

Press Release 2/2015

Results for 2014: Improving results in a challenging environment

Gränichen, Switzerland, 6 March 2015 – Zehnder Group, which operates internationally in the indoor climate sector (radiators and ventilation), reported 2014 sales revenues of EUR 525.1 million, which is slightly higher than in 2013. Adjusted for currency effects, sales revenues were on a par with 2013. While the radiator business saw a drop in sales revenues (-4%), the ventilation business continued to grow (+8%) and now accounts for 36% (2013: 34%) of consolidated sales revenues.

Targeted cost-reduction measures, an advantageous product mix and productivity gains resulted in a significantly higher operating result (EBIT). At EUR 32.7 million, it was only slightly above 2013, which, however, included a one-off profit from the sale of property in China worth EUR 9.2 million. Compared with the prior year and excluding profits from the sale of property, EBIT rose by an impressive 41%. Net income improved by a pleasing 43% to EUR 26.0 million.

Stable Group sales

The Zehnder Group's sales revenues for 2014 amounted to EUR 525.1 million, slightly higher than in 2013 (EUR 522.4 million). After increasing by 3% in the first six months of 2014 compared with the prior-year period, sales growth decelerated in the second half-year.

Even though economic growth in Europe was flat and construction declined slightly, sales remained on a par with 2013 (+1%, in local currencies 0%) at EUR 466.8 million (2013: EUR 463.8 million). North America saw a recovery in housing construction, with sales rising from EUR 32.6 million to EUR 33.4 million (+2%, in local currencies +2%). In China, sales dropped from EUR 26.0 million to EUR 24.9 million (-4%, in local currencies -5%) due to the sharp drop in the construction of new residential property.

Decline in radiators – growth in ventilation

At EUR 333.5 million, radiator sales were under the 2013 level of EUR 345.8 million (-4%, in local currencies -4%). Of this amount, EUR 288.8 million came from Europe (-2%, -3% in local currencies). With the exception of the UK and Poland, the decline was felt in almost all countries. In France, the biggest market, sales remained stable.

As in previous years, the ventilation business continued to grow year-on-year. Increased sales in Germany, the UK, Italy, North America and China more than offset declines in France, Switzerland and the Netherlands. The share of ventilation systems in Group sales in 2014 rose again to 36.5% or EUR 191.6 million (2013: EUR 176.7 million, +8%, in local currencies +8%). Of this amount, EUR 178.0 million came from Europe (+6%, +5% in local currencies).

Kaizen philosophy and innovative power

In the 2014 reporting year, Zehnder Group successfully continued its Kaizen initiative (internally referred to as Zmile) for the continuous optimization of production processes. Simplifying and optimizing production processes allowed working time, materials and space to be saved and quality increased. Employees played an active part with numerous suggestions for improvement. The facility in Turkey, for instance, was able to reduce the processing time for a radiator by almost half. But Zmile not only enables cost savings; it also has a positive influence on employee satisfaction and leads to a reduction in the number of occupational accidents. The programme will be expanded to Sales and Administration in 2015.

Zehnder Group continues to invest in new products and services. Among the products successfully introduced were the award-winning designer radiator Runtal Cosmopolitan and the ComfoAir XL ventilation unit for apartment buildings and commercial property. Other innovations included the highly efficient muffler ComfoSilence, which is used in air distribution systems. Zehnder Group presented these and other products at various trade fairs in countries including Italy, Germany and the UK.

Significant improvement in operating profit

Targeted cost-reduction measures, an advantageous product mix and productivity gains resulted in a significantly higher EBIT. At EUR 32.7 million, or a 6.2% share in sales, it was only slightly above the 2013 level of EUR 32.3 million, which, however, included a one-off profit from the sale of property in China worth EUR 9.2 million. Excluding this effect, EBIT rose by an impressive 41% year-on-year.

Net income improved by 43% from EUR 18.2 million to EUR 26.0 million, with the related margin widening from 3.5% to 5.0% compared with the prior year. The increase was partly attributable to a positive financial result with currency exchange gains and a lower tax rate due to the realization of loss carryforwards from previous years and the geographical composition of the Group result.

Strong balance sheet – solid foundations

At the end of the year under review, total assets amounted to EUR 429.7 million (2013: EUR 412.6 million). At EUR 281.8 million, equity capital was up 10% compared with 2013 (EUR 255.5 million). The equity ratio was thus strengthened by four additional percentage points to 66%. Net liquidity increased from EUR 32.2 million to EUR 63.7 million. Cash flow from operating activities increased from EUR 37.9 million to EUR 51.3 million.

In 2014, Zehnder Group invested EUR 24.1 million in fixed assets, which was 31% less than in 2013. The largest investment was the construction of the new training and office building in France to be opened in 2015. This will create perfect conditions to train employees and impart indoor climate knowledge to customers.

Significantly higher dividend

The Board of Directors proposes to the General Meeting of Shareholders a dividend payment of CHF 1.00 per bearer share for the 2014 financial year. This represents an increase of 82% compared with 2013 and a payout ratio of 38%. The new aim of the long-term dividend policy laid

down by the Board of Directors is to pay out 30–50% (previously some 30%) of the consolidated net income of Zehnder Group to its shareholders.

Personnel matters

The members of Board of Directors are elected for a term of one year each. All five Board members will be standing for re-election at the next General Meeting of Shareholders.

As planned, Hans-Peter Zehnder handed over the position of CEO to his successor Dominik Berchtold on 1 November 2014. Dominik Berchtold has been with Zehnder Group since 2006 and has gained an intimate knowledge of the company and markets through the functions he has exercised. Hans-Peter Zehnder will continue to be engaged as full-time Chairman of the Board of Directors for Zehnder Group.

At the same time, the Group Executive Committee was expanded to include two new members. Tomasz Juda, who has headed up the production company in Poland since 2000, took charge of the radiators competence center, while Olaf Schulte, who has been with Zehnder Group since 2000, most recently as head of the production company in the Netherlands, was given responsibility for the ventilation systems competence center.

Outlook

Zehnder Group expects that conditions in the construction sector will remain challenging in 2015. The aim is to gain additional market shares in various markets. The strong Swiss franc will have a negative impact on the 2015 results. Process and cost-optimization measures will be continued.

Appendix: Five-year Overview 2010-2014

Next dates to note

Annual General Meeting 2015
Six-month report 2015
Announcement of sales for 2015

15 April 2015 in Suhr, Switzerland
31 July 2015
15 January 2016

For more information

Josef Brügger
Member of the Group 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 media 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 3,200 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

Appendix to Press Release 2/2015

Five-year Overview

		2014	2013	2012	2011	2010
Net sales	EUR million	525.1	522.4	523.8	515.4	475.9
change from prior year	%	0.5	-0.3	1.6	8.3	9.0
of which Radiators	EUR million	333.5	345.8	349.4	348.2	335.1
change from prior year	%	-3.6	-1.0	0.3	3.9	5.4
of which Ventilation	EUR million	191.6	176.7	174.3	167.1	140.8
change from prior year	%	8.5	1.3	4.3	18.7	18.7
EBIT	EUR million	32.7	32.3	38.5	51.1	50.4
change from prior year	%	1.1	-16.0	-24.7	1.3	17.3
	% of net sales	6.2	6.2	7.3	9.9	10.6
Net income^[1]	EUR million	26.0	18.2	26.8	41.1	38.2
change from prior year	%	42.8	-32.0	-34.7	7.4	14.5
	% of net sales	5.0	3.5	5.1	8.0	8.0
Net income before depreciation & amortization^[1]	EUR million	45.9	37.4	45.1	58.9	55.8
change from prior year	%	22.9	-17.1	-23.4	5.4	7.6
	% of net sales	8.7	7.2	8.6	11.4	11.7
Investments in property, plant & equipment	EUR million	24.1	35.1	37.3	34.9	20.0
Depreciation & amortization	EUR million	19.9	19.1	18.2	17.8	17.6
Total assets	EUR million	429.7	412.6	407.3	406.0	378.4
Fixed assets	EUR million	193.1	183.8	177.7	160.1	141.4
Shareholders' equity^[1]	EUR million	281.8	255.5	247.6	239.7	217.4
	% of total assets	65.6	61.9	60.8	59.0	57.5
Employees	31 December	3,185	3,283	3,135	3,094	2,945
Dividend (gross) and nominal value repayment						
dividend per bearer share ^[2]	CHF	1.00	0.55	0.90	0.20	0.63
nominal value repayment per bearer share	CHF	-	-	-	1.20	1.25
payout ratio ^[3]	% of net income per share	38	32	32	33	43

[1] including minority interests

[2] for 2014 as proposed by the Board of Directors

[3] excluding minority interests