

Press Release 4/2014

Results for 2013: Stable sales in challenging markets

Gränichen, Switzerland, 7 March 2014 – Zehnder Group, which operates internationally in the indoor climate sector (radiators and ventilation), reported sales of EUR 522.4 million in 2013, on par with 2012. Adjusted for currency effects, sales revenues were 1% above the 2012 level. While sales in the radiator segment receded (-1%), the ventilation segment continued to grow (+1%), raising its contribution to group-wide sales to 34% (2012: 33%).

A large amount of resources was deployed to implement strategic projects in the areas of process improvement, information technology and product development, as well as to cultivate new markets. This reduced EBIT to EUR 32.3 million, which was 16% below the 2012 level, corresponding to 6.2 percent of sales, and included a one-off positive effect of EUR 9.2 million from the sale of a property in China. Net profit fell by 32% to EUR 18.2 million. The Board of Directors will recommend to the General Meeting of Shareholders the payment of a dividend of CHF 0.55 per bearer share.

The Group Executive Committee expects stable sales for the radiator segment in Europe in 2014. The ventilation business is likely to continue to grow, albeit at a low rate. In North America and China, Group management expects growth to be in the mid-single-digit range in 2014. Overall, the Group Executive Committee is forecasting a modest improvement in operating profit for 2014.

Growth in the second half of the year

Zehnder Group posted sales of EUR 522.4 million in 2013, on par with 2012. After declining by 3% in the first six months of 2013, sales improved in the second half of the year, increasing by 3% compared with 2012.

In Europe, sales slipped from EUR 469.3 million to EUR 463.8 million (-1%, in local currencies 0%). In North America, sales increased from EUR 29.4 million to EUR 32.6 million (+11%, in local currencies +15%). In China, sales were up from EUR 25.1 million to EUR 26.0 million (+4%, in local currency +5%).

Radiator business slightly below 2012

At EUR 345.8 million, radiator sales were just under the 2012 level of EUR 349.4 million (-1%, in local currencies 0%). Of this amount, EUR 295.7 million came from Europe (-3%, in local currencies -2%). Higher sales in France, the UK and Russia stood in contrast to declines in Germany, Switzerland and Italy. This downturn could not be offset by the pleasing development in the radiant heating and cooling systems business in virtually every country, especially in France and England.

Continued growth in ventilation business

As in recent years, the ventilation segment expanded overall in 2013 compared to 2012, although growth in this segment slackened further in Europe. Whereas sales in France, the UK and Italy were up sharply, Zehnder Group failed to reach 2012 levels in Switzerland and the Netherlands. Sales of clean air solutions, in contrast, increased significantly, with almost all countries contributing to growth.

With sales of EUR 176.7 million (2012: EUR 174.3 million, +1%, in local currencies +2%) or 33.8 percent of sales, the share of ventilation systems in group sales continued to rise in 2013. Of this amount, EUR 168.1 million came from Europe (+2%, in local currencies +3%).

Sustainable corporate strategy

After disappointing numbers in the first half of the year, various measures were taken to improve results. For example, ambitious cost targets were set along with a hiring freeze as well as measures introduced to boost efficiency. The current programme to anchor the kaizen philosophy also aims at continually improving processes and cost structures.

The development shows that Zehnder Group is on the right path with its strategy. Its innovative capacity remains high. In 2013, for example, new radiators and ventilation units were launched again in various countries, such as the Zehnder radiator Vitalo and Runtal Cosmopolitan, different Acova radiators and the comfort ventilation systems ComfoAir 180, ComfoAir Slimline 330, ComfoSchool, the redesigned large ComfoAir XL unit and the Zehnder ComfoBox compact energy center, which is based on an air/water heat pump.

Profits down

In the year under review, a property in China was sold with a one-off positive effect on EBIT of EUR 9.2 million. The flat sales trend and the high level of advanced expenditures for development, distribution and sales as well as for the implementation of strategic IT projects led to overall lower results, however. At EUR 32.3 million, EBIT was thus down by 16% compared to 2012 (EUR 38.5 million). This resulted in a correspondingly lower operating margin of 6.2% (2012: 7.3%).

Net profit declined by 32% from EUR 26.8 million to EUR 18.2 million. Compared to 2012, the margin fell from 5.1% to 3.5%. A negative financial result with foreign currency losses and a higher tax rate due to the geographic breakdown of group results contributed to the downturn in net profit.

Investments remain high

In 2013, Zehnder Group invested EUR 35.1 million, or seven percent of sales, in fixed assets, which was 6% less than in 2012. A majority of these investments went into the new production and development site that became operational at the end of the reporting year in Dachang, China, and into the completion of the logistics hub and modernization of the multicolumn radiator production in Lahr, Germany. In addition, construction of a new training and office building in France began at the end of 2013. This investment is an important element for the further development of business in France.

Solid balance sheet with higher equity ratio

At the end of the year under review, total assets amounted to EUR 412.6 million (2012: EUR 407.3 million). At EUR 255.5 million (2012: EUR 247.6 million), shareholders' equity was up by 3% compared to 2012. The equity ratio was thus strengthened by an additional percentage point to 62%. Net liquidity increased from EUR 26.3 million to EUR 32.2 million.

Dividend payout ratio stable at 32 percent

In keeping with the Group's long-term policy to distribute about one third of consolidated net annual profit, the Board of Directors will recommend to the General Meeting of Shareholders the payment of a dividend of CHF 0.55 per bearer share. This corresponds to a dividend payout ratio of 32%.

Changes to the Board and Management

The three-year terms of office on the Board of Directors of Hans-Peter Zehnder, Thomas Benz and Enrico Tissi come to an end at the upcoming General Meeting of Shareholders. All three Board members will be standing for re-election.

As planned, Hans-Peter Zehnder will hand over the position of CEO on 1 November 2014 to his successor Dominik Berchtold. Dominik Berchtold has been working at Zehnder Group since 2006, and in his previous functions has become thoroughly familiar with the company and the markets. Hans-Peter Zehnder will continue with Zehnder Group in the capacity of full-time Chairman of the Board of Directors.

Outlook

The economic environment continues to be plagued by uncertainties, thereby leading to an expected reduction in the volume of new construction projects and a flat trend in renovations. As a result, Zehnder Group expects no growth in the radiator segment in Europe in 2014, while growth in the ventilation segment will continue at a low level. Management expects a modest economic recovery in North America and China in 2014, which will translate into mid-single-digit growth. The Group Executive Committee forecasts a modest improvement in operating profit in 2014 compared with 2013 (not including the one-off effect of the sale of the property in China).

Appendix: Five-year Overview 2009-2013

Next dates to note

General Meeting of Shareholders 2014
Six-month report 2014
Announcement of sales for 2014

9 April 2014 in Suhr, Switzerland
15 August 2014
16 January 2015

For more information

Josef Brügger
Member of the Executive Committee, Chief Financial Officer
Zehnder Group AG, 5722 Gränichen, Switzerland
Tel. +41 62 855 13 60; josef.bruegger@zehndergroup.com

You can find this information about Zehnder Group and more at www.zehndergroup.com.
This press release is published in German 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 3,300 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

Appendix to Press Release 4/2014

Five-year Overview

		2013	2012	2011	2010	2009
Net sales	EUR million	522.4	523.8	515.4	475.9	436.5
change from prior year	%	-0.3	1.6	8.3	9.0	-3.9
of which Radiators	EUR million	345.8	349.4	348.2	335.1	317.8
change from prior year	%	-1.0	0.3	3.9	5.4	-8.1
of which Ventilation	EUR million	176.7	174.3	167.1	140.8	118.7
change from prior year	%	1.3	4.3	18.7	18.7	9.7
EBIT^[1]	EUR million	32.3	38.5	51.1	50.4	43.0
change from prior year	%	-16.0	-24.7	1.3	17.3	27.6
	% of net sales	6.2	7.3	9.9	10.6	9.9
Net income^[2]	EUR million	18.2	26.8	41.1	38.2	33.4
change from prior year	%	-32.0	-34.7	7.4	14.5	1,092.9
	% of net sales	3.5	5.1	8.0	8.0	7.7
Net income before depreciation & amortization^[2]	EUR million	37.4	45.1	58.9	55.8	51.9
change from prior year	%	-17.1	-23.4	5.4	7.6	30.4
	% of net sales	7.2	8.6	11.4	11.7	11.9
Investments in property, plant & equipment	EUR million	35.1	37.3	34.9	20.0	24.5
Depreciation & amortization	EUR million	19.1	18.2	17.8	17.6	18.5
Total assets	EUR million	412.6	407.3	406.0	378.4	352.5
Fixed assets	EUR million	183.8	177.7	160.1	141.4	128.5
Shareholders' equity^[2]	EUR million	255.5	247.6	239.7	217.4	182.0
	% of total assets	61.9	60.8	59.0	57.5	51.6
Employees	31 December	3,283	3,135	3,094	2,945	2,867
Zehnder Group AG						
Dividends ^[3]	CHF million	6.5	10.6	2.3	7.3	15.2
Nominal value repayment ^[3]	CHF million	-	-	14.1	14.7	-
Share capital	CHF million	0.6	0.6	14.7	29.3	29.3
Market capitalization ^[4]	CHF million	400.0	429.3	501.0	553.7	339.0
Total market capitalization ^[5]	CHF million	481.2	516.4	602.6	666.0	407.8

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

^[2] including minority interests

^[3] for 2013 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 year end