

Press Release 2/2013

Zehnder Group 2012: On track but with strong headwinds

Gränichen/Switzerland, 22 March 2013 – Zehnder Group, which operates internationally in the indoor climate sector (radiators and ventilation), reported a 2% increase in sales for the 2012 business year to EUR 523.8 million. Organically and foreign exchange adjusted, sales revenues remained the same as in 2011. Growth in the ventilation business (+4%) was once again higher than in the radiator segment (+0%), with ventilation accounting for 33% of Group sales (2011: 32%).

In line with the strategy there was an increase in investments in innovation, market development and process optimization. In addition, the strong Swiss franc put additional strain on the accounts. As a result, at EUR 38.5 million or 7.3% of sales, the operating EBIT was 25% lower than in 2011. Net income decreased by 35% to EUR 26.8 million. The Board of Directors is proposing to the Annual General Meeting of Shareholders a dividend of CHF 0.90 per bearer share.

The Group Executive Committee expects stable sales for the radiator segment in Europe in 2013. A mid-single-digit earnings growth is expected for the ventilation business in Europe. A comparable level of growth is anticipated in the North American and Chinese markets. The EBIT margin in 2013 is likely to at least reach the 2012 level.

Development better than the market

In 2012 Zehnder Group generated sales of EUR 523.8 million, a very creditable performance in the current markets. After a slowdown in business activity in the second half of the year, sales growth was at 2%, significantly lower than expected a year ago.

In Europe, sales increased from EUR 461.1 million to EUR 469.3 million (+2%, organically and foreign exchange adjusted +1%). Sales in North America rose from EUR 27.8 million to EUR 29.4 million (+6%, foreign exchange adjusted -2%). In China, however, sales decreased from EUR 26.5 million to EUR 25.1 million (-5%, foreign exchange adjusted -14%).

Radiator segment at last year's level

With EUR 349.4 million, radiator sales remained at the previous year's level of EUR 348.2 million (+0%, organically and foreign exchange adjusted -2%). EUR 304.6 million of this amount related to Europe (-1%, organically and foreign exchange adjusted -2%). While sales increased in France, the UK and Russia, they decreased in Germany, Italy and Spain. Further growth was achieved in the radiant heating and cooling system business. Growth in Germany, France, Italy and the UK compensated for the declines in Switzerland, Poland and Ireland.

Further growth of the ventilation business

As in previous years, sales in the ventilation segment rose compared with 2011 in spite of slower growth for this segment in Europe. Although sales in Germany, Belgium, the UK, Italy and France were up sharply, Zehnder Group failed to reach the previous year's levels in Switzerland and the Netherlands. Sales in the clean air sector on the other hand increased significantly, with almost all countries contributing to this success.

With 33.3% of sales or EUR 174.3 million (2011: EUR 167.1 million), ventilation systems' share of Group revenues increased in 2012 to a level of one third (+4%, foreign exchange adjusted +3%). EUR 164.7 million of this amount related to Europe (+7%, foreign exchange adjusted +6%).

On course for implementation of strategic goals

The strategic initiatives energiZe and kaizen, which were launched in 2008 and 2012, aim to achieve a concentration of competence within the Group. In line with the strategy there was an increase in investments in innovation, market development and process optimization. Zehnder is making investments now to reap the benefits in the medium term. The implementation of the strategic initiatives will be continued in 2013, despite the difficult economic environment.

Operating profit

The slower sales growth, the larger volume invested in the implementation of the strategic projects and the influence of the strong Swiss franc lead to a decrease of sales. As a result, at EUR 38.5 million, operating profit (EBIT) was down 25% on 2011 (EUR 51.1 million). This resulted in a correspondingly lower operating margin of 7.3% (2011: 9.9%).

Net income went down by 35%, from EUR 41.1 million to EUR 26.8 million, decreasing the margin from 8.0% to 5.1% year-on-year. The lower financial result as well as the increased tax ratio due to the geographic distribution of the Group result contributed to the decrease.

Higher investments in property, plant & equipment

At EUR 37.3 million, Zehnder Group's 2012 investments in tangible fixed assets amounted to 7% sales, and was 7% more than in 2011. The focus of these investments was on the expansion and optimization of production capacities in the core countries France, Germany, the Netherlands and Switzerland. Furthermore, a production and development facility is currently under construction in Dachang, China. The relocation of production away from Beijing to Dachang, 40 kilometres away, is expected to be completed by autumn 2013. Further substantial investments are planned for the 2013 business year as well.

Solid balance sheet with higher equity ratio

At end 2012, total assets amounted to EUR 407.3 million (2011: EUR 406.0 million). At EUR 247.6 million (2011: EUR 239.7 million), capital was up 3% on the previous year. The capital ratio was thus strengthened an additional two percentage points to 61%. Net liquidity decreased from EUR 31.9 million to EUR 26.3 million.

Stable dividend payout ratio at 32%

In line with the long-term policy of distributing around one third of the consolidated net income, the Board of Directors is proposing to the Annual General Meeting of Shareholders a dividend of CHF 0.90 per bearer share. This equates to a dividend payout ratio of 32%.

Personnel matters

At the Annual General Meeting of Shareholders to be held on 23 April 2013, Peter Wiesendanger will retire from the Board of Directors for reasons of age. He has been a member of the Board since 1988. The Board of Directors thanks Peter Wiesendanger for his long and highly appreciated collaboration.

Urs Buchman's three-year term as a member of the Board of Directors will end on the occasion of the forthcoming Annual General Meeting of Shareholders. Urs Buchmann will be standing for re-election to the Board.

The Board of Directors proposes to the Annual General Meeting of Shareholders the election of Riet Cadonau as Board member. Riet Cadonau – born in 1961, a Swiss national, Master's degree in economics and business administration from the University of Zurich, Switzerland, and Advanced Management Program at INSEAD in France – is CEO of the Kaba Group and has many years of comprehensive experience in the industry.

Solid grounds for cautious optimism

The Group Executive Committee expects stable sales for the radiator segment in Europe in 2013. The critical factors are the economic trend going forward and construction activity in our markets. Despite uncertain developments in the new buildings sector, the management expects that the ventilation business in Europe will continue to grow at mid-single-digit rates, thanks to greater market penetration. A comparable level of growth is also anticipated in the North American and Chinese markets.

Long-term strategic projects will continue to be a top priority. The EBIT margin in 2013 is likely to reach at least the 2012 level.

Compared to 2012, investments in property, plant and equipment to implement the key projects that are planned will be stepped up in 2013.

Appendix: Five-year Overview 2008-2012

Next dates to note

| | |
|---|------------------------------------|
| Annual General Meeting of Shareholders 2013 | 23 April 2013 in Suhr, Switzerland |
| Six-month results 2013 | 16 August 2013 |
| Investor's day | 16 August 2013 |
| Announcement of sales for 2013 | 17 January 2014 |

For more information

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You can find this information about Zehnder Group and more at www.zehndergroup.com.
This press release is published in German, French and English. The German version is binding.

Company profile

Zehnder Group focuses on providing 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 figures among the market leaders in the sectors in which it is active.

Its main sales area is Europe. Additionally, Zehnder Group has operations in China and North America. Its products are manufactured in modern facilities in Europe and overseas. Zehnder Group has some 3,100 employees worldwide.

Its bearer shares (valor 13 255 733) 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 – always around you

Annex to Press Release 2/2013

Five-year Overview

| | | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-------------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | EUR million | 523.8 | 515.4 | 475.9 | 436.5 | 454.1 |
| change from prior year | % | 1.6 | 8.3 | 9.0 | -3.9 | 2.2 |
| of which Radiators | EUR million | 349.4 | 348.2 | 335.1 | 317.8 | 345.9 |
| change from prior year | % | 0.3 | 3.9 | 5.4 | -8.1 | -6.4 |
| of which Ventilation | EUR million | 174.3 | 167.1 | 140.8 | 118.7 | 108.2 |
| change from prior year | % | 4.3 | 18.7 | 18.7 | 9.7 | 44.8 |
| EBIT^[1] | EUR million | 38.5 | 51.1 | 50.4 | 43.0 | 33.7 |
| change from prior year | % | -24.7 | 1.3 | 17.3 | 27.6 | -0.9 |
| | % of net sales | 7.3 | 9.9 | 10.6 | 9.9 | 7.4 |
| Net income^[2] | EUR million | 26.8 | 41.1 | 38.2 | 33.4 | 2.8 |
| change from prior year | % | -34.7 | 7.4 | 14.5 | 1,092.9 | -89.3 |
| | % of net sales | 5.1 | 8.0 | 8.0 | 7.7 | 0.6 |
| Net income before depreciation & amortization^[2] | EUR million | 45.1 | 58.9 | 55.8 | 51.9 | 39.8 |
| change from prior year | % | -23.4 | 5.4 | 7.6 | 30.4 | -17.6 |
| | % of net sales | 8.6 | 11.4 | 11.7 | 11.9 | 8.8 |
| Investments in property, plant & equipment | EUR million | 37.3 | 34.9 | 20.0 | 24.5 | 23.6 |
| Depreciation & amortization | EUR million | 18.2 | 17.8 | 17.6 | 18.5 | 18.8 |
| Total assets | EUR million | 407.3 | 406.0 | 378.4 | 352.5 | 354.0 |
| Fixed assets | EUR million | 177.7 | 160.1 | 141.4 | 128.5 | 125.1 |
| Shareholders' equity at 31 December^[2] | EUR million | 247.6 | 239.7 | 217.4 | 182.0 | 152.6 |
| | % of total assets | 60.8 | 59.0 | 57.5 | 51.6 | 43.1 |
| Employees at 31 December | | 3,135 | 3,094 | 2,945 | 2,867 | 2,990 |
| Zehnder Group AG | | | | | | |
| Dividends ^[3] | CHF million | 10.6 | 2.3 | 7.3 | 15.2 | 1.3 |
| Nominal value repayment ^[3] | CHF million | - | 14.1 | 14.7 | - | - |
| Share capital | CHF million | 0.6 | 14.7 | 29.3 | 29.3 | 29.3 |
| Market capitalization ^[4] | CHF million | 429.3 | 501.0 | 553.7 | 339.0 | 210.0 |
| Total market capitalization ^[5] | CHF million | 516.4 | 602.6 | 666.0 | 407.8 | 252.1 |

^[1] before gain/loss on sale of subsidiaries

^[2] including minority interests

^[3] for 2012 as proposed by the Board of Directors

^[4] market value of all listed bearer shares at year end; excluding value of unlisted registered shares

^[5] bearer and registered shares; registered shares recognized at 1/5 of the bearer share price at 31 December