

Shareholder Information 2/2007

Gränichen/Zurich, April 20, 2007

Ladies and Gentlemen

It gives us great pleasure to present this summary of the 2006 business year.

For further details on business development and the financial situation of the company please refer to our enclosed annual report for 2006.

You will also find the annual report – and further interesting information – on our website at www.zehndergroup.com.

High sales growth in 2006

The gratifying economic development apparent in most European countries led to a positive business climate and a robust construction sector. This favorable environment together with a mild winter impacted positively on demand and resulted in board-based sales growth of 11 percent to EUR 427.4 million. With the exception of France, Zehnder's most important market, all countries contributed to this result. There was above average growth in Italy, the U.K., China, Switzerland, the Iberian Peninsula and Russia, but also in smaller markets such as Austria and Poland.

We were pleased to note that the sales revenues of our German sales organizations started increasing again. Over the past ten years they were adversely affected by a strong decline of the market. Conversely, sales development in the Netherlands was sluggish because sales of heat recovery and ventilation equipment slowed down temporarily as a result of media reports about poor installation of such equipment. The reports also affected our subsidiary, J.E. StorkAir, the leading European company for air management.

Four-fifth of the increase in sales in 2006 is attributable to volume growth and one-fifth to the first consolidation of acquired companies.

With the exception of electric radiators and heat recovery equipment, all product groups contributed to volume growth. The most significant increase in sales was for aluminum radiators and overhead heating and cooling systems.

Successful innovation

In 2006 Zehnder Group continued its policy of steady innovation. Our *Orféo* radiator aroused considerable interest; it was created by well-known designers and was awarded the *Janus 2006 de l'industrie* by the *Institut Français du Design*.

A newly developed heat recovery unit for residential housing was launched, as was a series of energy efficient ventilation units for commercial and industrial premises.

Higher investments

In the reporting year investments in fixed assets rose by EUR 12 million to EUR 27.8 million. This marked increase is attributable to construction projects in the United States and in Switzerland.

Additionally, the company had substantial outlays for the development of IT systems, products and technologies.

A cash flow from operating activities of EUR 49.7 million (2005: EUR 48.5 million) allowed us to fully finance all investments undertaken.

At year end Zehnder Group had 2,950 employees, of whom just under 9 percent work in Switzerland.

Good capacity utilization

Higher volumes led to noticeably improved capacity utilization, which impacted positively on earnings development. Given the mild winter, capacity utilization was clearly above the average for the past few years.

However, the markedly higher aluminum prices curbed earnings development because, in a highly competitive environment, these higher costs can not be fully offset through increased sales prices and any increases only take effect after a certain time lag. Given the unsatisfactory profitability, an impairment adjustment in this business sector was recognized in 2006.

Earnings before interest and taxes (EBIT) rose by 7 percent to EUR 38.3 million, which corresponds to a margin of 9 percent (2005: 9.3 percent). Consolidated net income ¹ amounted to EUR 29.9 million (2005: EUR 28.1 million), the second best result in Zehnder Group's history. Thus net income was well above the mid-year forecast, in which a decline had been anticipated.

Earnings per share ² for Zehnder Group shareholders rose from EUR 95 to EUR 102 (+ 7 percent).

Despite the lower margin and in view of the turbulences in the raw materials markets and the outlays for various projects, management is satisfied with the results for 2006.

Very healthy balance sheet

The balance sheet total increased to CHF 381.2 million (2005: EUR 357.3 million). Equity ³ rose to EUR 214.2 million (2005: EUR 203 million), which gives us a very comfortable capital ratio of 56 percent.

There is no capitalized goodwill because it is netted with equity when it occurs.

The interest-bearing loans including financial leasing liabilities totaled EUR 25.2 million and liquid assets amounted to EUR 92.6 million. Thus, at year end, the group's net liquidity of EUR 67.4 million remained virtually unchanged. Management intends to use these resources for acquisitions – though always abiding by the clearly defined, stringent acquisition criteria.

Stable capital structure

Share capital remains at an unchanged CHF 29.34 million, made up of 243,900 bearer shares (CHF 100 par value) and 247,500 registered shares (CHF 20 par value). The bearer shares are listed on the Swiss Exchange (SWX) and account for roughly 83 percent of the Group's capital.

The unlisted registered shares are held by members of the Zehnder family and persons closely associated with them.

¹ including minority interest

² excluding minority interest

³ in accordance with Swiss GAAP FER; including third-party interest

Increased dividend – reelection to the board

On the basis of earnings per share of EUR 102, the board of directors will propose to the general meeting of shareholders that the dividend be increased by CHF 4 to CHF 50 per share. This corresponds to an unchanged payout ratio of 31 percent. Thus Zehnder Group is continuing its long-established profit-oriented dividend policy with a stable payout ratio.

At the coming general meeting of shareholders, the term of office as a member of the board of directors expires for Paul Meier. Paul Meier is available for reelection for a further term.

Outlook for 2007

We are pleased to be able to state that, just before the end of 2006, the employee representatives and the trade unions at our French plant in Vaux signed the agreement proposed over two years earlier. Hence the restructuring measures (approx. 80 redundancies) can finally be implemented. The agreement also allows greater flexibility in assignment of personnel.

Within the scope of its strategy, Zehnder Group acquired a majority holding in the Swedish company Freshman AB. The company produces air filters and air cleaning equipment, has 20 employees and reported sales of just under EUR 5 million in 2006.

Experience shows that our business development is decisively determined by sales development in the period from early summer to the beginning of winter. In view of the short-term nature of our business (very low order backlog; the period between order intake and order shipment is usually less than three weeks) it is difficult at this point in time to make any meaningful statements on business development.

Although economic forecasters anticipate that the economy overall will slow down somewhat, management is assuming that the lively activity in the construction sector will continue in 2007. With this assumption management expects sales to increase by 5-7 percent.

Next date to note: May 30, 2007

We look forward to welcoming you to the general meeting of shareholders on May 30, 2007, at Zentrum Bärenmatte in Suhr, Switzerland. The meeting will commence at 17.15.

Enclosure: Five-year overview

For further information please contact

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This and other information is available on our website www.zehndergroup.com. We're looking forward to your visit.

This summary 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 more than 2,900 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 beautiful heat and comfort[®]

Five-year Overview

		2006	2005	2004	2003	2002
Net Sales	EURm	427.4	383.9	374.6	362.6	332.4
- change from prior year	%	+ 11	+ 2	+ 3	+ 9	+ 2
EBIT	EURm	38.2	35.8	41.3	40.0	34.9
- change from prior year	%	+ 7	- 13	+ 3	+ 15	- 7
- in % of sales	%	9.0	9.3	11.0	11.0	10.5
Net income ¹	EURm	29.9	28.1	30.5	28.6	23.5
- change from prior year	%	+ 6	- 8	+ 7	+ 22	- 17
- in % of net sales	%	7.0	7.3	8.1	7.9	6.7
- per share ²	EUR	102	95	104	95	76
- payout ratio	%	31	31	31	31	31
Cash Flow ¹	EURm	54.5	48.5	50.3	48.7	43.7
- change from prior year	%	+ 12	- 4	+ 3	+ 11	- 11
- in % of net sales	%	12.8	12.6	13.4	13.4	12.7
- per share ²	EUR	183	163	169	161	143
Investments in property, plant & equipment	EURm	27.8	15.8	14.2	31.5	25.3
Total assets	EURm	381.2	357.3	332.1	332.7	325.5
Net liquidity/(Net debt)	EURm	67.4	65.9	38.4	23.4	17.0
Shareholders' Equity ¹ at December 31	EURm	214.2	203.0	177.6	158.7	143.4
- in % of total assets	%	56	57	53	48	44
- per share ²	EUR	702	663	581	511	457
Employees at December 31		2,950	2,500	2,529	2,543	2,526

Zehnder Group AG		2006	2005	2004	2003	2002
Share capital	CHFm	29.3	29.3	29.3	29.3	29.3
Dividend per share ³	CHF	50	46	50	44	33
Market capitalisation ⁴	CHFm	531.9	378.0	384.1	243.9	176.8

¹ including minority interest

² exclusive minority interest

³ gross, per bearer share or per 5 registered shares
for 2006, as proposed by the board of directors

⁴ Market capitalisation of all bearer shares at year end; excluding value of unlisted registered shares

The Group's reporting currency was changed from Swiss Francs to Euro as at 1.1.2003. The 2002 figures in Euros are intended for comparison purposes only.