

## Focus on China – an increasingly important market

*Before you've realized it, we are into the 3rd quarter of 2003. Yet it seems just like yesterday that we established the Asia operations five years ago. The past few months have been difficult and challenging for all of us in Asia, given the combination of the Iraq war and the SARS outbreak in China, Canada, Taiwan, Hong Kong, Vietnam, and Singapore, which has taken its toll on many industries and the economy as a whole. The good news is that we are still operating according to plan in spite of these difficult market conditions.*

*China is becoming an increasingly important market for us due to its growing energy demand – one of the fastest developing markets in the world and with new environmental mandates driving the industry. China's multi-billion dollar natural gas pipeline, stretching 4,200 km from Xinjiang to Shanghai is now under construction and will be a milestone*

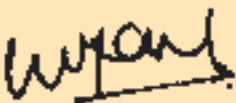
*in the nation's switch to gas when the entire line is connected by 2005 to carry 12 billion cu.m of natural gas a year. At present, natural gas makes up only 2 percent of the energy structure and the central government wants to raise consumption to 8 percent within five years. Gas should eventually satisfy 20 percent or more of China's energy needs.*

*The ELSTER-AMCO group has indeed played a major role in the rapid development of the natural gas market, supplying Gas measurement and control equipment and systems solutions to the transmission and distribution sector. Over the years, we have established ourselves as a reputable, leading supplier of high quality products, with a major market share in the residential and industrial segments. At the end of quarter 1, we were awarded the high profile West to East pipeline project for the supply of turbine metering skid packages for 15 locations along the eastern section of the major 4,200 km pipeline project. To win this project against major competitors was a success not to be taken for granted.*

*We believe the reasons for our success in China are chiefly our excellent team, high morale, technical competence, full support from top management, product managers and our close relationship with our customers. In addition, we were aided by the presence of two joint ventures, sales offices with the local service support, quick delivery times and technical superiority to meet market needs, not to mention our competitive prices.*

*We will continue our efforts to provide our Chinese customers with high-end measurement, control and data communication solutions. Top product quality and excellent local service will support the rapid growth of the country's natural gas sector.*

*Thank you for your dedication and support.*



Philip Lam  
Regional Director  
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