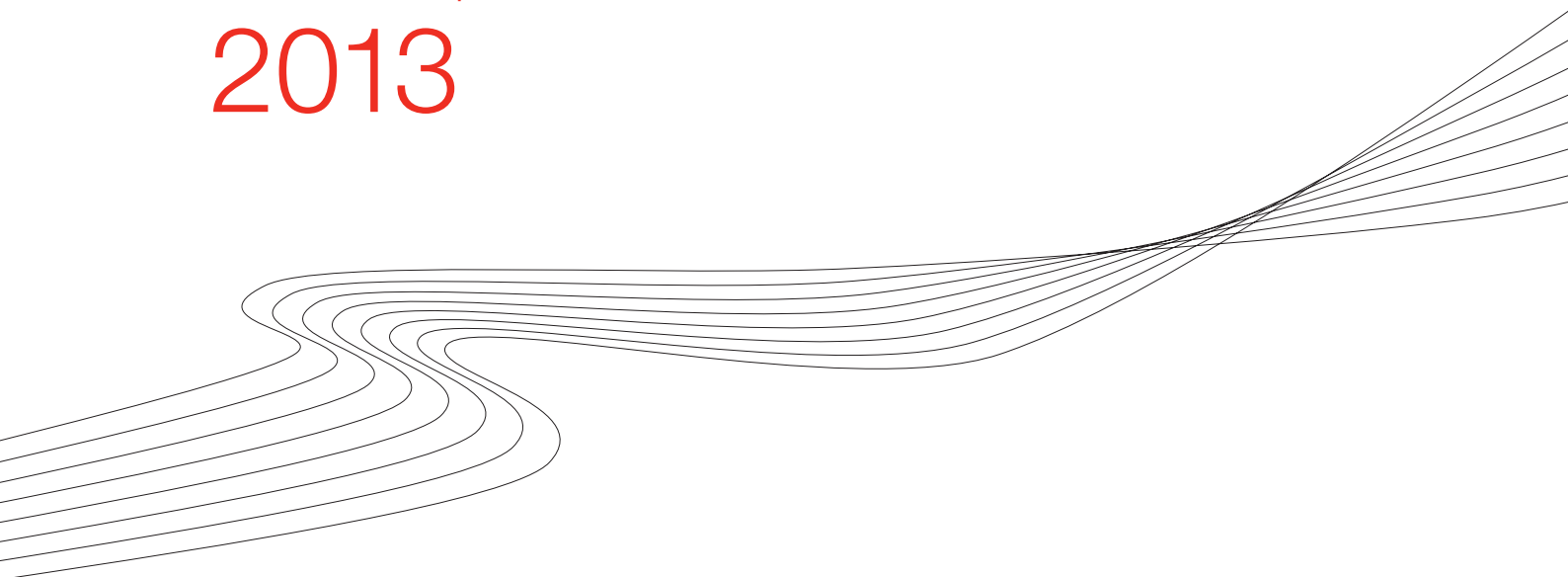


Six-month Report

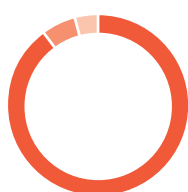
2013



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## Sales by region

EUR million



■ Europe: 217.7 (89.9%)  
 ■ North America: 14.5 (6.0%)  
 ■ China: 9.9 (4.1%)

## Sales by segment

EUR million



■ Radiators: 156.8 (64.8%)  
 ■ Ventilation: 85.3 (35.2%)

## Key figures

		2013 1 Jan. – 30 June	2012 1 Jan. – 30 June	%
<b>Net sales</b>	EUR million	<b>242.1</b>	<b>250.4</b>	<b>–3.3</b>
<b>EBIT</b>	EUR million	<b>6.0</b>	<b>20.0</b>	<b>–70.1</b>
	% of sales	2.5	8.0	
<b>Net income <sup>[1]</sup></b>	EUR million	<b>0.1</b>	<b>15.9</b>	<b>–99.4</b>
	% of sales	–	6.4	
<b>Net income before depreciation &amp; amortization <sup>[1]</sup></b>	EUR million	<b>10.0</b>	<b>25.6</b>	<b>–61.1</b>
	% of sales	4.1	10.2	
<b>Investments in property, plant &amp; equipment</b>	EUR million	<b>17.6</b>	<b>14.9</b>	<b>18.3</b>
<b>Depreciation &amp; amortization</b>	EUR million	<b>9.9</b>	<b>9.7</b>	<b>1.7</b>
<b>Total assets</b>	EUR million	<b>425.1</b>	<b>425.9</b>	<b>–0.2</b>
<b>Total fixed assets</b>	EUR million	<b>183.9</b>	<b>166.6</b>	<b>10.3</b>
<b>Shareholders' equity <sup>[1]</sup></b>	EUR million	<b>239.8</b>	<b>250.8</b>	<b>–4.4</b>
	% of total assets	56.4	58.9	
<b>Number of employees</b>	30 June	<b>3,233</b>	<b>3,375</b>	<b>–4.2</b>
<b>Zehnder Group AG</b>				
Share capital	CHF million	0.6	14.7	–96.0
Bearer shares (CHF 0.05 par value)	Number	9,756,000	9,756,000	–
Registered shares (not listed; CHF 0.01 par value)	Number	9,900,000	9,900,000	–

[1] including minority interests

# Disappointing first half of the year

In the first six months of 2013, Zehnder Group, which operates internationally in the indoor climate sector (radiators and ventilation), generated slightly lower year-on-year sales of EUR 242.1 million (–3 %), an operating result (EBIT) of EUR 6.0 million (first half of 2012: EUR 20.0 million) and a net income of EUR 0.1 million (first half of 2012: EUR 15.9 million). Earnings sagged primarily because of the decline in sales and higher expenditure in connection with strategic projects. Zehnder Group expects full-year sales to reach a similar level to that of 2012 and operating profit to fall short of the previous year's figure due to increased costs.

## Slight decline in sales

Group-wide sales in the first half of 2013 amounted to EUR 242.1 million, a 3 % decline (adjusted for currency effects –3 %) compared to the first half of 2012 (EUR 250.4 million). Sales revenues in Europe, Zehnder Group's major region, fell by 5 % (adjusted for currency effects –4 %) in the radiator segment and by 2 % in the ventilation segment (adjusted for currency effects –1 %).

In the important European markets of France and the United Kingdom, sales enjoyed pleasing growth. The long winter and poor weather in the spring delayed many construction projects particularly in Germany and Switzerland. In Germany, the new logistics centre in Lahr became operational in April and the related changes initially led to significant delivery delays, which impacted sales. The Netherlands, Italy and Spain continued to suffer from a persistently weak construction and investment activity.

North America enjoyed sales growth of 5 % (+6 % adjusted for currency effects), driven mainly by private residential construction in the spring while infrastructure-related demand from the public sector remained slack. Government measures aimed at cooling the Chinese real estate market put pressure on demand, resulting in sales in China dropping 3 % in the first half of the year (adjusted for currency effects –3 %).

The heating segment's and ventilation segment's share of Group-wide sales remained stable at 65 % and 35 % respectively.

## High expenditure for the implementation of strategic projects

A decline in sales and high expenditure in connection with the realisation of strategic projects in the first six months of 2013 led to a significant fall in the operating result (EBIT) to EUR 6.0 million (first half of 2012: EUR 20.0 million). This resulted in the EBIT margin dropping to 2.5 % (8.0 % in 2012).

The Group-wide introduction of the SAP IT platform and the start of operation at the new logistics centre in Lahr (Germany) resulted in significantly higher expenditure compared with the previous year. Systems at the distribution centre are now running smoothly.

In addition, Zehnder Group continued to invest in research and development (EUR 6.3 million, +6 %) throughout the reporting period to secure and expand its market position. Several new products are set to be introduced to the market in the second half of the year, including the launch of a compact ventilation system on the Swiss market.

Investments in tangible fixed assets during the reporting period increased 18 % to EUR 17.6 million (first half of 2012: EUR 14.9 million). Much of this investment flowed into the new logistics centre in Lahr (Germany) as well as the new product development and manufacturing facility in Dachang (China), which will become fully operational in the autumn of 2013.

To strengthen its position in a new and promising ventilation technology, Zehnder Group increased its share in the Canadian company dPoint Technologies Inc. from previously 26 % to now 31 %.

### **Negative financial result – financial situation remains stable**

The negative financial result of EUR 1.8 million (first half of 2012: EUR + 1.0 million) is primarily attributable to foreign exchange losses. The disproportionately high tax expenses were due to the geographical distribution of the results. As a consequence, net income only just exceeded the break-even level with EUR 0.1 million compared with EUR 15.9 million in the first half of 2012.

Net liquidity fell from EUR 26.3 million at the end of 2012 to EUR 13.4 million. With a still high equity ratio of 56 % (end of 2012: 61 %), Zehnder Group remains very solidly funded.

### **Larger workforce**

At the end of June 2013, Zehnder Group had 3,233 employees, 3 % more than at the end of 2012. This development is primarily attributable to temporary personnel hired in order to cope with the Group's mid-year seasonal increase in production workload. In addition, Zehnder hired new employees in Europe to reinforce the areas of research and development, logistics, IT and services.

### **Continued high expenditure in the second half of the year**

In the past, sales were strongest in the third and fourth quarters. The critical factors are the economic trend going forward and construction activity. A higher order intake than during the same period of the previous year indicates that construction projects delayed by winter weather and delivery delays will in part be realised in the second half of the year.

The Group executive committee expects slightly lower sales overall in the radiator segment in 2013 compared with the previous year, whereas the ventilation segment is expected to exceed last year's level. North America and China are expected to enjoy slight growth in the second half of this year. Zehnder Group expects full-year sales to be in the same range as in 2012.

The ongoing investments in innovation, sales and IT will continue and additional measures aimed at increasing revenue and reducing costs have already been introduced. Earnings from operating activities are expected to be significantly lower than in 2012. There will be a positive effect from the sale of real estate in China. Overall, Zehnder Group is expecting full-year operating profit for 2013 to fall short of the previous year's level.

# Consolidated Balance Sheet

EUR million	2013 30 June	2012 31 December	2012 30 June
<b>Assets</b>			
Liquid assets	55.0	53.5	60.0
Trade accounts receivable	91.6	86.5	99.0
Other receivables	10.7	13.9	17.5
Inventories	72.9	68.5	76.8
Prepayments	6.2	4.0	1.7
Accrued income	5.0	3.1	4.3
<b>Total current assets</b>	<b>241.3</b>	<b>229.6</b>	<b>259.2</b>
Fixed assets	176.8	170.3	159.1
Financial assets	3.9	4.1	4.4
Intangible assets	3.1	3.3	3.1
<b>Total fixed assets</b>	<b>183.9</b>	<b>177.7</b>	<b>166.6</b>
<b>Total assets</b>	<b>425.1</b>	<b>407.3</b>	<b>425.9</b>
<b>Liabilities &amp; shareholders' equity</b>			
Loans	28.5	14.0	2.1
Trade accounts payable	31.2	28.0	34.0
Other liabilities	44.9	43.1	35.1
Provisions	5.2	4.7	6.7
Accruals and deferred income	32.9	26.1	23.5
<b>Current liabilities</b>	<b>142.7</b>	<b>115.9</b>	<b>101.4</b>
Loans	13.2	13.2	40.7
Other liabilities	0.3	0.3	0.7
Provisions	29.1	30.3	32.3
<b>Long-term liabilities</b>	<b>42.6</b>	<b>43.8</b>	<b>73.7</b>
<b>Total liabilities</b>	<b>185.4</b>	<b>159.7</b>	<b>175.1</b>
Share capital	0.4	0.4	10.1
Capital reserves	33.6	33.6	33.6
Own shares	-1.3	-2.6	-1.3
Retained earnings	202.4	211.5	200.0
Accumulated FX differences	-5.1	-4.8	-1.6
Minority interests	9.8	9.5	10.0
<b>Total equity</b>	<b>239.8</b>	<b>247.6</b>	<b>250.8</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>425.1</b>	<b>407.3</b>	<b>425.9</b>

# Consolidated Income Statement

EUR million	2013 1 Jan. –30 June	2012 1 Jan. –30 June	%
<b>Sales revenues net</b>	<b>242.1</b>	<b>250.4</b>	<b>-3.3</b>
Changes in inventories	1.4	1.3	
Internal additions to plant and equipment	0.1	0.4	
Other income	2.3	3.7	
<b>Total income</b>	<b>246.0</b>	<b>255.9</b>	<b>-3.8</b>
Cost of materials	-84.4	-87.1	
Personnel costs	-85.4	-82.7	
Depreciation of fixed assets	-9.4	-9.2	
Amortization of intangible assets	-0.5	-0.5	
Other operating expenses	-60.3	-56.3	
<b>Earnings before interest and taxes (EBIT)</b>	<b>6.0</b>	<b>20.0</b>	<b>-70.1</b>
Result from associated companies	-0.1	-	
Financial result	-1.8	1.0	
<b>Earnings before taxes</b>	<b>4.1</b>	<b>21.0</b>	<b>-80.3</b>
Income taxes	-4.0	-5.1	
<b>Net income</b>	<b>0.1</b>	<b>15.9</b>	<b>-99.4</b>
Minority interests	-0.2	-0.1	
Net income excluding minority interests	0.3	16.0	

# Consolidated Cash Flow Statement

EUR million	2013 1 Jan. – 30 June	2012 1 Jan. – 30 June
Net income	0.1	15.9
Depreciation and amortization of tangible fixed assets	9.4	9.2
Depreciation and amortization of intangible assets	0.5	0.5
<b>Net income before depreciation and amortization</b>	<b>10.0</b>	<b>25.6</b>
Non-cash changes	1.2	-0.2
Loss/(gain) on disposals of tangible fixed assets	-0.1	-1.5
Increase/(decrease) of provisions	-0.6	2.5
Result from associated companies	0.1	-
Increase/(decrease) of trade accounts payable	3.4	8.0
Increase/(decrease) of other short-term liabilities, accruals and deferred income	-1.4	-11.0
(Increase)/decrease of trade accounts receivable	-5.1	-6.3
(Increase)/decrease of inventories	-5.9	-7.5
(Increase)/decrease of other receivables, prepayments and accrued income	-0.8	-2.1
<b>Cash flows from operating activities</b>	<b>0.8</b>	<b>7.5</b>
Investments in tangible fixed assets	-17.6	-14.9
Investments in financial assets <sup>[1]</sup>	-1.1	-1.6
Investments in intangible assets	-0.3	-1.4
Investments in subsidiaries <sup>[2]</sup>	-	-4.7
Divestment of tangible fixed assets <sup>[3]</sup>	11.1	1.9
Divestment of financial assets	0.1	-
<b>Cash flows from investing activities</b>	<b>-7.9</b>	<b>-20.6</b>
Dividends paid to shareholders	-8.6	-1.9
(Purchase)/sale of own shares	1.3	1.3
Increase/(decrease) of short-term loans	14.7	-0.5
Increase/(decrease) of long-term loans	-	9.3
<b>Cash flows from financing activities</b>	<b>7.4</b>	<b>8.2</b>
Currency effects	1.2	-0.6
<b>Increase/(decrease) of cash and cash equivalents</b>	<b>1.6</b>	<b>-5.5</b>
Cash and cash equivalents at 1.1.	53.5	65.5
Cash and cash equivalents at 30.6.	55.0	60.0
<b>Increase/(decrease)</b>	<b>1.6</b>	<b>-5.5</b>

[1] increase of the participation in dPoint Technologies Inc. by 5 % to 31 % (2013), respectively by 8 % to 26 % (2012)

[2] acquisition of all minority shares (49 %) in Sanpan Isıtma Sistemleri Sanayi ve Ticaret AŞ (2012)

[3] includes a second prepayment for the sale of a property in China to the amount of EUR 9.7 million (2013)

# Sales

by region and segment

		2013 1 Jan. – 30 June	2013 1 Jan. – 30 June %	2012 1 Jan. – 30 June	2012 1 Jan. – 30 June %
Radiators Europe	EUR million	136.2	56.2	143.2	57.2
change from prior year	%	–4.9		–0.6	
Radiators North America <sup>[1]</sup>	EUR million	13.5	5.6	12.7	5.1
change from prior year	%	6.5		20.5	
Radiators China	EUR million	7.1	3.0	7.3	2.9
change from prior year	%	–1.7		13.3	
<b>Total radiators</b>	EUR million	<b>156.8</b>	<b>64.8</b>	<b>163.2</b>	<b>65.2</b>
change from prior year	%	–3.9		1.3	
Ventilation Europe	EUR million	81.5	33.7	83.0	33.1
change from prior year	%	–1.8		9.9	
Ventilation North America <sup>[1]</sup>	EUR million	1.1	0.4	1.3	0.5
change from prior year	%	–15.9		–65.1	
Ventilation China	EUR million	2.8	1.1	3.0	1.2
change from prior year	%	–7.0		12.3	
<b>Total ventilation</b>	EUR million	<b>85.3</b>	<b>35.2</b>	<b>87.2</b>	<b>34.8</b>
change from prior year	%	–2.2		6.7	
Total Europe	EUR million	217.7	89.9	226.2	90.4
change from prior year	%	–3.8		3.0	
Total North America	EUR million	14.5	6.0	13.9	5.6
change from prior year	%	4.5		–1.3	
Total China	EUR million	9.9	4.1	10.2	4.1
change from prior year	%	–3.3		13.0	
<b>Total</b>	EUR million	<b>242.1</b>	<b>100.0</b>	<b>250.4</b>	<b>100.0</b>
change from prior year	%	–3.3		3.1	

[1] movement between the radiator and ventilation segments mainly due to product reclassification (2012)



# Notes

## to the Six-month Report

### **Consolidation and valuation principles**

The unaudited consolidated interim report for the first six months of 2013 was drawn up in line with the provisions of Swiss GAAP FER 12. The consolidation and valuation principles applied remained unchanged from the previous year.

### **Consolidation matrix**

The consolidation matrix was changed in the first half of 2013 as follows:

→ The stake in dPoint Technologies Inc. was increased by five percentage points to 31 % as of 21 March 2013.

### **Events after the balance sheet date**

Real estate in China to the value of EUR 15.8 million was sold on 1 August 2013. The one-time positive EBIT effect of this sale amounts to approximately EUR 9 million in 2013 and will be recognized in the second half of 2013.

# Further Information for Investors

## For further information please contact:

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Press releases [\[1\]](#)

## Bearer shares

Security number	13 255 733
SIX	ZEH
Bloomberg	ZEH SW
Reuters	ZEH.S

In accordance with Art. 8 of the articles of association, the opting out clause applies.

## Registered shares (unlisted)

Security number 13 312 654

## Company calendar

Six-month report	16.8.2013
End of business year	31.12.2013
Announcement of sales for 2013	17.1.2014
Financial statements 2013 and press/analysts' conference	7.3.2014
General meeting of shareholders	9.4.2014

Information and reports, as well as this six-month report, are available in German, English and French. The German version is binding.

[\[1\] → www.zehndergroup.com/news-events](http://www.zehndergroup.com/news-events)

## **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 3,200 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**

