

Press Release 2/2009

**Zehnder Group 2008:
Satisfactory organic growth – operating result at prior year level – lower net income**

Gränichen, Switzerland, 3 April 2009 – Zehnder Group, with international operations in the indoor climate sector (radiators and comfort ventilation), reached total sales of EUR 454 million in 2008, up 2 % on prior year. Both the radiator and the comfort ventilation segments increased their sales. Currency adjusted, organic sales growth reached a pleasing 7 %. Consolidated net income fell to EUR 2.8 million, primarily because of an extraordinary non-cash charge resulting from the sale of Faral. The payout ratio of 31 % is to be maintained, which corresponds to a dividend of CHF 4.30. Management expects a marked decline in sales in 2009.

In the reporting year three transactions were undertaken which underscore the consistent and successful implementation of the Group's strategy of focusing on high-end niches in the steel radiator market and on energy-efficient comfort ventilation. In the first six months Faral S.p.A., a manufacturer of cast aluminium radiators, was sold and two companies were acquired: Greenwood Air Management Ltd, a British company, and Cesovent AG, a Swiss company. Greenwood develops, manufactures and markets high-end ventilation equipment for residential and commercial properties, and Cesovent ventilation components for residential, commercial, and industrial use.

In the second half of the year a smaller production plant and a sales company were sold to an industrial purchaser. Both companies, domiciled in France, were active in the aluminium radiator market.

Sales up for radiators and comfort ventilation

In the second half of the year the clearly noticeable recessive trends also impacted on Zehnder Group, which makes the strong organic growth for the full year all the more encouraging. With the exception of the UK, Italy and Spain, the Group's core radiator business grew in all key markets even registering market share gains in some countries. Compared to the previous year, France and Germany, the Group's two most important markets, reported higher sales in 2008. The steep increases experienced in the cost of steel and energy could only partially be passed on via product prices.

The comfort ventilation segment (Comfosystems) again developed extremely well. Including acquisitions, the 100 million euro threshold was surpassed for the first time and the segment's market share in Europe increased further. Thus, energy-efficient ventilation systems accounted for almost one quarter of total Group sales.

Clear organic growth

Group-wide, currency adjusted, organic sales growth reached 7 % in the reporting year (10 % in the first six months). In the Radiators Europe segment sales revenues were up 5 %; for

comfort ventilation they rose by 17 %. In the AsiaAmerica region sales increased by some 9 %. In three of the Group's four main markets (France, Germany, Switzerland) sales were up year-on-year. Acquisition adjusted they were down marginally in the UK.

As a result of the divestment of the companies with operations in the markets for aluminium radiators sales were down some 9 %. This decline was partially compensated through the acquisition of Greenwood and Cesovent. The net sales result of these strategic transactions was a drop in sales of approximately 3 %.

The weaker GBP and USD in particular led to a drop in sales of some 2 %.

Extraordinary expenses negatively impacted net income

At EUR 33.7 million, operating EBIT almost reached the prior year's level (EUR 34.0 million), and resulted in an EBIT to sales ratio of 7.4 %. Due to a one-off, non-cash charge of just under EUR 19 million from the sale of the Faral company in Italy, net income fell significantly to EUR 2.8 million or 0.6 % of sales (2007: EUR 26.1 million).

Numerous innovation projects

The newly re-engineered Comfobox 5, a compact energy centre with heat pump, comfort ventilation and water heater, was launched in the Autumn. The development of a new flat and oval ventilation tube was completed at year end; with its unique features and as the centrepiece for air distribution it should do extremely well in the very attractive refurbishment market. Response to the Group's new combined radiator/ventilator unit was very promising in the Netherlands, which was selected as the test market.

The product range in the radiator segment was enhanced with an underfloor convector, and orders received so far for this product are already higher than originally anticipated. A further product was added to the range of radiant heating and cooling panels; its innovative use of new materials and design opens up new opportunities in the office and commercial premises sector.

In order to better leverage potential synergies between heating and ventilation, the construction of an innovation centre commenced at our headquarters in Gränichen, Switzerland.

Continuing high investments in fixed assets

In the reporting year investments in fixed assets totalled EUR 23.6 million, marginally higher than in 2007 (EUR 23.2 million). These investments focused on projects to increase productivity in the production processes. Investments were also made in the construction of an innovation centre at Group Headquarters in Switzerland which opens in 2009. All these investments were financed internally owing to the strong operating cash flow. At year end Zehnder Group had 2,990 employees (2007: 3,075).

Healthy capital ratio maintained

At end 2008 the balance sheet total amounted to EUR 354.0 million (2007: EUR 373.7 million). As the acquired goodwill was directly netted with equity, total equity dropped to EUR 152.6 million (2007: EUR 201.3 million). At the 43 % level, the capital ratio remains very healthy.

The majority of the acquisitions made were financed with loans, which increased interest-bearing loans to EUR 70.8 million (2007: EUR 23.9 million). Net financial debt totalled EUR 5.0 million (2007: EUR 31.2 million net liquidity).

Stable payout ratio

At the annual general meeting on 27 May 2009 the board of directors will propose that the company abides by its principle of applying an income-orientated dividend policy. As earnings per share dropped considerably, the dividend per bearer share – on the basis of a stable payout ratio of 31 % – will fall to CHF 4.30 (2007: CHF 45).

Personnel matters

As of 1 July, Peter Wiesendanger passed on executive responsibility as Head of the AsiaAmerica region to Stephen Grao. He was a Member of the Executive Committee from 1988 to 1997. In this function, and later as an Executive Member of the Board, he contributed substantially to building up the Group's Comfosystems segment and the AsiaAmerica region. As Deputy Chairman of the Board he will continue to serve Zehnder Group. Before joining the Group, Stephen Grao held various leading positions in international corporations.

Paul Aeschimann became a member of the Executive Committee in 1988. After 20 years as CFO, in which he made valuable contributions to the development of the company, he decided to seek a new professional challenge. Dominik Berchtold was appointed his successor as of 1 November 2008. He joined Zehnder Group in 2006 as Head of Business Development.

Outlook for 2009

Experience shows that Zehnder Group's business development is largely determined by sales development in the period from early summer to late autumn. Additionally, forecasts on sales development are all the harder to make because of the short-term nature of the Group's operations where, as a rule, there are only a few weeks between receipt of an order and shipment. Moreover, from today's perspective, the short- to medium-term prospects for the global economy are more uncertain than ever. According to all the information and forecasts currently available, the financial crisis will only impact fully on the real economy worldwide during the course of this business year.

Zehnder Group, too, will be affected by this adverse environment and is therefore preparing itself to weather an extremely difficult economic climate. Most of the Group's markets will probably decline noticeably in this year and next year. Consequently, management anticipates a clear drop in sales in 2009 to a level that, at the present time, is hard to predict.

For further information please contact:

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Next dates to note:

General meeting of shareholders:	27 May, 2009, in Suhr, Switzerland
Six-month results	21 August 2009
Announcement of sales for 2009	26 January 2010

This and other information is available on our website www.zehndergroup.com. This press release is available in German, French and English. The German version is binding.

Company profile

Zehnder Group provides a healthy indoor climate.

Zehnder Group develops, manufactures and sells radiators and comfort ventilation systems. The products are marketed under various well-established brands. Zehnder Group is a market leader in the sectors in which it is active. Its main sales area is Europe. Zehnder Group 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 SIX Swiss Exchange. 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®

Five-year Overview

		2008	2007	2006	2005	2004
Net Sales	EURm	454.1	444.4	427.4	383.9	374.6
- change from prior year	%	+2	+ 4	+11	+2	+3
EBIT ¹	EURm	33.7 ⁴	34.0	38.3	35.8	41.3
- change from prior year	%	-1	-11	+7	-13	+3
in % des Umsatzes	%	7.4	7.7	9.0	9.3	11.0
Net income ¹	EURm	2.8	26.1	29.9	28.1	30.5
- change from prior year	%	-89	-13	+6	-8	+7
- in % of sales	%	0.6	5.9	7.0	7.3	8.1
Net income before depreciation & amortisation ¹	EURm	39.8	48.3	54.5	48.5	50.3
- change from prior year	%	-18	-11	+12	-4	+3
- in % of sales	%	8.8	10.9	12.8	12.6	13.4
Investment in property plant & equipment	EURm	23.6	23.3	27.8	15.8	14.2
Depreciation & amortisation	EURm	18.8	22.2	24.6	20.4	19.8
Total assets	EURm	354.0	373.7	381.2	357.3	332.1
Total fixed assets	EURm	125.1	129.4	124.9	118.2	116.3
Shareholders' Equity, Dec. 31 ¹	EURm	152.6	201.3	214.2	203.0	177.6
in % of total assets		43	54	56	57	53
Employees at Dec. 31		2,990	3,075	2,950	2,500	2,529

Zehnder Group AG

Dividend payments ²	CHFm	1.3	13.2	14.7	13.5	14.7
Share capital	CHFm	29.3	29.3	29.3	29.3	29.3
Market capitalisation ³	CHFm	210.0	458.0	531.9	378.0	384.1

¹ including minority interest

² for 2008, as proposed by the board of directors

³ Market capitalisation of all bearer shares at year end; excluding value of unlisted registered shares

⁴ before loss from sale of subsidiaries