 and amount to CHF 347,000.

Capital expenditures. During 2002, the Belimo Group invested CHF 49.0 million in plant and equipment (prior year: CHF 29.8 million), of which 44.9 million went into the construction of the new building. The remaining investments of CHF 4.1 million (prior year: CHF 5.3 million) can be allocated as follows:

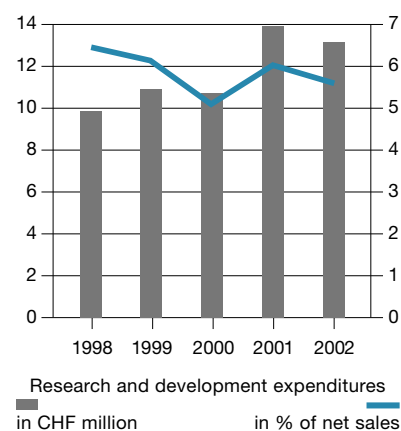
By type of asset (excluding new building)	2002	2001
Production equipment	51%	39%
Tools and machinery	49%	61%
By business units (excluding new building)	2002	2001
Europe	77%	76%
Americas	20%	23%
Asia	3%	1%

Research and development. During 2002, expenditures for research and development within the Belimo Group totalled CHF 13.3 million, or 5.6 per cent of net sales (prior year: 6.0 percent), which lies within the average for the last five years. Expenditures for research and development are charged completely against net income as incurred.

Net sales per employee
(in CHF 1,000)



Research and development



Stock market information from 1998 to 2002

	2002	2001	2000	1999	1998
Stock market prices in CHF					
High	610	800	808	624	700
Low	300	352	613	400	400
Year-end	342	530	775	610	460

Dividends (as proposed by the Board of Directors for 2002) in CHF					
Dividends in CHF	15	17	16	15	13
Return in % at Dec. 31	4.4	3.2	2.1	2.5	2.8
Pay-out ratio (dividends as % of net income)	48.4	47.7	46.0	51.4	49.4
Price/earnings ratio at Dec. 31	11.0	14.9	22.3	20.9	17.5

Market capitalization in CHF million					
High	397	520	525	406	455
Low	195	229	398	260	260
Year-end	222	345	504	397	299
As % of shareholders' equity at Dec. 31	226	368	630	595	544
As % of gross sales	91	144	224	215	190

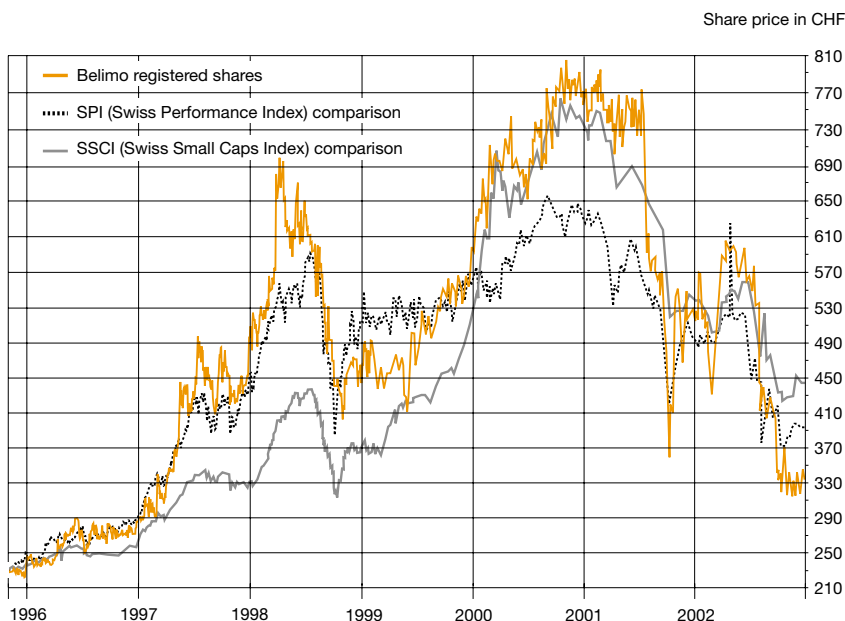
Average daily trading volume in no. of shares	484	152	385	535	369
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Information per registered share with nominal value CHF 20.00 each					
Number of shares	650,000	650,000	650,000	650,000	650,000
Net income in CHF	31	36	35	29	26
Cash flow in CHF	41	51	46	39	34
Operating income in CHF	52	50	50	42	35
Shareholders' equity in CHF	151	144	123	103	85

Shareholders. At December 31, BELIMO Holding AG's shares were held as follows:

	2002	2001	2000	1999	1998
Swiss shareholders	190,269	144,314	132,391	135,966	96,656
Foreign shareholders	60,417	77,539	79,431	43,975	85,174
Founding shareholders	221,952	260,257	270,614	318,137	335,120
Employees	34,647	22,222	23,624	28,655	26,813
Disposable holdings, not registered	142,715	145,668	143,940	123,267	106,237
Total shares	650,000	650,000	650,000	650,000	650,000

Stock market prices since November 10, 1995 (date of IPO)



Opting Out. BELIMO Holding AG does not elect to use the possibility of opting out which is allowed by Article 22, Paragraph 2 of the Swiss regulations (BEHG) and which would relieve potential buyers during a take-over of their duty to make a public offer under Articles 32 and 52 of the BEHG. The obligation to make a public offer as required by Article 32 of the BEHG applies fully to the equity instruments of BELIMO Holding AG.

Transfer restrictions on registered shares. Registration of ownership in the shareholders' register is basically limited to 5.0 percent of share capital. Shareholders who held more than 5.0 percent as of the date at which this restriction went into effect remain registered (see the Articles of Incorporation of BELIMO Holding AG, Wetzikon, article 5).

Restriction on voting rights. No shareholder may exercise a total of more than 10.0 percent of combined voting rights related to his own shares and to shares which he represents as proxy. This restriction does not apply to shareholders who are registered with more than 10.0 percent of share voting rights in the shareholders' register; such shareholders may exercise maximum voting rights corresponding to those shares registered in their names (see the Articles of Incorporation of BELIMO Holding AG, Wetzikon, article 13).

Consolidated balance sheet at December 31

in CHF 1,000	Note	2002	2001
Plant and equipment	3.1	89,460	47,833
Financial assets		246	153
Non-current assets		89,706	47,986
Inventories	3.2	45,245	42,779
Accounts receivable	3.3	33,600	34,962
Cash, cash equivalents and marketable securities	3.4	27,606	33,484
Prepaid expenses	3.5	2,968	2,965
Current assets		109,419	114,190
Assets		199,125	162,176
Share capital		13,000	13,000
Capital reserves		9,164	9,164
Reserve for treasury shares		1,758	3,473
Retained earnings		74,309	67,992
Shareholders' equity	3.6	98,231	93,629
Credit facilities and mortgage payable	3.7	58,000	22,000
Provisions	3.8	15,187	15,893
Long-term liabilities		73,187	37,893
Bank debt		373	5,803
Trade accounts payable		13,422	9,096
Other current liabilities		1,006	1,892
Accrued liabilities	3.9	12,906	13,863
Current liabilities		27,707	30,654
Liabilities and shareholders' equity		199,125	162,176

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated income statement

in CHF 1,000	Note	2002	2001
Gross sales	4.1	244,443	239,813
Sales reductions	4.2	-6,559	-10,719
Net sales		237,884	229,094
Material costs	4.3	-96,517	-90,661
Trading income		141,367	138,433
Other operating income		1,039	927
Operating revenues		142,406	139,360
Personnel expense	4.4	-70,986	-66,459
Rent and cost of office space		-4,661	-4,963
Depreciation expense	3.1	-6,654	-6,807
Other operating expenses	4.5	-26,539	-28,353
Operating expenses		-108,840	-106,582
Operating income		33,566	32,778
Net financial result	4.6	-3,348	1,428
Income before taxes		30,218	34,206
Taxes	4.7	-10,066	-11,028
Net income		20,152	23,178

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

in CHF 1,000	Note	2002	2001
Net income	5.4	20,152	23,178
Depreciation expense	3.1	6,654	6,807
Other items not affecting cash flow		102	0
Decrease/increase in provisions		-439	3,134
Cash flow		26,469	33,119
Increase in inventories		-5,395	-4,307
Decrease/increase in accounts receivable		3,275	-2,043
Increase in prepaid expenses		-1,099	-36
Increase in accounts payable		792	642
Decrease in accrued liabilities		-1,437	-1,839
Net funds generated from operations		22,605	25,536
Change in credit facilities and mortgages		36,000	14,000
Dividends paid		-11,002	-10,312
Net funds generated from financing activities		24,998	3,688
Capital expenditures		-48,971	-29,764
Purchases and sales of financial assets		-93	-52
Net funds used for investment activities		-49,064	-29,816
Foreign exchange impact		1,013	754
Net decrease/increase in cash resources		-448	162
Net cash resources at beginning of period		27,681	27,519
Net cash resources at end of period		27,233	27,681
Composition of cash resources:			
Cash, cash equivalents and marketable securities		27,606	33,484
Bank debt		-373	-5,803
Net cash resources		27,233	27,681

The accompanying notes are an integral part of the consolidated financial statements.

1 Consolidation principles

1.1 General

The consolidated financial statements of the Belimo Group are based on uniform consolidation and valuation principles and have been prepared in accordance with Swiss GAAP FER. They give a true and fair view of the financial position and results of operations. The accounting principles applied in 2001 remain unchanged in 2002.

1.2 Closing date

December 31 is the uniform closing date for BELIMO Holding AG and all of its subsidiaries included in the consolidated financial statements. The consolidated financial statements were approved by the Board of Directors on February 28, 2003.

1.3 Consolidated Group

The consolidated financial statements include the accounts of BELIMO Holding AG and all of its subsidiary companies. All subsidiaries are wholly-owned and are held directly by BELIMO Holding AG. A list of Group companies can be found in note 1.2 «Investments in subsidiaries» (page 42) of the annual report of BELIMO Holding AG. During 2002, the Group grew to include the new subsidiary BELIMO Fensterlüftungssysteme AG, which was founded in January of 2002 with its domicile in Hinwil. BELIMO Holding AG has no further investments in subsidiaries.

1.4 Method of consolidation

All Group companies are fully consolidated. Accounts receivable and payable as well as the transactions between Group companies, including the resulting profits, dividends and the equity capital of the subsidiary companies are eliminated.

The consolidation is performed based on the Anglo-Saxon purchase method, whereby the net asset value of the subsidiary at the date of purchase/foundation is eliminated against the parent company's cost of investment. At the initial consolidation, the assets and liabilities of the subsidiary acquired are valued according to applicable Group accounting principles. The remaining goodwill or badwill is charged directly against retained earnings in the year of acquisition. The effects of a hypothetical capitalization of goodwill are presented in note 5.4 «Alternative treatment of goodwill» (page 38).

1.5 Translation of foreign currencies

Financial statements expressed in foreign currencies

The reporting currency is the Swiss franc. The annual accounts of foreign subsidiaries are prepared in their local currency. All balance sheet items other than shareholders' equity are translated into Swiss francs using the exchange rates applicable at the balance sheet date. Average rates are used to translate the income statement items. Differences arising on translation are taken directly to shareholders' equity without impacting net income. These differences are shown separately in the changes in shareholders' equity.

Transactions and balances denominated in foreign currencies

Foreign currency transactions are recorded at actual rates as of the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using year-end rates. Any exchange gains or losses which result are included in the determination of net income.

The following rates were used to translate foreign currencies:

	Balance sheet rates			Income statement rates		
	Year-end rates			Average rates		
	2002 CHF	2001 CHF	Change 2001/2002	2002 CHF	2001 CHF	Change 2001/2002
1 USD	1.39	1.67	-17.1%	1.56	1.69	-7.7%
1 CAD	0.88	1.05	-16.3%	0.99	1.09	-9.0%
1 GBP	2.22	2.43	-8.4%	2.34	2.43	-3.9%
1 EUR	1.45	1.48	-1.9%	1.47	1.51	-2.9%
100 PLN	36.12	42.12	-14.2%	38.28	41.16	-7.0%
100 HKD	17.79	21.46	-17.1%	19.97	21.63	-7.7%
100 SGD	79.99	90.45	-11.6%	86.93	94.21	-7.7%
1 AUD	0.78	0.85	-7.8%	0.85	0.87	-3.2%

2 Valuation principles

2.1 General

The annual accounts of the individual companies used in the preparation of the consolidated financial statements were prepared based on historical acquisition or manufacturing cost values according to uniform Group accounting principles.

No changes in accounting principles were made during the current year.

2.2 Plant and equipment

Tangible fixed assets are stated at their historical acquisition or manufacturing costs less operationally necessary depreciation.

Depreciation is calculated according to the straight line method over the expected useful lives of the assets as follows:

	Useful life in years
Buildings	
Administrative buildings	33 1/3
Manufacturing buildings	33 1/3
Equipment, furniture and fixtures	
Furniture, workshop and warehouse installations	8
Motor vehicles, office machinery and EDP installations	3
Leasehold improvements (or over the term of the contract)	10
Tools and machinery	
Transportation, production equipment and machinery	6 2/3
Tools at suppliers and test instruments	3

There are no financial leasing agreements. Commitments under operating leases are shown under note 5.3 «Commitments under operating leases and long-term rental contracts» (page 37).

Gains and losses recognized on the disposal of fixed assets are included in net income. Costs of maintenance and repairs are charged against income.

2.3 Intangible assets

Intangible assets such as patents and similar rights are not capitalized. Research and development costs are charged against income as incurred.

2.4 Current assets

Inventories are stated at the lower of cost or market, whereby cost is determined by either the average acquisition cost or the accumulated production cost. An allowance is provided for obsolete and slow-moving inventories. The FIFO (first-in, first-out) method is used to record movements in inventories.

Accounts receivable are stated at their nominal value less an allowance for doubtful accounts. This allowance considers both recognizable individual risks as well as a lump sum allowance for general risk.

Cash and cash equivalents are stated at their nominal values.

2.5 Provisions

Provisions serve to cover potential losses and performance obligations. They are made according to uniform, consistent business criteria.

2.6 Tax provisions

Provisions are made for income and capital taxes levied on the local taxable income of the individual Group companies.

Deferred taxes are provided on the temporary differences between the tax bases of assets and liabilities and the Group financial reporting values, using local tax rates which are currently applicable. Temporary differences occur primarily due to different rates of depreciation allowed for tax purposes and those applied for Group reporting purposes. In addition, deferred taxes are provided on untaxed valuation differences which result in adjusting the local financial statements to Group accounting principles. Non-recoverable withholding taxes on anticipated dividend distributions from foreign subsidiaries are accrued.

2.7 Liabilities

All debts falling due within one year are regarded as current liabilities; those maturing beyond one year are regarded as long-term liabilities.

Liabilities are shown in the balance sheet at their nominal values.

2.8 Post-employment benefit plans

The Belimo Group maintains various post-employment benefit plans which conform with the applicable local legal requirements. Most employees are covered by these plans, which provide benefits in the event of death, invalidity, retirement or termination of employment.

Under some of these post-employment benefit plans, employees must make financial contributions which are supplemented by respective employer contributions. Financing is conducted in accordance with local legal and fiscal requirements.

The pension plan for the Swiss Group companies was until now a defined benefit plan (conversion to a defined contribution plan as of January 1, 2003). In the corresponding pension plan regulations, the employer contributions are set as a fixed percentage of salaries covered and thereby include both savings and risk elements. No liability to the employer exists in excess of the employer contributions. Risks related to the pension plan are born by the pension plan trust fund, which does not report a deficit. During the year, there were no releases or surplus from employer contribution reserves. Thus, the employer contributions made to the plan are reported unchanged as expense in the consolidated financial statements.

3 Notes to the consolidated balance sheet

3.1 Plant and equipment

in CHF 1,000	Land	Buildings	Assets under con- struction	Plant and machinery	Equipment, furniture, fixtures	Total 2002	Total 2001
Cost at Jan. 1	1,643	14,704	24,526	17,991	26,389	85,253	58,140
Additions			44,884	2,089	2,045	49,018	29,835
Disposals				-5,398	-2,067	-7,465	-3,014
Translation differences		-62		-1,051	-628	-1,741	292
Cost at Dec. 31	1,643	14,642	69,410	13,631	25,739	125,065	85,253
Accumulated depreciation at Jan. 1	0	5,331	0	12,131	19,958	37,420	33,264
Depreciation expense		476		2,642	3,536	6,654	6,807
Disposals				-5,361	-2,056	-7,417	-2,740
Translation differences		-15		-649	-388	-1,052	89
Accumulated depreciation at Dec. 31	0	5,792	0	8,763	21,050	35,605	37,420
Net book value at Dec. 31	1,643	8,850	69,410	4,868	4,689	89,460	47,833
Fire insurance values at Dec. 31						98,476	74,087

Assets under construction include investments made in the LONGUS expansion building; these will be reclassified when the contractor's final invoice is available.

3.2 Inventories

in CHF 1,000	12/31/2002	12/31/2001
Raw materials and supplies	31,566	28,720
Finished goods	15,793	15,816
Work in process	985	750
Goods in transit	26	400
Valuation allowance on inventories	-3,125	-2,907
Total	45,245	42,779

Inventories of the Belimo Group amounted to 19.0 percent of net sales, compared to 18.7 percent in the prior year.

3.3 Accounts receivable

in CHF 1,000	12/31/2002	12/31/2001
Trade accounts receivable	31,987	32,958
Allowance for doubtful accounts	-1,988	-2,341
Value added and withholding taxes receivable	3,141	3,355
Other receivables	460	990
Total	33,600	34,962

Trade accounts receivable amounted to 13.4 percent of net sales (prior year: 14.4 percent).

3.4 Cash, cash equivalents and marketable securities

in CHF 1,000	12/31/2002	12/31/2001
Marketable securities	1,519	3,483
Current bank and postal accounts	24,093	27,593
Cash on hand	30	36
Time deposits	1,964	2,372
Total	27,606	33,484

Marketable securities include treasury shares stated at their market value at year-end of CHF 1.486 million (prior year: CHF 3.473 million).

3.5 Prepaid expenses

in CHF 1,000	12/31/2002	12/31/2001
Deferred income taxes	1,670	2,311
Others	1,298	654
Total	2,968	2,965

3.6 Shareholders' equity

in CHF 1,000	Share capital	Capital reserves	Reserve for treasury shares	Retained earnings	Translation differences	Total shareholders' equity
Balance at Jan. 1, 2001	13,000	9,164	4,448	51,955	1,442	80,009
Net income				23,178		23,178
Dividends paid				-10,312		-10,312
Reserve for treasury shares			-975	975		0
Translation differences					754	754
Balance at Dec. 31, 2001	13,000	9,164	3,473	65,796	2,196	93,629
Balance at Jan. 1, 2002	13,000	9,164	3,473	65,796	2,196	93,629
Net income				20,152		20,152
Dividends paid				-11,002		-11,002
Reserve for treasury shares			-1,715	1,715		0
Translation differences					-4,548	-4,548
Balance at Dec. 31, 2002	13,000	9,164	1,758	76,661	-2,352	98,231

The share capital consists of 650,000 shares with a nominal value of CHF 20.00 each. A total of 4,345 shares were held in treasury as of year-end (prior year: 6,763 shares), which have been included in the balance sheet under marketable securities.

3.7 Credit facilities and mortgages payable

Mortgages payable amounted to CHF 8.0 million. Mortgages are subject to floating interest based on LIBOR and are hedged against increases in interest rates which would exceed 4.6 percent.

In order to provide funds for the construction of the new building, credit facilities totalling CHF 50.0 million were drawn in various stages. These credit facilities bear interest at various rates ranging from 3.57 percent to 4.08 percent. The debt is scheduled to be repaid through annual instalments of CHF 2.5 million each, falling due initially on December 31, 2003.

3.8 Provisions

in CHF 1,000	12/31/2002	12/31/2001
Post-employment benefit obligations	1,453	862
Deferred income taxes	3,051	3,514
Warranties, guarantees	5,381	6,944
Other provisions	5,302	4,573
Total	15,187	15,893

The decrease in provisions for guarantees is attributable to a new assessment of the related risks. Other provisions include for the most part trade distributor contracts, pending legal cases, self-insurance and accrued vacation.

3.9 Accrued liabilities

in CHF 1,000	12/31/2002	12/31/2001
Performance commitments, bonuses based on sales	1,193	1,785
Profit sharing plans	1,940	2,017
Current income taxes	4,276	5,866
Others	5,497	4,195
Total	12,906	13,863

4 Notes to the consolidated income statement

4.1 Gross sales by segment

4.1.1 By geographical business units

in CHF 1,000	2002	%	2001	%
Business unit Europe	119,023	49	113,872	48
Business unit Americas	114,795	47	115,375	48
Business unit Asia	10,625	4	10,566	4
Total	244,443	100	239,813	100

Geographical segments have now been defined based on the location of the business units. Prior year amounts have been restated. Expressed in local currencies, growth rates of 4.9 percent in Europe, 8.9 percent in Americas, and 33.9 percent in Asia were achieved.

4.1.2 By type of application

in CHF 1,000	2002	%	2001	%
Damper actuators	178,608	73	180,324	75
Water valve actuators	65,375	27	59,457	25
Window ventilation systems	460	0	32	0
Total	244,443	100	239,813	100

In local currencies, sales of damper actuators increased by 4.3 percent, water valve actuators by 32.7 percent and total sales by 8.0 percent.

4.2 Sales reductions

The lower sales reductions compared with the previous year are the result of change of classification as well as a re-evaluation of the economical need for provisions for guarantees.

4.3 Material costs

in CHF 1,000	2002	2001
Raw materials and supplies	93,447	87,381
Freight and duty	3,070	3,280
Total	96,517	90,661

Expressed as a percentage of net sales, material costs were 40.6 percent (prior year 39.6 percent).

4.4 Personnel expense

in CHF 1,000	2002	2001
Wages and salaries	56,361	52,589
Post-employment benefits	4,492	3,599
Other social security costs	6,888	6,363
Temporary staff	961	1,349
Other personnel costs	2,284	2,559
Total	70,986	66,459

Personnel expense represents 29.8 percent of net sales (prior year: 29.0 percent).

As in the prior year, the employer contribution reserve in the pension plan amounts to CHF 1.166 million.

4.5 Other operating expenses

Other operating expenses include such items as out-sourced research and development, travel, consulting fees, marketing costs, office supplies, EDP and insurance.

4.6 Net financial result

in CHF 1,000	2002	2001
Interest income	855	1,072
Loss/gain on treasury shares	-499	1,013
Net exchange differences	-2,890	-94
Interest expense	-814	-563
Total	-3,348	1,428

Effects of exchange rate changes are now included in the financial income. The prior year figures were adjusted accordingly.

4.7 Taxes

in CHF 1,000	2002	2001
Current income taxes	10,262	11,416
Deferred income taxes	-201	-393
Other taxes	5	5
Total	10,066	11,028

Total tax expense amounted to 33.3 percent of income before taxes, compared with 32.2 percent in the prior year. This increase is largely due to the high tax burden in individual foreign subsidiaries.

5 Additional notes

5.1 Contingent liabilities

There were no contingent liabilities at December 31, 2002.

5.2 Assets pledged as collateral for own liabilities

Real estate owned by BELIMO Automation AG is pledged as collateral under the terms of the mortgage in the amount of CHF 8.0 million (unchanged compared with prior year).

5.3 Commitments under operating leases and long-term rental contracts

in CHF 1,000	12/31/2002	12/31/2001
2002		2,956
2003	1,809	2,296
2004	1,746	1,122
2005	1,503	968
2006	834	1,679
2007 and thereafter	1,141	
Total	7,033	9,021

5.4 Alternative treatment of goodwill

Goodwill arising from the acquisition of subsidiary companies in 1994, 1995 and 1997 has been charged against retained earnings.

The following table shows the effect on the income statement and on shareholders' equity which would result if goodwill had been capitalized and amortized over its useful life.

Balance sheet			Income statement		
in CHF 1,000	2002	2001	in CHF 1,000	2002	2001
Shareholders' equity	98,231	93,629	Net income	20,152	23,178
Goodwill charged against shareholders' equity, gross					
Value 1995	16,790	16,790			
Purchased 1995	2,146	2,146			
Purchased 1997	1,797	1,797			
Gross amount at Dec. 31	20,733	20,733			
Accumulated amortization at 10% p.a.	-17,618	-15,545	Amortization of goodwill	-2,073	-2,073
Net amount at Dec. 31	3,115	5,188			
Shareholders' equity assuming capitalization of goodwill	101,346	98,817	Net income assuming capitalization of goodwill	18,079	21,105

5.5 Subsequent events

No events have occurred subsequent to the balance sheet date which would have a material impact on the consolidated financial statements.

5.6 Financial instruments

in CHF 1,000	12/31/2002	12/31/2001
Forward foreign currency contracts for hedging purposes	0	3,785
Amount above/below market value	0	299

5.7 Related party transactions

No transactions were conducted with related parties during the current year.

**Report of the group auditors
to the annual shareholders' meeting of BELIMO Holding AG, Wetzikon**

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement and notes, see pages 24 to 38) of BELIMO Holding AG, Wetzikon, for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

We have examined on a test basis evidence supporting the amounts and disclosure in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Swiss GAAP FER and comply with Swiss law.

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

Zurich, March 3, 2003

Ernst & Young AG

M. Schneider
(Auditor in charge)

W. Hofstetter

Balance sheet at December 31

in CHF 1,000	Note	2002	2001
Investments in subsidiaries	1.2	29,432	25,432
Loans to Group companies		30,142	28,364
Marketable securities		50	50
Non-current assets		59,624	53,846
Accounts receivable from Group companies		7,970	751
Accounts receivable from third parties		419	496
Cash, cash equivalents and marketable securities	2.2	8,705	22,097
Current assets		17,094	23,344
Assets		76,718	77,190
Share capital		13,000	13,000
Legal reserves		9,744	9,744
Reserve for treasury shares	2.2	1,758	3,473
Free reserves		33,977	28,462
Retained earnings		11,896	16,946
Shareholders' equity	1.3	70,375	71,625
Provisions		200	200
Long-term liabilities		200	200
Bank debt		0	3,061
Liabilities to Group companies		3,926	42
Liabilities to third parties		1,018	18
Accrued liabilities		1,199	2,244
Current liabilities		6,143	5,365
Liabilities and shareholders' equity		76,718	77,190

Income statement

in CHF 1,000	2002	2001
Income from investments in subsidiaries	11,913	10,173
License fees	3,219	3,287
Financial income	2,010	3,501
Revenues	17,142	16,961
Personnel expense	436	401
Other expenses	760	622
Financial expense	840	0
Unrealized translation losses on loans to Group companies	1,640	0
Write-downs of loans to Group companies	3,000	130
Taxes	714	1,029
Expenses	7,390	2,182
Net income	9,752	14,779

1 Notes to the balance sheet

1.1 General information

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

1.2 Investments in subsidiaries

As of December 31, 2002, BELIMO Holding AG held the following investments:

Company	Percentage held 2002/2001	Share capital in 1,000
BELIMO Actuators Ltd. (Hong Kong, People's Republic of China)	100%	HKD 10
BELIMO Actuators Pte Ltd. (Singapore)	100%	SGD 100
BELIMO Actuators Pty. Ltd. (Clayton South, Melbourne, Australia)	100%	AUD 10
BELIMO Aircontrols (CAN), Inc. (Mississauga, Canada)	100%	CAD 95
BELIMO Aircontrols (USA), Inc. (Danbury, United States of America)	100%	USD 200
BELIMO Automation AG (Hinwil, Switzerland)	100%	CHF 500
BELIMO Automation Handelsgesellschaft m.b.H (Vienna, Austria)	100%	EUR 36
BELIMO Automation UK Ltd. (Feltham, Great Britain)	100%	GBP 0.1
BELIMO Ibérica de Servomotores S.A. (Madrid, Spain)	100%	EUR 301
BELIMO Servomoteurs SARL (Courty, France)	100%	EUR 80
BELIMO Silowniki S.A. (Warsaw, Poland)	100%	PLN 500
BELIMO Stellantriebe Vertriebs GmbH (Stuttgart, Germany)	100%	EUR 205
Lineg SA (Gland, Switzerland)	100%	CHF 100
BELIMO Fensterlüftungssysteme AG (Hinwil, Switzerland)	100% ¹⁾	CHF 2,000

¹⁾ founded in January 2002

1.3 Shareholders' equity

in CHF 1,000	Share capital	Legal reserves	Reserve for treasury shares	Free reserves	Retained earnings	Total shareholders' equity
Balance at Jan. 1, 2001 before appropriation of available earnings 2000	13,000	9,744	4,448	20,187	19,779	67,158
Net income					14,779	14,779
Dividends paid					-10,312	-10,312
Reserve for treasury shares			-975	975		0
Allocation to free reserves				7,300	-7,300	0
Balance at Dec. 31, 2001	13,000	9,744	3,473	28,462	16,946	71,625
Balance at Jan. 1, 2002 before appropriation of available earnings 2001	13,000	9,744	3,473	28,462	16,946	71,625
Net income					9,752	9,752
Dividends paid					-11,002	-11,002
Reserve for treasury shares			-1,715	1,715		0
Allocation to free reserves				3,800	-3,800	0
Balance at Dec. 31, 2002	13,000	9,744	1,758	33,977	11,896	70,375

The share capital is comprised of 650,000 registered shares with a nominal value of CHF 20.00 each.

2 Additional notes

2.1 Warranties, guarantees and pledges given on behalf of third parties

BELIMO Holding AG has guaranteed the credit facilities of CHF 60.0 million granted to BELIMO Automation AG to the creditor.

2.2 Marketable securities and reserve for treasury shares

Marketable securities are comprised of treasury shares stated at the lower of cost or market. Treasury shares are held in connection with an employee profit sharing program and had a market value of CHF 1.486 million at December 31, 2002.

Reserve for treasury shares	2002		2001	
	Number of shares	Cost in CHF 1,000	Number of shares	Cost in CHF 1,000
Balance at January 1	6,763	3,473	9,180	4,448
Purchases	5,385	2,371	1,480	915
Sales	-7,803	-4,086	-3,897	-1,890
Balance at December 31	4,345	1,758	6,763	3,473

2.3 Significant shareholders

As of December 31, 2002, 1,662 shareholders were entered in the BELIMO Holding AG share register. The following four shareholders/groups of shareholders held more than 5.0 percent of total voting rights:

– Werner Roner	5.4 Percent
– Walter Linsi	6.5 Percent
– Bâloise Group	6.9 Percent
– U. W. Linsi-Trust	10.8 Percent

3 Appropriation of available earnings at December 31, 2002

Proposal of the Board of Directors

in CHF 1,000	12/31/2002	12/31/2001
Balance carried forward from prior year	2,144	2,167
Net income	9,752	14,779
Available earnings	11,896	16,946
Dividend of CHF 15.00 per share (2001: CHF 17.00)	-9,750	-11,050
Unpaid dividends on treasury shares*	0	48
Allocation to the free reserves	0	-3,800
Balance carried forward	2,146	2,144

*No dividends are paid on the treasury shares held by BELIMO Holding AG. As of the ex-dividend date, BELIMO Holding AG held 2,818 treasury shares.

**Report of the statutory auditors
to the annual shareholders' meeting of BELIMO Holding AG, Wetzikon**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, pages 40 to 45) of BELIMO Holding AG, Wetzikon, for the year ended December 31, 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Zurich, March 3, 2003

Ernst & Young AG

M. Schneider
(Auditor in charge)

W. Hofstetter

In the past year, Belimo has dealt in depth with the topic of Corporate Governance. As a result, the Belimo Group makes available extensive information on the officers in charge for the first time in the present annual report.

BELIMO Holding AG informs on the compensation of the Board of Directors, the Executive Committee, and the auditors. Information on top management personalities and their commitments in public entities and interest groups are also disclosed. This is intended to strengthen the trust between Belimo, its customers, shareholders, and staff, as well as to continue its tradition of open and direct communication.

Board of Directors of BELIMO Holding AG

Chairman

Hans Peter Wehrli, Prof. Dr., born 1952, Swiss

On the Board of Directors since 1995

Ordinary professor for Business Economics at Zurich University

Marketing chair

Eichhof Holding AG, Lucerne, member of the Board of Directors

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

Vice-chairman

Walter Burkhalter, el. Ing. ETH, born 1933, Swiss

Board of Directors since 1975

Member of the Board

Walter Linsi, FEAM, born 1944, Swiss

Board of Directors since 1975

Member of the Board

Robert Straub, Dr. rer. pol., born 1940, Swiss

Board of Directors since 1995

Financial consultant

Precious Woods Holding AG, Zug, member of the Board of Directors

NETInvest Holding AG, Frauenfeld, member of the Board of Directors

ProgressNow invest AG, Frauenfeld, chairman of the Board of Directors

President and CEO

Andreas Ernst Steiner, Dr., dipl. Masch. Ing. ETH, born 1945, Swiss

Board of Directors since 1999

CEO of the Belimo Group

Zurich University, member of the University Board of Governors

economiesuisse, Zurich, chairman of the Research Commission

Hasler Foundation, Bern, member

Executive Committee of the Belimo Group

President (CEO)

Andreas Ernst Steiner, Dr., dipl. Masch. Ing. ETH, born 1945, Swiss
Board of Directors since 1999

Business unit Finance and Business Services (CFO)

Barbara Müller-Junker, lic. phil., born 1950, Swiss
member of the Executive Committee since 1993
retired effective October 31, 2002

Beat Trutmann, lic. oec. publ., born 1954, Swiss
member of the Executive Committee
joined the company on January 1, 2003

Business unit Europe

Alex Brunner, born 1953, Swiss
member of the Executive Committee since 2001

Business unit Americas

Werner Buck, born 1943, Swiss
member of the Executive Committee since 1998
Digi-Frame, Port Chester, New York, member of the Board of Directors

Business unit Asia

Matthias Haas, dipl. ing. THF, born 1960, German
member of the Executive Committee since 2001

Business unit Technology

Peter Schmidlin, dipl. el. ing. ETH, born 1963, Swiss
member of the Executive Committee since 2000

Board of Directors activities

Election of the Board of Directors

The members of the Board of Directors are periodically elected by the General Meeting of Shareholders for a term of office of three years. The Board of Directors constitutes itself. At present, it is made up of five members; one of them carries out executive functions. This person is President and CEO. All members are in office to the General Meeting 2003.

Tasks and authority

The Board of Directors directs the Belimo Group as a consolidated corporation. It defines the corporate mission, sets the policy, and formulates the corporate objectives. It delegates the operational management to the Executive Committee. The assignment of authority between the Board of Directors and the Executive Committee is established in the corporate schedule of responsibilities.

A minimum of five Board meetings are held each year. Additional meetings are called as required. In the year under review, a total of six meetings took place.

Supervisory tools

The Executive Committee reports monthly to the Board of Directors.

Committees

There are no standing committees. In 2002, the Board of Directors created an extraordinary committee to search for a new CFO. Once this position had been filled again, the committee was disbanded.

Compensation and share holdings

Substance and procedure for setting compensations

The Board of Directors resolves on compensation to be paid to the members of the Board and the Executive Committee.

Compensation to members of the Board in office

In the business year the sum total of all compensation paid to the members of the Board of Directors is CHF 479,200, the members of the Executive Committee were remunerated with a total of CHF 2,370,486.

Severance pay

No severance pay to former executive officers was agreed or paid in the year under review.

Share allocation and share holdings

In the business year 2002, no shares were allocated to the Board of Directors nor to the Executive Committee.

As at December 31, 2002, the executive member of the Board of Directors and the Executive Committee jointly held 9,319 shares of BELIMO Holding AG. The non-executive members of the Board of Directors held 78,429 shares of BELIMO Holding AG on the balance sheet date.

Options, additional fees and reimbursements, loans

Neither the Board of Directors nor the Executive Committee hold any options on shares of BELIMO Holding AG. No additional fees and reimbursements were paid to the members of the Board of Directors or the Executive Committee. No loans have been granted to the members of the above-named bodies.

Shareholders and investments

Legal status of shareholders

The shareholders of Swiss stock corporations have statutory concurrence and protective rights which are complemented by rights according to the Articles of Incorporation (see article 13 of the Articles of Incorporation of BELIMO Holding AG). Since the concurrence rights are exercised via the General Meeting of Shareholders, they all relate to it.

The rights of concurrence foresee:

- that the General Meeting is called according to the Swiss law of contract, among other things by single publication in the Swiss Trade Gazette and, for purposes of information, by written invitation to the registered shareholders,
- that the shareholders with voting rights representing together at least one tenth of the share capital may request that the Board of Directors call a General Meeting by stating the reason in writing,
- that shareholders with voting rights representing shares with a nominal value of at least CHF 1.0 million may request that an item be put on the agenda, up to 30 days prior to the date of the General Meeting,
- that those shareholders are entitled to vote at the General Meeting who were registered in the share register on the date the invitation was issued,
- that each shareholder may have his/her shares represented at the General Meeting by another shareholder with written power of attorney, in addition to the statutory, independent voting proxy,
- that in exercising voting rights, no shareholder may hold more than 10.0 percent of the total number of shares recorded in the share register by the combined number of his/her own and shares represented as proxy,
- that shareholders registered in the share register with more than 10.0 percent of voting shares are exempt from this limitation of voting rights insofar as they may represent at most the number of shares registered in their names (see article 13 of the Articles of Incorporation of BELIMO Holding AG).

Share price

The shares of BELIMO Holding AG are listed on the SWX Swiss Exchange. They are included in the SMI Swiss Market Index (security number: 150319).

Classes of shares and limited registration

All shares of BELIMO Holding AG are registered shares with a nominal value of CHF 20.00. Registration in the share register as a shareholder with voting rights is basically limited to 5.0 percent of the share capital. Shareholders who held more than 5.0 percent of shares before this provision was introduced, continue to be registered in the share ledger (see article 5 of the Articles of Incorporation of BELIMO Holding AG).

The number of registered shares is 650,000. No registrations are made in the share register 30 days prior to a General Meeting.

Opting out

BELIMO Holding AG does not take advantage of the possibility to opt out pursuant to article 22, section 2 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA) which in the event of a take-over would free a potential buyer of the obligation to make a public offer under articles 32 and 52 of the SESTA. The obligation to present an offer as described in article 32 SESTA applies in full to the shares of BELIMO Holding AG.

Change of control clause

There is no change of control clause.

Cross-investments

There are no cross-investment quotas in listed companies.

Major shareholders

The shareholders holding more than 5.0 percent of all voting rights are listed under item 2.3 «Major shareholders» (page 44) of the annual report.

Management agreements

There are no management agreements.

Auditors**Duration of the mandate and term of office of the managing auditor**

Ernst & Young AG, auditors, have taken over the audit mandate in 1995. The mandate manager Martin Schneider has acted in this function since then. The statutory auditors are elected by the General Meeting for one year.

Audit fee

The fee of Ernst & Young AG for services in the context of auditing the annual account amounted to CHF 0.3 million in the year under review.

Additional fees

The additional fees invoiced for consultancy amounted to CHF 0.9 million. A substantial part of these services had been entrusted to the former Arthur Anderson AG whose employees in Switzerland changed to Ernst & Young AG during the year 2002.

Information policy

Publications

BELIMO Holding AG publishes its half-year report and the comprehensive annual report in accordance with the guidelines of the Swiss GAAP FER. In addition, shareholders and the capital market are informed on topical changes and developments by means of media releases. As a company listed on the SWX Swiss Exchange, BELIMO Holding AG is, in particular, bound to the obligation to disclose price-sensitive facts (ad hoc publicity obligation). As a permanently available information platform, investors may also access the Belimo web site www.belimo.ch.

Dates

March 17, 2003	Balance sheet media conference and presentation to analysts
April 7, 2003	General Meeting of Shareholders
July 2003	Letter to shareholders, half-year results
January 2004	Publication of preliminary results of the business year 2003
March 22, 2004	Balance sheet media conference and presentation to analysts
April 26, 2004	General Meeting of Shareholders

Investor Relations

Our person in charge of investor relations will be pleased to answer any questions regarding the Belimo Group.

BELIMO Holding AG
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in CHF 1,000	2002	2001	2000	1999	1998
Gross sales	244,443	239,813	225,338	184,381	157,600
Net sales	237,884	229,094	213,938	176,368	151,536
Operating revenues in % of net sales	142,406 59.9%	139,360 60.8%	129,776 60.7%	113,278 64.2%	98,186 64.8%
Operating income in % of net sales	33,566 14.1%	32,778 14.3%	32,240 15.1%	27,349 15.5%	22,612 14.9%
Personnel expense in % of net sales	70,986 29.8%	66,459 29.0%	60,619 28.3%	52,818 30.0%	45,966 30.3%
Depreciation expense in % of net sales	6,654 2.8%	6,807 3.0%	6,970 3.3%	5,905 3.4%	5,081 3.4%
Net income in % of net sales	20,152 8.5%	23,178 10.1%	22,627 10.6%	18,951 10.7%	17,092 11.3%
Cash flow (defined as per Cash flow statement, page 26) in % of net sales	26,469 11.1%	33,119 14.5%	30,194 14.1%	25,035 14.2%	22,031 14.5%
Total assets	199,125	162,176	126,890	113,240	92,731
Non-current assets in % of total assets	89,706 45.1%	47,986 29.6%	24,977 19.7%	23,812 21.0%	22,737 24.5%
Current assets in % of total assets	109,419 54.9%	114,190 70.4%	101,913 80.3%	89,428 79.0%	69,994 75.5%
Shareholders' equity in % of total assets	98,231 49.3%	93,629 57.7%	80,009 63.1%	66,647 58.9%	54,996 59.3%
Long-term liabilities in % of total assets	73,187 36.8%	37,893 23.4%	20,759 16.4%	21,356 18.8%	20,401 22.0%
Current liabilities in % of total assets	27,707 13.9%	30,654 18.9%	26,122 20.6%	25,237 22.3%	17,334 18.7%
Cash, cash equivalents and marketable securities in % of total assets	27,606 13.9%	33,484 20.6%	27,593 21.7%	23,075 20.4%	24,259 26.2%
Dividends paid	11,002	10,312	9,622	8,311	11,050
Research and development in % of net sales	13,281 5.6%	13,811 6.0%	10,773 5.0%	10,884 6.2%	9,885 6.5%
Capital expenditures (gross)	49,018	29,835	8,572	7,029	4,840
Number of employees (average)	686	646	574	500	446
Gross sales per employee	347	355	373	353	340

The worldwide politico-economical situation with strong recessive traits and the geopolitical insecurity make it difficult to come up with reliable forecasts at the present time.

Belimo sticks to its growth strategy which has been successful so far, giving priority to earning capacity. With new actuators and innovative valve solutions, we shall continue to develop the strongly growing water range in 2003.

Optimism in the Americas. Belimo assumes that the general economic perspectives will continue with a downward trend, or will be flat, at best. We are, however, optimistic that we shall be able to grow together with our customer base in this region by offering new products. Our customers know that Belimo backs up its products. In particular the new, pressure-independent characterized control valve will set a new standard in the Americas. After presentations and field tests with our key customers we may expect this product to be equally successful as the simple characterized control valve introduced in 1999.

Varying perspectives in Europe. We will have to be prepared for very diverse market developments in Europe. While we expect stagnation in the large economies of Germany, France, and Great Britain in 2003, we also suppose that activities in the Northern and East-European countries will continue to develop positively. With new products and enhanced functions in the range of signal communication, we shall be able to strengthen our position in Europe.

Reinforcing distribution in Asia. Although we were able to show one of the highest growth rates of our industry in Asia in the year under review, it continues to be a substantial challenge to convert the initial success into sustainable customer relationships. In 2003, we shall therefore strengthen our distribution network in the existing markets and expand to further areas. Supplementing our product range with specific regional solutions will play an important part in this context. In the foreground of our efforts in Asia is the business with equipment for new plants. We see particular opportunities in Japan which is opening its markets more and more to foreigners.

Moderate growth. Overall, we expect moderate growth for our business activities. Additional opportunities may arise from cooperation agreements and acquisitions which we will enter into if they have a positive effect on Belimo's earning capacity. We expect improved processes from the new infrastructure in Switzerland and thus better availability of products at less cost.



Belimo is represented in more than 60 countries throughout the world.

Belimo Subsidiaries

BELIMO Actuators Ltd. (Hong Kong, People's Republic of China)
 BELIMO Actuators Pte Ltd. (Singapore)
 BELIMO Actuators Pty. Ltd. (Clayton South, Melbourne, Australia)
 BELIMO Aircontrols (CAN), Inc. (Mississauga, Canada)
 BELIMO Aircontrols (USA), Inc. (Danbury, United States of America)
 BELIMO Automation AG (Hinwil, Switzerland)
 BELIMO Automation Handelsgesellschaft m.b.H. (Vienna, Austria)
 BELIMO Automation UK Ltd. (Feltham, Great Britain)
 BELIMO Fensterlüftungssysteme AG (Hinwil, Switzerland)
 BELIMO Ibérica de Servomotores S.A. (Madrid, Spain)
 BELIMO Servomoteurs SARL (Courtry, France)
 BELIMO Silowniki S.A. (Warsaw, Poland)
 BELIMO Stellantriebe Vertriebs GmbH (Stuttgart, Germany)
 Lineg SA (Gland, Switzerland)

Belimo Representatives and Agencies

Argentina, Bahrain, Belgium, Bosnia-Herzegovina, Brazil, Bulgaria, Chile, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, Greece, Hungary, Iceland, India, Iran, Ireland, Israel, Italy, Japan, Jordan, Korea, Qatar, Kuwait, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Morocco, Mexico, Netherlands, New Zealand, Norway, Oman, People's Republic of China, Philippines, Portugal, Rumania, Russia, Saudi Arabia, Sweden, Slovakia, Slovenia, South Africa, Syria, Taiwan, Turkey, Ukraine, United Arab Emirates

Belimo Headquarters

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