

Press Release 7/2008

Good business development overshadowed by nonrecurring expense

Gränichen, Switzerland, August 20, 2008 – For the first 6 months of 2008, Zehnder Group, with international operations in the indoor climate sector, reported a 5 percent sales increase to a total of EUR 219 million together with an improved operating margin. However, on account of a nonrecurring expense, the Group reported a net loss of EUR 9.2 million (first half of 2007: net income of EUR 11.3 million).

Zehnder Group successfully implemented various strategic measures in the first half of 2008 in order to focus on the higher quality niches in the steel radiator market and to further enhance its energy-efficient ventilation systems segment.

To this end its Italian production plant for aluminum radiators was divested and two companies acquired: the British Greenwood Air Management company and the Swiss Cesovent AG.

As a result, the total share of energy-efficient ventilation products was increased from 15 percent of total sales to almost 25 percent.

Very satisfactory internal growth

Development of the Group's realigned business operations was noticeably above expectations. Overall, the Group reported organic growth of 9 percent in the first six months of 2008. Compared to the prior year, the radiator division Europe¹ grew by 5 percent and the comfort ventilation division Europe by 14 percent; AsiaAmerica even reported 30 percent growth.

Internal growth in the first half of 2008 was particularly strong in Belgium, China, Russia, Poland, Austria and Switzerland. The very high growth in China is attributable to early deliveries because a stop was put on building activities in Peking during the Olympic games.

With the exception of Italy, sales in the Group's five largest markets (France, Germany, U.K., Italy and Switzerland) were higher than in the previous year.

On balance, changes in the consolidation matrix² hardly impacted on the reported sales development. However, exchange rate fluctuations – particularly the weaker GBP and USD against the EUR – slowed down sales development (- 2 percent).

¹ basis: radiator sales excluding sales from divested company (Faral SpA)

² first consolidation of Bisque Group (UK) – July 1, 2007; of Cesovent (CH) – January 1, 2008; of Greenwood (UK) – March 1, 2008.

Higher operating earnings before interest and taxes

Operating earnings before interest and taxes (EBIT before extraordinary nonrecurring expenses) rose by EUR 4.6 million to EUR 18.4 million. Thus the operating EBIT margin improved by 1.8 percentage points to 8.4 percent.

The main reasons were changes in the consolidation matrix as well as in the product mix, better capacity utilization, atypical seasonal effects and lower costs with regard to acquisitions.

Net loss because of a nonrecurring expense

As communicated in May 2008, the divestment of Faral SpA led to a nonrecurring charge of just under EUR 19 million, of which some 90 percent did not impact on liquidity.

The financial result for the first six months deteriorated. The noticeably higher expenses are attributable to exchange rate losses arising from the strong devaluation of GBP and USD.

A provision of EUR 1.8 million was made in connection with an ongoing tax audit in Italy.

Taking into consideration the nonrecurring expense, the Group reported its first net loss of EUR 9.2 million at June 30, 2008 (first 6 months of 2007: net income of EUR 11.3 million).

Consolidated key figures³ for the first half of 2008 (not audited)

May we point out that because of changes in the consolidation matrix as mentioned earlier, the following key figures are not fully comparable.

| in EUR million | first 6 months 2008 | first 6 months 2007 | change in % |
|---|------------------------|------------------------|----------------|
| Sales revenues, net | 219.2 | 209.3 | + 5 % |
| Total income | 221.6 | 222.0 | |
| Operating earnings before interest and taxes (EBIT) | 18.4 | 13.8 | + 33 % |
| <i>Operating EBIT margin</i> | <i>8.4 %</i> | <i>6.6%</i> | |
| Nonrecurring expenses | 18.9 | - | |
| EBIT after nonrecurring expenses | (0.5) | 13.8 | - 104 % |
| Financial result | (4.0) | 0.8 | |
| Income before taxes | (4.5) | 14.6 | |
| Net (loss) / income ⁴ | (9.2) | 11.3 | - 181 % |

³ in accordance with Swiss GAAP FER 12

⁴ including minority interests

| in EUR million | June 30, 2008 | Dec. 31, 2007 |
|---|----------------------|---------------|
| Current assets | 225.1 | 244.3 |
| Fixed assets | 126.1 | 129.4 |
| Current liabilities | 115.1 | 109.0 |
| Long-term liabilities | 94.5 | 63.4 |
| Equity capital (EQ) ⁵ | 141.6 | 201.3 |
| <i>EQ in percent of total assets</i> | 40% | 54% |
| Total assets | 351.2 | 373.7 |
| Share capital Zehnder Group AG (in CHF million) | 29.4 | 29.4 |
| Number of bearer shares (CHF 100 par value) | 243,900 | 243,900 |
| Number of registered shares (CHF 20 par value) | 247,500 | 247,500 |

Changes in major balance sheet items

Consolidated equity including minority interests fell by EUR 59.7 million to EUR 141.6 million. The main factors influencing consolidated equity are set out in the following, simplified consolidated statement of changes in equity:

| | |
|---|-------|
| equity capital (incl. minority interests) Dec. 31, 2007 | 201.3 |
| minus net loss first six months 2008 | -9.2 |
| minus dividends | -8.0 |
| minus netted goodwill | -44.4 |
| plus exchange rate differences | +1.9 |
| equity capital (incl. minority interests) June 30, 2008 | 141.6 |

With regard to netted goodwill, may we refer you to Zehnder Group's policy of netting acquired goodwill directly with equity (in accordance with Swiss GAAP FER). At June 30, 2008, the capital ratio (equity in percent of total assets) remained at a healthy 40 percent.

The acquisitions made in the first six months were financed with available liquid funds and bank loans. At mid-2008 Zehnder Group reported a net debt of EUR 17.5 million. At end 2007, the Group's net liquidity amounted to EUR 31.2 million.

Personnel matters

After more than twenty years in the service of Zehnder Group, Paul Aeschimann (member of the executive committee, finance and controlling) has decided to seek a new professional challenge. Paul Aeschimann will remain at the disposal of Zehnder Group in his current position until a successor has been identified.

⁵ including minority interests

Disclaimer

We would like to point out that because of the short-term nature of our business, seasonal and other factors could impact strongly on the result for the second half of the year. Thus the figures shown for the first six months are not a suitable basis for extrapolating the result for the entire year.

Moreover, we would like to point out that the forecast made in this report is based on assumptions and that the actual result for the second half can differ from the expectations expressed.

Company profile

Zehnder Group provides a healthy indoor climate.

Zehnder Group develops, manufactures and sells radiators and comfort ventilation systems. Its products are marketed under various well-established brands. Zehnder Group is a market leader in the sectors in which it is active.

Zehnder Group's main sales area is Europe. It also has operations in China and North America. Its products are manufactured in modern facilities in Europe and overseas. Zehnder Group has some 3,000 employees worldwide.

Its bearer shares (valor 235 293) are listed on the Swiss Exchange SWX. The unlisted registered shares are held by members of the Zehnder family and persons closely associated with them.

Zehnder Group – a synonym for a healthy and energy-efficient indoor climate®