

Outlook for 2002

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Meaningful and detailed statements on business developments for the entire year are difficult to make at the time of going to press. There are two reasons for this: On the one hand the decisive developments are largely confined to the period from early summer to late fall and, on the other, forecasts on sales development are all the harder to make because of the short-term nature of our operations where, as a rule, there are only a few weeks between receipt of an order and delivery.

In the wake of the marked slowdown of growth in the United States, the drivers of economic growth in major European economies almost came to a standstill in the past year. Experience has shown that this impacts unfavorably on private, corporate and public investment confidence.

In view of the lack of any stimulus in Europe, it would be rash to assume that sales will grow in the current year. We assume that developments will be comparable with the prior year, where sales increased in some countries and decreased in others. Should the adverse economic forecasts for major European countries prove correct, this will certainly impact on the Zehnder Group, since some four fifths of our sales are generated in Europe. Under this premise we would already consider it a *succès d'estime* if we could maintain the prior year's sales level.

Conversely, our overseas companies in the United States and in China showed a clear upward trend and we are optimistic that this will continue in 2002. However, despite this positive development, it must be pointed out that the sales currently achieved in the United States and China – though noteworthy – are still too low in relation to our other markets to effectively balance country risk. Nevertheless, we are convinced that the importance of our overseas markets will continue to grow steadily.

In geographic terms, the Zehnder Group's operations are already broadly based. As comparisons with our competitors show, this has had a positive effect. Consequently we shall continue our efforts to build up new markets and to continually enhance our position in markets where we are already well established.

In the current year, and despite the uncertain short-term prospects, we will continue to pursue our policy of updating our means of production and improving our processes. Substantial funds have been earmarked for all our production facilities. In terms of value, the largest investment will be the expansion of our production capacity in our joint-venture company in China.

Our project to renew our computer system group-wide is on schedule. After 18 months of planning and preliminary work, our fully integrated IT platform will be implemented in several group companies. The changeover will be completed by 2004. The project costs will again burden our income statement.

Assuming unfavorable volume and price developments, increased IT costs and a return to higher taxes, we consider it impossible to repeat the prior year's result.

We would like to point out that the expectations expressed in this report are based on assumptions. Such assumptions can later prove to have been incorrect and the final results could then differ substantially from the expectations.