

Media Release 2/2016

2015 annual financial statement

Restructuring costs and currency effects adversely impact profits

Gränichen, Switzerland, 4 March 2016 – In 2015, amidst consistently challenging market conditions, the Zehnder Group recorded sales of EUR 533.0 million. This represented a 2% increase on the previous year, in which sales of EUR 525.1 million were recorded. Organically and once adjusted to reflect exchange rates, sales were 3% below the level of the previous year. Due to the impact of one-off restructuring costs and negative currency effects, the operating profit (EBIT) fell from EUR 32.7 million to EUR 5.2 million. Net income came out at EUR 0.3 million (compared to EUR 26.0 million in the previous year).

Modest growth in sales

In the financial year 2015, the Zehnder Group increased its sales from EUR 525.1 million to EUR 533.0 million. This equates to growth of 2% (currency-adjusted: -3%). The Europe segment accounted for EUR 465.7 million, or 87% of total sales, which is on par with the previous year (currency-adjusted: -3%). While sales in local currencies picked up in the United Kingdom, Belgium, Poland, Sweden and Spain, they declined in the key markets of France, Germany and Switzerland. Sales in the radiator business area in Europe declined by 3% (currency-adjusted: -5%), whereas the ventilation business area achieved growth of 4% (unchanged from previous year when adjusted for currency effects).

The China & North America segment accounted for EUR 67.3 million or 13% of total sales. Sales in China suffered due to the decline in the number of new homes under construction. In local currency, sales fell by 2%. Thanks to currency gains in our favour, an increase in sales of 16% was recorded. In North America, sales rose by 15% thanks to the strength of the US dollar. However, organically and adjusted for currency effects, sales dropped by 4%.

Operating profit impacted by one-off costs

One-off costs of EUR 21.8 million associated with restructuring measures affected profit, of which EUR 11.6 million related to the sale of the production plant in Châlons-en-Champagne, France. Currency losses had a significant additional impact on the operating profit (EBIT). At EUR 5.2 million (EUR 27.0 million before restructuring costs) or 1.0 percent of sales, EBIT was much lower than the previous year's figure of EUR 32.7 million. Currency losses affected the financial result by some EUR 2.5 million. Net income came out at EUR 0.3 million (compared to net income of EUR 26.0 million in the previous year).

A comprehensive package of measures

The Zehnder Group was quick to respond to weak demand, the insufficient utilization of production capacities as well as the strong Swiss franc, by promptly coming up with a comprehensive package of measures, which includes a headcount reduction of approximately 10%.

Production and ongoing development of the ComfoBox compact energy unit were outsourced from Gränichen to a third-party partner abroad. Locations in Italy and the United Kingdom were closed and merged with local headquarters. The production plant in Châlons-en-Champagne, France, was sold during the reporting year. Various offensives were launched on the sales front. In parallel, the Zehnder Group focused on the development of new products.

Process of optimization in full swing

The Zmile initiative introduced in 2012 based on the Kaizen strategy for continuous process optimization in production continued to be a success in the reporting year and was rolled out to both administration and sales. Experience shows that as well as saving money, Zmile also increases employee satisfaction and reduces the number of accidents in the workplace. By the end of 2015, more than 10,000 ideas had been successfully implemented.

The introduction of the SAP software solution across the Group went ahead on schedule. It was rolled out in 2015 in sales and logistics in France, as well as in production in Poland. SAP means harmonizing processes across international borders – from development to purchasing and beyond to the invoicing of delivered products and services. This reduces complexity whilst increasing efficiency and transparency.

A strong balance sheet – investments increase

At year-end, the balance sheet total was EUR 435.6 million (compared to EUR 429.7 million in the previous year). The Zehnder Group continues to have a high equity ratio of 62% (EUR 269.0 million), compared to 66% (EUR 281.8 million) in the previous year. In the reporting year, net liquidity fell from EUR 63.7 million to EUR 41.1 million. Cash flow from operating activities dropped from EUR 51.3 million to EUR 31.8 million.

A figure of EUR 29.0 million was invested by the Zehnder Group in property, plant and equipment, representing an increase of approximately one-fifth compared to the previous year. The majority of the investment was in productivity-boosting plants and in the expansion of the training and sales infrastructure in France, the United Kingdom and Switzerland. Expenditure on research and development rose by 8% to EUR 15.3 million.

Personnel news

In August 2015, René Grieder was appointed Chief Financial Officer (CFO) and joined the Group Executive Committee. He has been employed by the Zehnder Group since 2009 and most recently worked as Head of Group Controlling. Josef Brügger, our previous CFO, is our new Head of Internal Audit & Compliance.

All five members of the Board of Directors will be up for reelection at the next Annual General Meeting. At the Annual General Meeting to be held on 6 April 2016, the Board of Directors will

also propose the election of Jörg Walther and Milva Zehnder. Jörg Walther is a lawyer who will bring valuable legal expertise in international commercial and corporate law to the Group. He is also an expert in compliance. Milva Zehnder, a lawyer and notary, will ensure that the Zehnder family continues to be represented on the Board of Directors of the Zehnder Group as we move forward into the future.

Dividends

The long-term dividend policy of the Zehnder Group makes provision for 30 to 50% of consolidated net income to be paid out in dividends. Given the low net income in 2015 of EUR 0.3 million, the Board of Directors is proposing to the Annual General Meeting that a dividend payment is not made.

Outlook

The relevant markets are set to remain challenging in the coming year. The macro-economic situation continues to be very fragile in many countries. The Zehnder Group is not expecting any significant growth in the major sales regions and is focusing on gaining market shares.

The introduction of the ComfoAir Q ventilation system and the Zmart plastic radiator in the key markets of France and Germany, combined with expansion of activities for Clean Air Solutions and radiant ceiling panels, will enhance the Group's competitiveness. The Zehnder Group is expecting a slight increase in sales for 2016 and a significantly better operating profit. Investments in new products and services as well as in the infrastructure will be continued. The measures introduced are likely to start to come to fruition in 2016.

Appendix: Five-year Overview 2011-2015

Next dates to note

Annual General Meeting 2016
Six-month Report 2016
Announcement of sales for 2016

6 April 2016
29 July 2016
13 January 2017

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For this and further information about Zehnder Group, please visit www.zehndergroup.com.
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Company profile

Zehnder Group provides everything you need to create a comfortable, healthy and energy-efficient indoor climate.

Zehnder Group develops, produces and markets radiators, ceiling-mounted heating & cooling systems as well as ventilation and air cleaning systems. Products and systems are sold under various popular brand names. Zehnder Group is among the market leaders in its business areas.

Its most important sales region is Europe. In addition, Zehnder Group operates in China and North America. Its products are manufactured in modern factories in Europe and abroad. Zehnder Group employs approximately 3,200 people worldwide.

The company's registered shares A (Valor 27 653 461) are listed on the SIX Swiss Exchange. The unlisted registered shares B are held by members of the Zehnder family and persons closely associated with them.

Appendix to Press Release 2/2016

Five-year Overview

		2015	2014	2013	2012	2011
Net sales	EUR million	533.0	525.1	522.4	523.8	515.4
Change from prior year	%	1.5	0.5	-0.3	1.6	8.3
Of which segment Europe	EUR million	465.7	466.8	463.8	469.3	461.1
Change from prior year	%	-0.2	0.6	-1.2	1.8	7.7
Of which segment China & North America	EUR million	67.3	58.3	58.6	54.5	54.2
Change from prior year	%	15.4	-0.5	7.6	0.5	13.2
EBIT before restructuring	EUR million	27.0	32.7	32.3	38.5	51.1
Change from prior year	%	-17.2	1.1	-16.0	-24.7	1.3
	% of net sales	5.1	6.2	6.2	7.3	9.9
EBIT after restructuring	EUR million	5.2	32.7	32.3	38.5	51.1
Change from prior year	%	-83.9	1.1	-16.0	-24.7	1.3
	% of net sales	1.0	6.2	6.2	7.3	9.9
Net income¹	EUR million	0.3	26.0	18.2	26.8	41.1
Change from prior year	%	-98.7	42.8	-32.0	-34.7	7.4
	% of net sales	0.1	5.0	3.5	5.1	8.0
Net income before depreciation & amortization¹	EUR million	21.6	45.9	37.4	45.1	58.9
Change from prior year	%	-53.0	22.9	-17.1	-23.4	5.4
	% of net sales	4.1	8.7	7.2	8.6	11.4
Investments in property, plant and equipment & intangible assets	EUR million	29.3	25.1	35.9	39.4	35.6
Depreciation & amortization	EUR million	21.3	19.9	19.1	18.2	17.8
Total assets	EUR million	435.6	429.7	412.6	407.3	406.0
Non-current assets	EUR million	209.1	193.1	183.8	177.7	160.1
Shareholders' equity¹	EUR million	269.0	281.8	255.5	247.6	239.7
	% of total assets	61.8	65.6	61.9	60.8	59.0
Employees	Ø full time equivalents	3,194	3,239	3,265	3,266	3,169
Zehnder Group AG						
Dividends ²	CHF million	-	11.7	6.5	10.6	2.3
Nominal value repayment	CHF million	-	-	-	-	14.1
Share capital	CHF million	0.6	0.6	0.6	0.6	14.7
Market capitalization ³	CHF million	375.1	402.9	400.0	429.3	501.0
Total market capitalization ⁴	CHF million	451.2	484.7	481.2	516.4	602.6

¹ Including minority interests

² For 2015 as proposed by the Board of Directors

³ Market value of all listed registered shares A at year end; excluding value of unlisted registered shares B

⁴ Registered shares A and B; registered shares B recognized at 1/5 of the price of the registered share A at year end