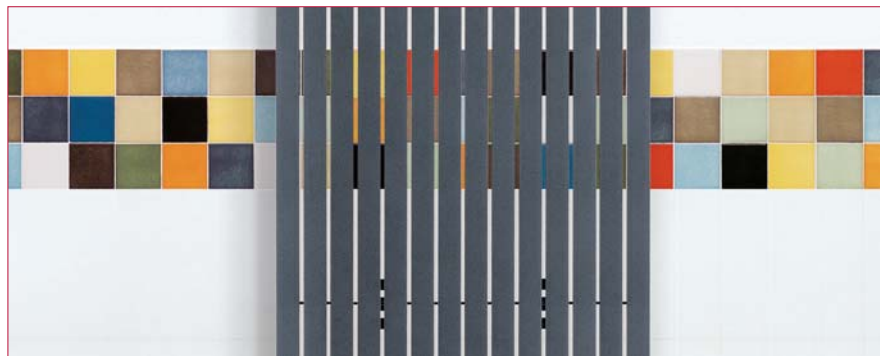


Outlook for 2007

Meaningful and detailed statements on business developments for the ongoing 2006 business 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 shipment.

In the past year the buoyant forces in most European economies strengthened further. This applies to almost all economies. However, forecasters anticipate somewhat lower growth rates in 2007 than in the prior year. At the same time the basic consumer mood has improved because the economic upswing helped to cut unemployment figures somewhat and public budget deficits have shrunk slightly thanks to higher tax income.



But it is not yet time for a general "all-clear". Many central political issues remain unsolved: Unemployment ratios are still far too high in many countries, the structural deficits of public budgets continue, as do uncertainties regarding the financing of old-age pensions because of long-term demographic change. Added to this there is the cost explosion in the health service and the continuing flood of legislation and regulation which severely curbs entrepreneurial freedom of action and, finally, there are fears about job security as a result of globalization.

Zehnder Group's sales and earnings development between 2004 and 2006 was influenced by both external and internal factors. The main external factors were cost increases for purchased goods and services. It is only necessary to call to mind the massive hike in the cost of steel in 2004 and in aluminum since the last quarter of 2005. But during this period other costs such as costs for paint, lacquer, energy and transport services also rose steeply because of higher oil prices. This broad-based surge in costs has made price increases necessary since such a steep rise cannot be compensated by internal measures alone.

At the same time we have consciously incurred expenses in certain sectors in order to assure the Group's competitiveness and growth in the long term. Thus, among other things, we consistently invested in opening up new markets, in the development of new products and technologies, in our organization and in IT systems.

Both internal and external factors led to increased costs. Despite this, it is very gratifying that in this period we have been able to maintain profits at a high level, thanks to the many strategic strengths of Zehnder Group. These include our broad geographic base. Zehnder Group has international operations and sells its products in numerous countries, though Europe is still the most important sales area by far.

Zehnder Group's products are suitable for new construction and for refurbishment purposes. They cover a wide range of installation options, be this in private housing, in commercial and industrial construction or in public building. Through building up our comfort ventilation business over the past few years we are now in a position to cover those requirements in residential and commercial construction that have developed from the trend towards highly insulated, airtight buildings. Given the current, widely discussed climate change issues, this trend should strengthen further.

In the current year, in order to further enhance and optimize its long-term competitiveness, Zehnder Group will continue its policy of continual improvements and targeted investment in products, markets, systems and plant, as well as in its organization and its employees. However, we anticipate lower expenditure in some sectors and the price surge for our most important raw materials seems to be slowing down. With the investments made so far, we expect sales and earnings development for comfort ventilation to speed up in the next few years. Our other product groups should also benefit from the positive business environment expected for 2007.

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 said expectations.
