

Media Release 4/2015

Zehnder Group adjusts to the changing market environment

Gränichen/Switzerland, 1 June 2015 – Zehnder Group, which operates internationally in the indoor climate sector (radiators and ventilation), is introducing a comprehensive package of measures to reduce its cost base and boost efficiency, sales and earnings to adapt to its more challenging business environment. These measures will include a 10% headcount reduction over the next 12 months. Stagnation in the construction industry, reduced demand in the radiator business and negative currency influences make these steps necessary. Strategic investments and projects will continue.

The outlook for the construction industry in various key markets for Zehnder Group has continued to deteriorate. In the radiator business the continuing decline in turnover could not be fully compensated by the growth in ventilation which is weaker in comparison to last year. Sales and earnings in the first few months of the current year were well below expectations.

The Swiss National Bank's decision in January 2015 to give up the minimum CHF/EUR exchange rate caused the Swiss franc to soar in value versus the euro. Zehnder Group is affected due to its high cost base in Swiss francs with the head office and a production site in Gränichen, Switzerland and heightened pressure on sales prices in Switzerland. The effect on profitability in the current CHF/EUR environment is significant and without corrective measures would have an annual negative impact on EBIT of approximately EUR 10 million.

A comprehensive package of measures has been determined

Zehnder Group will implement comprehensive measures to cut costs and boost earning power to ensure long-term profitable growth. Optimisation potential in all production, commercial and support units will be systematically developed and synergies realised.

On-going optimisation projects will be accelerated. As already announced, the Kaizen programme Zmile will be extended to administrative areas. The structures for distribution and production will continue to be made leaner. The locations in Rustington, UK and Vedelago, Italy, will be closed and their activities integrated into the national subsidiaries. Strategic options are currently under review for the production facility in Châlons-en-Champagne, France. The development and production of components for the ComfoBox compact energy unit will be transferred from Switzerland to a partner in the euro currency zone. Additional measures will be defined over the coming months.

Zehnder Group estimates that these initiatives will result in a headcount reduction of 10% over the next 12 months. The reduction will be implemented in a socially responsible manner, and wherever possible through natural fluctuation or early retirement. At this point in time, the implementation of the measures is forecast to result in a one-off expense of approximately EUR 20 million.

Strategic investments and projects such as the acceleration of innovation for new products and solutions and the roll-out of the new IT platform will continue. New market segments will continue to be developed.

CEO Dominik Berchtold explains: "Zehnder Group has the right strategy, with a solid foundation in relation to technologies, products, innovation and capital. With these wide-ranging measures we will create the prerequisites needed for long-term success in a challenging market environment featuring a sluggish economy and adverse currency developments. This initiative is the continuation of the optimisation drive launched in recent years."

Outlook for 2015

The sluggish construction industry in many markets and the adverse exchange rate situation will have a negative impact on business this year. The dynamic market environment is resulting in reduced visibility. Zehnder Group is forecasting that currency-adjusted sales for all of 2015 will be in line with the previous year. Negative currency effects and one-off costs will have a significant impact on results. The process for settling the existing contract for the sale of the old factory premises in China is currently under way. The transaction, however, may not be completed until 2016.

Next dates to note

Six-month report 2015

31 July 2015

Full-year sales 2015

15 January 2016

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This information and more about Zehnder Group is available 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 3,200 employees worldwide.

Its bearer shares (security no. 27 653 461) 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