

## Press Release 3/2010

### Zehnder Group 2009: Record profit with moderate drop in sales

Gränichen, Switzerland, 30 March 2010 – Zehnder Group, with international operations in the indoor climate sector (radiators and ventilation systems), reached total sales of EUR 437 million in 2009, down 4 % on the prior year. The ventilation segment increased its sales noticeably and now accounts for more than 27 % of total Group sales. Sales of radiators declined. Organic and currency adjusted Group sales decreased by 3 %.

Operating EBIT before extraordinary expenses rose by 28 % to EUR 43.0 million. Consolidated net income reached a record EUR 33.4 million which corresponds to an EBIT margin of 9.9 %. With a net profit margin of 7.7 % Zehnder's 2009 result is again in line with those of earlier years, after 2008 was burdened by an extraordinary charge resulting from the sale of the Group's aluminium radiator business (Faral).

Apart from lower procurement prices, the noticeable higher profitability is primarily attributable to various operational and organizational measures implemented in 2008, which are now beginning to bear fruit. A clearly higher dividend of CHF 52.00 per bearer share will be proposed to the shareholders. For 2010 the Group executive committee expects a further, though moderate, decrease in sales.

### Second half of 2009 better than anticipated

After organic and currency adjusted sales in the first six months of 2009 were still 5 % below those of the prior year, the decline slowed in the second half to 3 %, primarily because of business development in November and December. All segments benefited from this stabilization.

In the reporting year, sales revenues from radiators in the amount of EUR 317.8 million were 8 % down on 2008 (organic and currency adjusted - 6 %). In Europe sales revenues only decreased marginally in the Group's two core markets, France and Germany. Conversely, there was a clear decline in Spain, the UK, Italy, and Russia. Price increases in various markets could not compensate for this development. Overall, however, Zehnder increased its market share further.

Sales in the ventilation business rose once again by a strong 10 % to EUR 118.7 million (organic and currency adjusted + 12 %). This corresponds to 27.2 % of total group-wide sales revenues. Heat recovery devices were the main contributor to this very satisfactory growth.

The European companies contributed EUR 397.7 million to total group sales; the USA region, where profitability improved, contributed EUR 23.5 million (- 6 %); and China EUR 15.3 million (- 3 %). Organic and currency adjusted the decline in these two regions amounted to 10 % each.

### **Clearly improved profitability**

EBIT before extraordinary expenses improved by 28 % to EUR 43.0 million, which is reflected in the very good operating margin of 9.9 % (2008: 7.4 %). With consolidated net income of EUR 33.4 million and a net profit margin of 7.7 % (2008: 0.6 %) the Group's results are again in line with those of earlier years, after the extraordinary charge in the prior year resulting from the sale of the Group's aluminium radiator business (Faral).

The noticeably improved profitability is partially the result of lower prices for steel and other important raw materials. But it is also attributable to the various organizational and operational measures implemented in the prior year to link the radiator and ventilation activities more closely. Examples of such measures are the merger of operating companies and the optimization of processes to increase productivity.

### **Continuing innovation thrust**

Comfobox 5, a compact energy centre with heat pump, ventilation and water heater, was launched in autumn 2008. Market reactions were very positive and Comfobox 5 fulfilled Zehnder's expectations for the first 12 months. The flat oval pipe serving as the centrepiece for air distribution was launched in 2009 and was extremely well received. There is lively demand for the Carboline radiant ceiling panel system for heating and cooling; it incorporates a new material and was introduced in various countries in 2009. The new towel radiators and the energy-efficient air filter devices in the "eco" range were also well received. The new Innovation Centre in Gränichen, Switzerland, opened on schedule in 2009. It will allow the development teams for radiators and for ventilation to work together more closely and thus to exploit synergies more effectively.

### **Further investments in tangible fixed assets**

Investments in tangible fixed assets were increased by 4 % to EUR 24.5 million and fully financed out of the cash flow from operating activities. The main focus was on process optimization and on the purchase of a new sales and administration property in Beijing.

At year end Zehnder Group had 2,867 employees (2008: 2,990).

### **Equity ratio again over 50 %**

At end 2009 the balance sheet total was practically unchanged at EUR 352.5 million (2008: EUR 354.0 million). Equity rose from EUR 152.6 million in 2008 to EUR 182.0 million; accordingly, the equity ratio was up from 43 % to 52 %.

Apart from self-financed investments, net debt in the amount of EUR 24.7 was repaid. Net liquidity at the end of the year totalled EUR 20.2 million (2008: EUR 5.0 million net financial debt).

### **Higher dividend**

In line with our established dividend policy of maintaining a payout ratio of roughly one third, the board will propose to the annual general meeting on 19 May 2010 that a substantially higher dividend of CHF 52 per bearer share be paid (2008: CHF 4.30).

### **Outlook for 2010**

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 not easy 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, the global economic prospects for the goods and services industry in

2010 are still very uncertain and, of course, the late cyclical nature of Zehnder Group's business operations must also be taken into account.

The decisive factor will be the time the Group's markets take to recover – from today's perspective this is difficult to estimate. Should the decline in sales continue to slow down further as in Q3 and Q4 of 2009, management anticipates a further though moderate decrease in sales in 2010.

#### **For further information**

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#### **Next dates to note:**

General meeting of shareholders 2010	19 May, 2010, 10.30 a.m., in Suhr, Switzerland
Six-month results 2010	20 August 2010
Announcement of sales in 2010	21 January 2011

This and other information is available on our website [www.zehndergroup.com](http://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 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. However, 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 2,900 employees worldwide.*

*Its bearer shares (valor 235 293) are listed on the Swiss Exchange SIX. 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**

		<b>2009</b>	2008	2007	2006	2005
Net sales	EUR m	<b>436.5</b>	454.1	444.4	427.4	383.9
change from prior year	%	<b>-4</b>	+2	+4	+11	+2
of which						
Radiators	EUR m	<b>317.8</b>	345.9	369.7	366.5	332.0
change from prior year	%	<b>-8</b>	-6	+1	+10	+1
Ventilation	EUR m	<b>118.7</b>	108.2	74.7	60.9	51.9
change from prior year	%	<b>+10</b>	+45	+23	+17	+10
EBIT	EUR m	<b>43.0</b>	33.7	34.0	38.3	35.8
change from prior year	%	<b>+28</b>	-1	-11	+7	-13
	in % of net sales	<b>9.9</b>	7.4	7.7	9.0	9.3
Net income	EUR m	<b>33.4</b>	2.8	26.1	29.9	28.1
change from prior year	%	<b>+1,093</b>	-89	-13	+6	-8
	in % net sales	<b>7.7</b>	0.6	5.9	7.0	7.3
Net income before depreciation & amortisation	EUR m	<b>51.9</b>	39.8	48.3	54.5	48.5
change from prior year	%	<b>+30</b>	-18	-11	+12	-4
	in % of net sales	<b>11.9</b>	8.8	10.9	12.8	12.6
Investments in property, plant & equipment	EUR m	<b>24.5</b>	23.6	23.3	27.8	15.8
Depreciation & amortisation	EUR m	<b>18.5</b>	18.8	22.2	24.6	20.4
Total assets	EUR m	<b>352.5</b>	354.0	373.7	381.2	357.3
Fixed assets	EUR m	<b>128.5</b>	125.1	129.4	124.9	118.2
Shareholders' equity at 31 Dec.	EUR m	<b>182.0</b>	152.6	201.3	214.2	203.0
	in % of total assets	<b>52</b>	43	54	56	57
Employees at 31 December		<b>2,867</b>	2,990	3,075	2,950	2,500
<b>Zehnder Group AG</b>						
Dividends paid	CHF m	<b>15.2</b>	1.3	13.2	14.7	13.5
Share capital	CHF m	<b>29.3</b>	29.3	29.3	29.3	29.3
Market capitalization	CHF m	<b>339.0</b>	210	458.0	531.9	378.0

<sup>1</sup> before gain/loss on sale of subsidiaries

<sup>2</sup> including minority interest

<sup>3</sup> for 2009, as proposed by the board of directors

<sup>4</sup> market value of all (listed) bearer shares at year end; excluding value of the unlisted registered shares