

**zehnder**

always the  
best climate

# Annual Report

20

20

---

<b>Table of contents</b>	3	Key figures
	5	Company profile and locations
	114	Further information for investors

---

6

## **Management Report**

---

15

## **Corporate Governance**

---

40

## **Compensation Report**

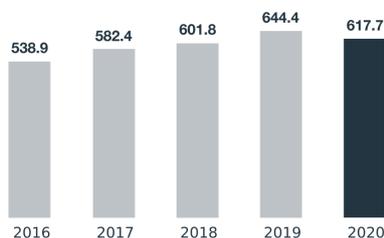
---

62

## **Financial Report**

**Key figures**

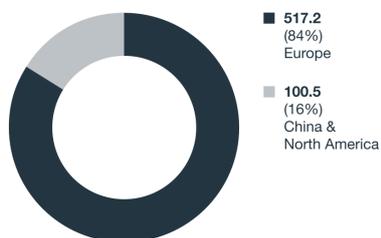
**Sales**  
EUR million



**EBIT before one-off effects<sup>1</sup>**  
EUR million



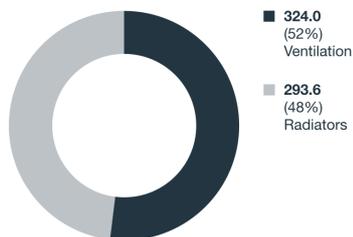
**Sales by segment**  
2020, EUR million



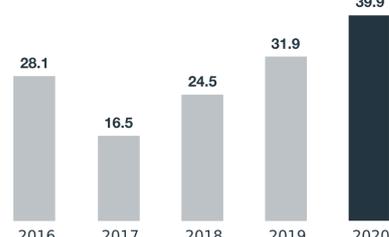
**EBIT**  
EUR million



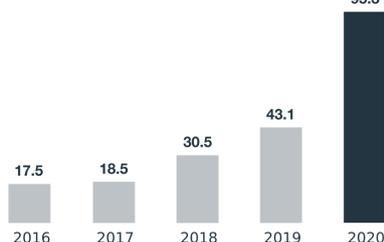
**Sales by business area**  
2020, EUR million



**Net profit**  
EUR million



**Cash flow from operating activities**  
EUR million



**Share price development**  
1 January to 31 December 2020



<sup>1</sup> See **Alternative performance measures** in the consolidated financial statements in the Financial Report.

		2020	2019	%
<b>Sales</b>	EUR million	<b>617.7</b>	<b>644.4</b>	<b>- 4.1</b>
<b>EBITDA<sup>1</sup></b>	EUR million	<b>74.8</b>	<b>64.9</b>	<b>15.2</b>
	% of sales	12.1	10.1	
<b>EBIT</b>	EUR million	<b>50.5</b>	<b>42.1</b>	<b>20.1</b>
	% of sales	8.2	6.5	
<b>Net profit<sup>2</sup></b>	EUR million	<b>39.9</b>	<b>31.9</b>	<b>24.9</b>
	% of sales	6.5	5.0	
<b>Cash flow from operating activities</b>	EUR million	<b>95.3</b>	<b>43.1</b>	<b>121.0</b>
	% of sales	15.4	6.7	
<b>Investments in property, plant and equipment &amp; intangible assets</b>	EUR million	<b>16.7</b>	<b>26.0</b>	<b>- 35.6</b>
<b>Depreciation &amp; amortisation</b>	EUR million	<b>- 24.3</b>	<b>- 22.8</b>	<b>6.2</b>
<b>Total assets</b>	EUR million	<b>498.6</b>	<b>470.5</b>	<b>6.0</b>
<b>Non-current assets</b>	EUR million	<b>198.9</b>	<b>211.8</b>	<b>- 6.1</b>
<b>Net liquidity/(net debt)<sup>1</sup></b>	EUR million	<b>96.4</b>	<b>25.5</b>	<b>278.2</b>
<b>Shareholders' equity<sup>2</sup></b>	EUR million	<b>326.9</b>	<b>303.0</b>	<b>7.9</b>
	% of total assets	65.6	64.4	
<b>ROCE<sup>1</sup></b>	%	<b>17.0</b>	<b>11.4</b>	
<b>Number of employees</b>	Ø full-time equivalents	<b>3,340</b>	<b>3,413</b>	<b>- 2.1</b>
<b>Market closing price registered share A</b>	CHF	<b>59.10</b>	<b>45.60</b>	<b>29.6</b>
<b>Net profit per registered share A<sup>3</sup></b>	EUR	<b>3.34</b>	<b>2.64</b>	<b>26.6</b>
<b>Shareholders' equity per registered share A<sup>3</sup></b>	EUR	<b>26.77</b>	<b>24.81</b>	<b>7.9</b>
<b>Dividend per registered share A<sup>4</sup></b>	CHF	<b>1.25</b>	<b>0.70</b>	<b>78.6</b>
<b>Payout ratio</b>	%	<b>35</b>	<b>24</b>	

<sup>1</sup> See Alternative performance measures in the consolidated financial statements in the Financial Report.

<sup>2</sup> Including minority interests

<sup>3</sup> Excluding minority interests

<sup>4</sup> For 2020 as proposed by the Board of Directors

**Company profile**

The Zehnder Group improves quality of life with comprehensive indoor climate solutions. The globally active company develops and manufactures its products in 16 plants, including 2 in China and 3 in North America. Its sales activities, spanning more than 70 countries, take place through local sales companies and representative offices.

Zehnder Group products and systems for heating and cooling, comfortable indoor ventilation and air cleaning are characterised by outstanding design and high energy efficiency. The Group is among the market and technology leaders in its business areas with brands such as Zehnder, Runtal, Acova, Bisque, Greenwood, Paul, Core, Enervent and Recair.

The Zehnder Group has had its headquarters in Gränichen (Switzerland) since 1895. It employs around 3300 people worldwide and achieved sales of EUR 618 million in 2020. The company is listed on the SIX Swiss Exchange (symbol ZEHN/number 27 653 461). The unlisted registered shares B are held by the Zehnder family and persons closely associated with them.

**Locations**



## Zehnder Group achieves EBIT margin of 8%

During the 2020 financial year, the Zehnder Group's sales fell by 4% to EUR 617.7 million as a result of COVID-19. Despite this, the immediate countermeasures that were launched and the consistent steps the Group continued to take with the aim of enhancing profitability made it possible to increase the operating result (EBIT) by 20% to EUR 50.5 million. The EBIT margin improved by 1.7 percentage points to 8.2%. The medium-term goal of an EBIT margin of 8% announced in 2018 was therefore achieved in 2020. Net profit increased by 25% to EUR 39.9 million.



---

### Dear shareholders,

Early in 2020, the world was suddenly turned upside down. The COVID-19 pandemic had repercussions for every Zehnder Group site, its suppliers, customers, partners and all employees. The company's 125<sup>th</sup> anniversary, which we were eagerly looking forward to celebrating, all but faded into the background. What hasn't changed, however, is our pride in the Zehnder Group – and we are particularly proud of what it has achieved during this anniversary year. We have once again shown that we are able to cope with difficult situations and adapt quickly and flexibly to new circumstances.

---

### Growth in the ventilation business in Europe and North America

After the Zehnder Group recorded a 9% decline in sales in the first half of 2020 due to COVID-19, it was able to make up for this to some extent in the second half of the year with sales growth of 1%. For the year as a whole, sales fell by 4% (–4% organically<sup>1</sup>) to EUR 617.7 million (previous year: EUR 644.4 million). This reduction is attributable to the radiator business, where revenues dropped by 11% (–10% organically) to EUR 293.6 million. The ventilation business area grew by 3% (+3% organically) to EUR 324.0 million and now accounts for 52% of total sales (previous year: 49%).

<sup>1</sup> See **Alternative performance measures** in the consolidated financial statements in the Financial Report.

**“The reduction in sales is attributable to the radiator business. The ventilation business area grew by 3% and now accounts for more than half of total sales.”**

84% of total sales (previous year: 82%), or EUR 517.2 million (previous year: EUR 531.1 million), came from the Europe segment, which recorded a sales decrease of 3% (–3% organically). Sales of EUR 269.4 million (previous year: EUR 259.0 million) were generated in the ventilation business area, which equates to a growth of 4% (+4% organically). All three product lines – residential ventilation, heat exchangers and clean air solutions – developed positively. Sales in Europe’s radiator business area decreased in 2020 by 9% (–9% organically) to EUR 247.8 million (previous year: EUR 272.1 million). Sales for both the radiator product line and the heating and cooling ceiling system product line experienced a decline.

- Germany, which is still the Zehnder Group’s largest sales market, and Switzerland remained robust in 2020, despite the COVID-19 restrictions that affected both business areas. By the end of the year, they had largely been able to make up for the decline in sales experienced in the first half of the year. The huge efforts the Zehnder Group has made to serve its customers as effectively as possible in this challenging environment have been rewarded: In Germany, the Zehnder Group received the trust award from the ventilation, air conditioning and refrigeration industry (LüKK) in the category of residential ventilation with heat recovery. In Switzerland, meanwhile, the Group won the Architects’ Darling Gold Award in two categories: heating/ventilation/air conditioning and energy efficiency.
- France, the United Kingdom and Italy, the markets worst affected by the coronavirus pandemic, recovered in the second half of the year, but still remained considerably below the sales levels of 2019 for the year as a whole. In all three countries, there were no further major shutdowns of construction sites during the second half of the year. However, the recovery in the United Kingdom began to take effect later than in other countries. In France, initial success was achieved with the newly launched electric radiators, which offer connectivity with smart home solutions.
- Sales figures in the Netherlands and Belgium – where ventilation is the Zehnder Group’s primary business area – recorded a very positive performance in 2020. In the Netherlands, new builds were not affected by the COVID-19 restrictions and the renovation market recovered quickly. In addition, the Group benefited from increased demand for ventilation units with heat recovery, stemming from the ban on gas heating systems that has been in force for new builds in the country since July 2018. In Belgium, new builds and renovations experienced a decline. Despite this, the Zehnder Group’s business activities proved strong.

The China & North America segment comprised 16% (previous year: 18%) of the consolidated sales in the reporting year, amounting to EUR 100.5 million (previous year: EUR 113.3 million). This represents a fall in sales of 11% (–10% organically).

- In China, the 2020 financial year ended with sales of EUR 48.3 million (previous year: EUR 57.4 million), representing a decline of 16% (-14% organically). Due to the strict lockdown imposed in the country, sales collapsed in the first quarter. Our companies were gradually able to resume operations from early March. In the ventilation business area, the project business started to grow again from the second quarter. However, it was not possible to recover from the decline by the end of the year. Sales for the year as a whole were considerably below the previous year's levels in the radiator business too.
- Revenue in North America amounted to EUR 52.1 million and therefore 7% (-5% organically) less than the previous year (EUR 55.8 million). The radiator area, which accounts for around three quarters of sales in North America, saw a decline. The COVID-19 restrictions at the production facilities and the withdrawal from the unprofitable fan coil business had a negative impact on sales. Luckily, the ventilation business grew by 22% (+24% organically).

---

**Increase in EBIT margin from 6.5% to 8.2%**

The consistent steps the Group continued to take with the aim of enhancing profitability and the measures it took to minimise the negative effect of the decline in sales caused by COVID-19 enabled the Zehnder Group to increase its operating result (EBIT) by a considerable 20% to EUR 50.5 million (previous year: EUR 42.1 million) in the reporting year. The EBIT margin increased by 1.7 percentage points to 8.2% (previous year: 6.5%). As a result, the Group achieved its medium-term goal of an EBIT margin of 8%, which it had set in 2018.

**“The consistent steps the Zehnder Group continued to take with the aim of enhancing profitability and the measures to minimise the negative effect of COVID-19 on the result enabled it to achieve its medium-term goal of an EBIT margin of 8%.”**

In the Europe segment, EBIT rose from EUR 31.7 million in the previous year to EUR 41.6 million. Lower raw material prices, progress in purchasing activities and further increases in efficiency contributed to this. Effective countermeasures enabled the Group to offset the impact of the decline in sales on the operating result as well as costs related to targeted staffing measures in the areas hardest hit by the pandemic. These measures included reducing the salaries of the members of the Board of Directors and Group Executive Committee by 10% for six months, cutting back on temporary staff, reducing employees' holiday and overtime entitlements, and temporarily introducing short-time work at various sites. Major cost savings were also achieved by postponing projects and significantly reducing travel and marketing activities. Strategically important projects, such as those relating to digitalisation and product development, continued as planned.

The EBIT figure achieved in the China & North America segment fell from EUR 10.4 million to EUR 8.9 million. In China, it was not possible to fully offset the impact of the decline in sales by making cost savings. In addition, a one-off impairment adjustment was made for radiator production equipment due to the continuing decline in the radiator business, which was even more pronounced in 2020. In North America, the plant in Buffalo, NY (USA), made further progress. This included moving the final assembly stage of selected ventilation products from Europe to Buffalo.

The net profit of the Zehnder Group increased by 25% to EUR 39.9 million (previous year: EUR 31.9 million).

---

**Development projects in the ventilation business continue apace**

**“Research and development activities focused on development projects in the ventilation area, which aim to generate growth over the medium term.”**

In the reporting year, expenditure on research and development amounted to EUR 18.2 million (previous year: EUR 18.4 million). The focus was on development projects in the ventilation area, which aim to generate growth over the medium term. Various new products are set to be presented over the course of 2021. These include the Zehnder ComfoClime full climate system, which is aimed at low-energy and prefabricated houses, and the new generation of clean air solutions with IoT (Internet of Things) connectivity.

One of the new products launched in 2020 was the Zehnder ComfoFlow basic residential ventilation system for multi-family residences, which was introduced in Switzerland. It closes the gap between comfort ventilation and extract air solutions and gives building developers an alternative to a straightforward extract air system at an attractive price, and with superior technology and comfort. In Germany and Luxembourg, the new passive house-certified Zehnder ComfoAir 225 comfort ventilation unit was launched. It combines space-saving wall or ceiling installation options with outstanding room air comfort within a compact ventilation unit, and has been designed specifically for renovation and residential construction projects. China saw the introduction of the ERVD Intelligence ventilation unit series, which is being distributed under the NATHER 兰舍 brand. Its highlights include its efficient heat recovery, energy saving and air cleaning capabilities, quiet operation and intelligent control via the NATHER app.

The Zehnder Group also launched new products in the radiator business area during the reporting year. In France, an electric radiator range was introduced exclusively for a key customer in the DIY (do-it-yourself) area. Together with around 200 other household objects of various brands, the radiators can be controlled on demand from home or remotely using a smart home box and app. This provides residents with more comfort and convenience in their daily lives, while also saving energy. Germany and Switzerland saw the introduction of the modular, flexible Zehnder Fleximo activation modules in the area of heating and cooling ceiling systems: these transform any conventional metal ceiling into a high-quality heating and cooling ceiling. The modules complement the existing Zehnder Group range of pre-activated ceilings and cassettes with cooling or heating function, as they allow an existing ceiling to be activated instead of being replaced with an entirely new one.

---

**Investments focused on growth for ventilation and increasing efficiency for radiators**

Amounting to EUR 16.7 million, investments in property, plant and equipment and intangible assets were considerably lower than in the previous year (EUR 26.0 million). Following the outbreak of the coronavirus pandemic, planned projects were reassessed and, in some cases, postponed or withdrawn altogether as a precautionary measure to safeguard liquidity. In the Europe segment, the amount invested was EUR 13.3 million (previous year: EUR 17.8 million). With a view to increasing efficiency in radiator production, the painting line in Vaux-Andigny (France) was replaced, a new painting line was installed in Manisa (Turkey) and investment was made in a new element grinding line in Lahr (Germany). A solar installation was put in place on the roof of the ventilation plant in Zwolle (Netherlands). In addition, investments were made in machines used to produce heat exchangers in Reinsdorf (Germany) and Waalwijk (Netherlands). Preparations for the new Center of Climate in Lahr have begun, but the start of construction had to be postponed to the beginning of 2021 due to the pandemic. Equipped with state-of-the-art training and office facilities, it will be designed with the aims of strengthening ties with customers in the Zehnder Group's largest sales market and providing employees with appealing workspaces.

In the China & North America segment, investments worth EUR 3.4 million (previous year: EUR 8.2 million) were made in property, plant and equipment. A large share of this went into completing the new factory for ventilation units in the city of Pinghu (China), around 100 km south-west of Shanghai. The new facility, which houses research and development, production, sales, and service activities, opened its doors in June. The Zehnder Group had previously carried out its production work in a nearby rented building, but the new factory provides an important base for accommodating further growth in China.

**“The new ventilation factory close to Shanghai was successfully brought online in June 2020. It provides an important base for accommodating further growth in China.”**

---

### **Acquisition in China to expand the heat exchanger business**

In November 2020, the Zehnder Group signed the contract to acquire a 51% stake in the Chinese company Zhongshan Fortuneway Environmental Technology Co., Ltd. Headquartered in Zhongshan (Guangdong province), the company specialises in the development, production and sale of enthalpy exchangers for humidity and heat recovery and has been a supplier of the Zehnder Group since 2019. In 2020, Fortuneway employed around 50 employees and achieved sales in the region of EUR 3 million. The acquisition is expected to be completed in the first half of 2021. The workforce – including management – and site will be retained.

Ventilation units in China feature a high proportion of enthalpy exchangers. Today, the majority of these are made out of paper, although there is a clear trend towards the use of polymer membranes, as these are more efficient, durable and hygienic. With this acquisition, the Zehnder Group is expanding both its technology and product portfolios, while also capitalising on the potential for growth in China.

---

### **High cash flow from operating activities and solid balance sheet**

Cash flow from operating activities amounted to a remarkable EUR 95.3 million in the reporting period (previous year: EUR 43.1 million). In China, trade accounts receivable fell by around EUR 11 million, as key accounts settled their liabilities in a timely manner and sales volumes decreased in 2020 due to COVID-19. Net liquidity<sup>1</sup> grew from EUR 25.5 million to EUR 96.4 million. In 2020, the Zehnder Group also took out a syndicated credit facility of EUR 100 million with a term of three years. As well as including an extension option, it will also be possible to increase the facility by EUR 50 million if larger acquisitions need to be made. At year-end, shareholders' equity was EUR 326.9 million (previous year: EUR 303.0 million). This equates to another high equity ratio of 66% (previous year: 64%).

<sup>1</sup> See **Alternative performance measures** in the consolidated financial statements in the Financial Report.

---

### **Employee safety the top priority**

In 2020, providing a safe working environment suddenly became a priority not just for the production facilities, but for every place of work throughout the Zehnder Group. When the COVID-19 pandemic broke out, the focus was placed on preventing employees from becoming infected with the novel coronavirus. The Zehnder Group navigated this task successfully by quickly forming coordinated pandemic teams at every site and introducing numerous protective measures, which included significantly restricting business travel, establishing additional protective measures in production areas, moving staff to home working and setting up new digital methods of contacting customers.

**“It is important to the Zehnder Group to carry on training young people despite the COVID-19 pandemic, and to take on new apprentices as planned. In 2020, the Group employed 63 apprentices – 4 more than in the previous year.”**

It is important to the Zehnder Group to carry on training young people despite the COVID-19 pandemic, and to take on new apprentices as planned. While switching to a home office and home studying format proved a challenge for apprentices and trainers alike, it was one that they managed to navigate successfully. The Zehnder Group’s employee training programmes which span several locations were also affected, as it was not possible to incorporate the in-person component that is considered so important. To ensure that employees were still able to acquire the know-how they needed even in the face of such difficult circumstances, the Zehnder Group shifted its focus more heavily towards online training. The provision for this included internal webinars containing different modules on the subject of ventilation. In June, all Zehnder Group employees were given the chance to take online English courses, enabling them to enhance their language skills in general and/or with a focus on specific subjects or industries. Matters relating to the Zmile programme – Zehnder’s continuous improvement programme based on the Kaizen philosophy – were also handled online. Designed to help Zehnder Group managers develop and nurture their managerial attributes, the management development programme had been scheduled for 2020 but is now planned for 2021.

At year-end, the Zehnder Group had 3361 employees (previous year: 3362). The average number of staff working full time was 3340 (previous year: 3413). Of these, 287 were employed temporarily (previous year: 333) and 63 were apprentices (previous year: 59). 2607 employees (previous year: 2650) were working in the Europe segment and 733 (previous year: 763) in the China & North America segment.

---

### **Increased focus on sustainability**

As a provider of indoor climate solutions that are energy-efficient, health-promoting and comfortable, the Zehnder Group operates in a market where sustainable development is essential. Along with health, climate change, digitalisation and urbanisation, sustainability is one of the five key trends driving its ambitions. Production areas in which progress was made in 2020 include the new painting line for radiators in Vaux-Andigny (France), which is much more resource-friendly than its predecessor. It requires around 25% less water and 50% less energy. What’s more, it generates 70% less wastewater and 90% less production waste. Further notable examples include the new solar installations put in place on the factory roofs in Buffalo, NY (USA) and Zwolle (Netherlands). In Buffalo, the solar installation belongs to an external party. Zehnder Rittling rents out the space on its roof but obtains around 25% of the energy it consumes from solar energy, with another 50% being generated by hydropower from nearby Niagara Falls. In Zwolle, the company has installed its own facility, which generates around 35% more energy than the site consumes.

**“Along with health, climate change, digitalisation and urbanisation, sustainability is one of the five key trends driving the ambitions of the Zehnder Group.”**

The coronavirus pandemic has once again highlighted just how important fresh air is in indoor spaces. The Zehnder Group offers the very best solutions and sound expertise in this regard. At the end of 2020, it was delighted to enter into a partnership with Germany’s Sentinel Haus Institut, the leading institute for concepts relating to working and living spaces. The aims of the partnership are to conduct research, develop health concepts in living spaces and provide digital solutions for residents and professionals.

When the Zehnder Group took out the new credit facility during the reporting year, it made a conscious decision to include an ESG (Environment, Social, Governance) component. The linking of lending rates to the ESG Risk Rating provided by Sustainalytics – a company specialising in ESG research, ratings and data – underlines the Zehnder Group's commitment to sustainability as well as its continued ambition and dedication to focusing on sustainability.

To learn more about the progress we have made in 2020 and for more information on sustainability, visit our website: [www.zehndergroup.com/en/zehnder-sustainability](http://www.zehndergroup.com/en/zehnder-sustainability).

---

### 125 years of Zehnder – and always looking to the future

2020 represented a milestone for the Zehnder Group in many respects. Zehnder Charleston, the original multi-column radiator, celebrated its 90<sup>th</sup> birthday. The decorative radiator has been continuously enhanced since 1930, making it the efficient all-rounder it is today. A vast choice of colours, numerous shapes and superb installation options provide customers with limitless design possibilities.

The plant in Vaux-Andigny (France), celebrated its centenary in 2020. Vaux-Andigny is a key site for the Zehnder Group's radiator production activities. Recently, the Group has been investing continually in modernisations and automation – for example, in robots used to manufacture aluminium radiators and the new painting line which was brought into service in September 2020.

On top of all this, we are especially proud that Zehnder has reached its 125<sup>th</sup> anniversary. Over the years, the mechanical workshop founded in Gränichen (Switzerland) back in 1895 has transformed into an international group of companies with around 3300 employees. The key to Zehnder's success – even in economically turbulent times – has been the strong pioneering spirit and courage of its employees, who have continually sought out innovative and ingenious approaches. From the production of the "Zehnderli" light motorcycle and the development of the world's first steel tube radiator – Zehnder Charleston – right through to the company's move into the ventilation business: Zehnder's thinking has always been nothing less than innovative. Today, the portfolio includes products for comfortable indoor ventilation, heat exchangers, air cleaning systems, decorative radiators and heating and cooling ceiling systems, making Zehnder the go-to provider of indoor climate solutions. The Zehnder Group thinks and plans on a long-term, sustainable basis and is always ready to recognise and to seize opportunities. In the future, it will continue to strive to achieve the very best indoor climate, with the aim of being both the number one choice for customers as well as a reliable partner.

**"The Zehnder Group thinks and plans on a long-term, sustainable basis and is always ready to recognise and to seize opportunities. In the future, it will continue to strive to achieve the very best indoor climate, with the aim of being both the number one choice for customers as well as a reliable partner."**

Although the coronavirus pandemic meant that celebrations largely had to be shelved, the 125-year history of the Zehnder Group has been encapsulated in the anniversary book "Air, space and time – 125 years of Zehnder history". This is available to view online at [www.zehndergroup.com/en/company/history-2020](http://www.zehndergroup.com/en/company/history-2020).

---

**Dividend within the framework of the long-term dividend policy**

For the 2020 financial year, the Board of Directors is proposing to the Annual General Meeting on 26 March 2021 a dividend of CHF 1.25 per registered share A (previous year: CHF 0.70). The provision of 35% is in line with the Zehnder Group's long-term dividend policy of distributing 30% to 50% of the consolidated net profit.

---

**Strategy proves effective even in the exceptional circumstances of 2020**

Despite the exceptional circumstances that 2020 presented, the Zehnder Group's strategy has proven effective. In the ventilation area, the Group is striving for growth – it is further reinforcing its strong competitive position by making investments in both market and product development. In addition to strengthening organic growth, the Group is continually investigating opportunities to make further acquisitions that will complete the product portfolio or increase market or geographical presence. Awareness of the importance of clean and healthy air in indoor spaces – which has been heightened further by the COVID-19 pandemic – supports the growth strategy in the ventilation area.

**“Despite the exceptional circumstances that 2020 presented, the Zehnder Group's strategy has proven effective. In the ventilation area, the Group is striving for growth. For the radiator area, the Zehnder Group is pursuing a harvest strategy.”**

For the radiator area, the Zehnder Group is pursuing a harvest strategy. In doing so, it is focusing on continuously optimising operating procedures and making targeted innovations. In addition, it is using its strong market position – for example, in the area of bathroom radiators and multi-column radiators – to secure further market shares.

The areas of clean air solutions, climate ceiling solutions and heat exchangers, which are relatively small at present, are being further developed. Healthy foundations for future growth have been laid through the measures initiated to expand the Group's presence with regard to clean air solutions in key growth markets, the planned 2021 launch of the new generation of clean air solutions and the recent acquisitions in the heat exchanger area.

---

**Outlook: focus on sales growth and improved profitability**

In 2020, the Zehnder Group managed to negotiate the coronavirus crisis successfully. The increased awareness of the importance of a clean, healthy and comfortable indoor climate as well as the growing demand for sustainable products and systems should spur on further growth for the Group. Nevertheless, it is important to remember that the COVID-19 pandemic is not yet over. The prices of raw materials are rising sharply, and geopolitical tensions are continuing.

**“In the medium term, the Zehnder Group is targeting average annual sales growth of 5% and an EBIT margin of between 8% and 10%.”**

The Zehnder Group will continue to enhance its market coverage and its innovation strength in order to lay the foundations for future growth. Moreover, it is maintaining its focus on optimising costs and increasing efficiency. These efforts should lead to a further improvement in profitability in 2021. In the medium term, the Zehnder Group is targeting average annual sales growth of 5% and an EBIT margin of between 8% and 10%.

---

### A big thank you

The COVID-19 pandemic has presented us with significant new challenges and continues to do so. We would like to express our deepest thanks to the around 3300 employees of our company, whose flexibility and sincere commitment have enabled our business activities to continue as effectively as possible.

We would also like to thank our customers, suppliers and business partners for the understanding and excellent cooperation they have demonstrated during this extraordinary year.

As well as this, we want to take this opportunity to extend our thanks to you, our valued shareholders, for the trust and sense of loyalty that you have shown to the Zehnder Group.

Yours sincerely,



**Hans-Peter Zehnder**  
Chairman of the Board of Directors



**Matthias Huenerwadel**  
Chairman of the Group Executive  
Committee, CEO

---

The expectations stated in this Management Report are based on assumptions. If they do not prove true, this will affect the associated results.

---

# Corporate Governance

16	Introduction
17	1. Group structure and shareholders
18	2. Capital structure
21	3. Board of Directors
31	4. Group Executive Committee
34	5. Compensation, shareholdings and loans
35	6. Shareholders' participation rights
37	7. Changes of control and defence measures
38	8. Auditors
39	9. Information policy

# Introduction

---

“Corporate Governance” refers to the universe of principles and rules which are geared to shareholder interests and which strive towards transparency and a balanced relationship between management and control while also maintaining decision-making capacity and efficiency at the highest corporate level.

The Corporate Governance Report contains the disclosures required by the Corporate Governance Directive issued by SIX Swiss Exchange effective as at 31 December 2020 and is structured in line with the directive. It also includes disclosures required by law on the compensation and participating interests of the members of the Board of Directors and of the Group Executive Committee.

# 1. Group structure and shareholders

---

## 1.1 Group structure

The Zehnder Group is organised by region – Europe, China and North America. All regions are active in both business areas – ventilation and radiators.

Zehnder Group AG, the holding company of the Zehnder Group, is the only listed company included in the consolidation scope. It has its headquarters in Gränichen (Switzerland). The registered shares A are listed on the SIX Swiss Exchange (Valor number: 27 653 461, ISIN: CH0276534614). The unlisted registered shares B are held directly or indirectly by the Zehnder family and persons closely associated with them. At 31 December 2020, the market capitalisation (registered shares A) was CHF 576.6 million and the total capitalisation was CHF 693.6 million.

All companies included in the consolidation scope of Zehnder Group AG are shown in the [Overview of companies](#) in the consolidated financial statements in the Financial Report.

---

## 1.2 Significant shareholders

According to the information available to the Board of Directors, the following shareholders held more than 3% of the share capital of Zehnder Group AG as at the balance sheet date, i.e. 31 December 2020:

- Graneco AG, Gränichen (Switzerland): 15,720 registered shares A and 9,775,600 registered shares B, corresponding to 49.8% of the votes (2019: 49.8%); together with the other registered shares of the company held by the shareholders of Graneco AG, this group holds 51.7% of the voting rights;
- Credit Suisse Funds AG, Zurich (Switzerland): 773,354 registered shares A, corresponding to 3.9% of the votes (2019: 4.5%).

There is a shareholders' agreement between the shareholders of Graneco AG (the Zehnder family and persons closely associated with them), which, among other aspects, includes a voting commitment for all directly and indirectly held registered shares B of Zehnder Group AG.

For notification of disclosure of significant shareholdings, please refer to the website of SIX Swiss Exchange: [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ZEHNDR](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ZEHNDR).

The Articles of Association of Zehnder Group AG provide for an opting-out clause, which is explained in item [7.1 Duty to make an offer](#) of this Corporate Governance Report.

---

## 1.3 Cross-shareholdings

There are no cross-shareholdings.

## 2. Capital structure

### 2.1 Capital

	Registered shares A units 2020	Registered shares B units 2020	Value CHF 2020	Registered shares A units 2019	Registered shares B units 2019	Value CHF 2019
Total registered shares A as of 1.1.	9,756,000		487,800	9,756,000		487,800
Total registered shares B as of 1.1.		9,900,000	99,000		9,900,000	99,000
<b>Total at 31.12.</b>	<b>9,756,000</b>	<b>9,900,000</b>	<b>586,800</b>	<b>9,756,000</b>	<b>9,900,000</b>	<b>586,800</b>

As in the previous year, the total share capital of Zehnder Group AG amounted to CHF 586,800. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

The unlisted registered shares B (CHF 0.01 nominal value) are all directly or indirectly held by members of the Zehnder family or by persons closely associated with the family. The vast majority of the registered shares B are owned by Graneco AG (Switzerland). On the balance sheet date, Graneco AG and its shareholders held 51.7% of the company's registered shares and voting rights.

### 2.2 Authorised and conditional capital in particular

There is no authorised and no conditional capital in particular.

### 2.3 Changes in capital

There were no changes in capital in the last three reporting years, i.e. in the period between 1 January 2018 and 31 December 2020.

All changes in capital since going public in 1986 are set out on our website [www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance).

### 2.4 Shares and participation certificates

The share capital of Zehnder Group AG consists of 9,756,000 registered shares A listed on SIX Swiss Exchange with a nominal value of CHF 0.05 each (a total of CHF 487,800) and 9,900,000 registered shares B with a nominal value of CHF 0.01 each (a total of CHF 99,000). Total share capital amounts to CHF 586,800 and the total number of shares outstanding is 19,656,000. Each share carries one vote, irrespective of its nominal value. The registered shares A have a 49.6% share of the votes and account for 83.1% of the share capital, the registered shares B a 50.4% share of the votes and 16.9% of the share capital. The dividend per registered share B is one fifth of the dividend per registered share A.

For additional information on shares, please refer to our website [www.zehndergroup.com/en/investor-relations/shares](http://www.zehndergroup.com/en/investor-relations/shares).

No participation certificates of the Zehnder Group are outstanding.

---

## 2.5 Dividend-right certificates

No dividend-right certificates of the Zehnder Group are outstanding.

---

## 2.6 Limitations on transferability and nominee registrations

### Limitations on registration of registered shares A

Purchasers of registered shares A in Zehnder Group AG will, upon application, be entered into the share register as a shareholder with voting rights without limitation, provided they explicitly declare that they have purchased these registered shares in their own name and for their own account and provided they are compliant with the statutory reporting obligations.

Persons who do not explicitly declare in their application for registration or on request of the company that they are holding the shares for their own account (nominees) will automatically be registered in the share register with voting rights up to a maximum of 3% of the outstanding share capital.

Beyond this limit, registered shares A of nominees are only registered with voting rights if the relevant nominee, when requesting registration or subsequently upon request of the company, discloses the names, addresses and shareholdings of the persons on whose account he or she holds 0.3% or more of the outstanding share capital, and if the statutory reporting obligations are complied with.

The Board of Directors is authorised to conclude agreements with nominees with respect to their reporting obligations.

### Transferability of registered shares B

Registered shares B can be transferred into ownership or into a restricted right in rem only with the agreement of the Board of Directors.

The Board of Directors may refuse a request to approve a share transfer but must give an important reason for doing so. Important reasons are:

- If the purchaser is in competition with the company or one of its affiliated companies;
- If and insofar as the approval of the purchase of registered shares by the applicant might prevent the company from producing evidence of the composition of the shareholder group required by law, in particular in conjunction with the Swiss Federal Law on the Acquisition of Real Estate by Persons Abroad and the associated ordinance.

Furthermore, the Board of Directors may refuse applications for approval if it makes an offer to the seller of the registered shares to purchase the registered shares on behalf of the company, on behalf of other shareholders or on behalf of third parties at their real value at the time of the application.

### Further limitations on registration of registered shares A and B

Legal persons and partnerships with legal personality that are interrelated or affiliated through equity or voting interests, through common cooperation or similar means, as well as natural or legal persons or partnerships who act in concert for the purpose of circumventing the restriction on registration, are treated as one purchaser in transfer regulation contexts.

The limitations placed on registration also apply to shares acquired by exercising pre-emptive, option or conversion rights.

The Board of Directors may, after consultation with the party concerned, delete entries from the share register which have been made due to incorrect information from the purchaser. The purchaser must be immediately informed of the deletion of the entry.

Cancellation or easing of the restrictions on the transferability of registered shares B and the registration restrictions on registered shares A requires a resolution of the Annual General Meeting, passed by at least two-thirds of the voting shares represented and an absolute majority of the nominal share value represented.

In the reporting year, the Board of Directors did not grant any exceptions in relation to the limitations on transferability and registration.

---

## **2.7 Convertible bonds and options**

There are no convertible bonds or options outstanding.

## 3. Board of Directors

---

### 3.1 Members of the Board of Directors



**Hans-Peter Zehnder**  
Chairman of the Board  
Swiss citizen, born 1954  
first elected 1988

- Executive member until 2018
- Chairman of the Board (since 1993)
- Studied economics (doctorate) at the University of St. Gallen (Switzerland)
- 1981–1984 Gebr. Bühler AG (Switzerland)
- Since 1985 member of the Group Executive Committee of Zehnder Group
- 1986–1988 head of the instrument division
- 1988–1991 head of the radiator division
- 1988–1992 Vice Chairman of the Group Executive Committee
- 1993–31.10.2014 and 5.2.–31.12.2018 Chairman of the Group Executive Committee
- Member of the Board of Directors of AZ Medien AG (Switzerland); CH Media AG (Switzerland); R. Nussbaum AG (Switzerland); and Lagerhäuser der Centralschweiz AG (Switzerland)
- Representative of the Zehnder family



**Jörg Walther**  
**Vice Chairman of the Board**  
 Swiss citizen, born 1961  
 first elected 2016

- Non-executive member
- Chairman of the Audit Committee
- 1989 Lic. iur. at the University of Zurich (Switzerland)
- 1990 admitted to the bar
- 1993 post-graduate certificate in European Economic Law at the University of St. Gallen (Switzerland)
- 1999 MBA University of Chicago (USA), Booth School of Business
- 1991–1995 Danzas Management AG, Legal Counsel/General Counsel and Head Legal Services
- 1995–1998 ABB Schweiz AG, Senior Corporate Counsel
- 1999–2001 ABB Asea Brown Boveri AG, Group Vice President M&A
- 2001–2009 Novartis International AG, Senior Corporate Counsel, Global Head Legal M&A and Antitrust, member of the Group Legal Executive Committee
- Since 2010 Partner at Schärer Attorneys at Law, Aarau (Switzerland)
- 2010–2012 Resun AG, General Counsel and Head Corporate Services, member of the Executive Committee
- Member of the Board of Directors and member of the Audit Committee of SFS Group AG, HUBER+SUHNER AG, AEW Energie AG (Vice Chairman); member of the Board of Directors of Swiss Steel Holding Ltd, Kraftwerk Augst AG, Immobilien AEW AG, Proderma AG (Chairman)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- Until end of 2020, he provided Zehnder Group AG and its subsidiaries with legal advice on commercial matters. He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.



**Urs Buchmann**  
**Member of the Board**  
Swiss citizen, born 1957  
first elected 2010

- Non-executive member
- Member of the Compensation Committee
- Member of the Audit Committee
- Studied law (doctorate) at the University of Bern (Switzerland)
- Long-term career in corporate and investment banking in Asia, and for institutional customers Asia Pacific
- Since 1.1.2021 Vice Chairman of the Hong Kong subsidiary of a leading international bank
- Since 31.12.2017 member of the Board of Directors of Swiss Re Asia Pte. Ltd. (Singapore)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.



**Riet Cadonau**  
**Member of the Board**  
Swiss citizen, born 1961  
first elected 2013

- Non-executive member
- Chairman of the Compensation Committee
- Master of Arts in economics and business administration from the University of Zurich (Switzerland)
- Advanced Management Programme at INSEAD (France)
- 1990–2001 various management positions at IBM Switzerland, lastly as a member of the Management Board and Director of IBM Global Services
- 2001–2005 member of the Executive Board of the Ascom Group, from 2002 Deputy CEO and General Manager of the Transport Revenue Division, which was acquired by ACS in 2005
- Until 2007 Managing Director ACS Europe + Transport Revenue (later a Xerox company)
- 2007–2011 CEO Ascom Group (Switzerland)
- 2011–2015 CEO Kaba Group (Switzerland)
- Since 2015 CEO dormakaba Group (Switzerland), since 2018 also Chairman of the Board of Directors
- Member of the Board of Directors of Georg Fischer AG (Switzerland)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.



**Ivo Wechsler**  
**Member of the Board**  
Swiss citizen, born 1969  
first elected 2019

- Non-executive member
- Member of the Audit Committee
- Lic. oec. HSG, University of St. Gallen (Switzerland)
- 1995–1997 Schweizerische Bankgesellschaft (UBS) in Corporate Finance, Zurich (Switzerland)/ London (United Kingdom)
- 1998–2000 Controller, from 1999 Head of Controlling & Treasury at Sunrise Communications, Rümlang (Switzerland)
- 2001–2007 Head Corporate Controlling and from 2005 in addition Head Corporate Treasury, Ascom Group, Bern (Switzerland)
- 2008–2010 Head Corporate Controlling, HUBER+SUHNER Group, Pfäffikon (Switzerland)
- Since 2010 Chief Financial Officer and member of the Executive Group Management, HUBER+SUHNER Group, Pfäffikon (Switzerland)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.



**Milva Zehnder**  
**Member of the Board**  
 Swiss citizen, born 1985  
 first elected 2016

- Non-executive member
- Member of the Compensation Committee
- 2005–2010 studies of law at University of Lucerne (Switzerland) with a Master of Law degree
- 2008–2009 legal assistant at Geissmann Attorneys at Law, Baden (Switzerland)
- 2009 exchange semester at Fordham University, School of Law, New York (USA)
- 2010–2011 legal intern at Schweiger Attorneys at Law and Notaries, Zug (Switzerland)
- 2012 admitted to the bar, attorney-at-law and notary in the canton of Zug (Switzerland)
- Since 2013 attorney-at-law and notary at Schweiger Attorneys at Law and Notaries, Zug (Switzerland)
- At no time was she a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- She has no significant business relations with Zehnder Group AG or with any of its subsidiaries.
- Representative of the Zehnder family

### 3.2 Other activities and vested interests

Other activities and vested interests are outlined in the short profiles of the members of the Board of Directors under the previous item **3.1 Members of the Board of Directors**. Beyond these activities, the members of the Board of Directors do not have any dealings with important institutions, hold ongoing executive or advisory roles for interest groups, or hold any official function or political office.

### 3.3 Rules in the Articles of Association on the number of permitted activities

Each of the members of the Board of Directors is permitted to undertake the following additional activities in the supreme management or administrative bodies of legal entities obligated to be listed in the commercial register in Switzerland or an equivalent register in another country and which are not controlled by the company, do not control the company or are not occupational pension schemes subscribed to by employees of the Zehnder Group:

- Maximum 5 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies which are public corporations according to Article 727 Para. 1 Item 1 of the Swiss Code of Obligations; as well as
- Maximum 10 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies as defined in Article 727 Para. 1 Item 2 of the Swiss Code of Obligations; as well as

- Maximum 15 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of legal entities which do not meet the criteria outlined above.

Mandates with companies which are controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate.

---

### 3.4 Elections and terms of office

Pursuant to Article 20 of the Articles of Association (number of members and terms of office; [www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance)), the Board of Directors is made up of at least three members elected by the Annual General Meeting for a period of one year. Re-election is permissible.

At the Annual General Meeting, there is a separate vote on the election or re-election of each candidate.

The Annual General Meeting elects at least two and no more than four members to the Compensation Committee from the members of the Board of Directors. The terms of office of the members of the Compensation Committee are one year and end at the close of the next ordinary Annual General Meeting. Members are eligible for re-election.

---

### 3.5 Internal organisational structure

Pursuant to Article 25 of the Articles of Association (meetings, resolutions, quorum, minutes; [www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance)), the Chairman (Hans-Peter Zehnder) or his deputy (Jörg Walther) must convene and chair the meeting. The Board's duties are carried out by the entire Board. Managerial and monitoring tasks are delegated to ad hoc Board committees at regular intervals. For each meeting, all Board members receive relevant documentation one to two weeks in advance. In 2020, the Board met two times, in February and September. The meetings lasted six and a half hours and two days respectively. In addition, the Board held nine telephone conferences, in February, March, April (two), May, June, July, August and December, lasting between fifteen minutes and around four hours each. The attendance rate was 93%.

The members of the Group Executive Committee attended the Board meetings and participated in the telephone conferences as required. Representatives of the auditors or external consultants are called in to advise on individual items on the agenda. To allow the Board to acquire local information directly, a regular rhythm has been established to hold one of the Board meetings on the premises of an operating company of the Group. As a result of the COVID-19 pandemic, no visit to a subsidiary took place in 2020.

#### Compensation Committee

The Board is supported by a Compensation Committee, consisting of at least two and a maximum of four members of the Board of Directors who are elected individually and annually by the Annual General Meeting. As at 31 December 2020, the Compensation Committee was composed of Riet Cadonau, Chairman, Urs Buchmann, member, and Milva Zehnder, member. The Compensation Committee meets as often as the business requires, generally before the meetings of the full Board of Directors. In 2020, the Compensation Committee held four meetings, in February, April, September and December. The meetings lasted an hour and a half each on average. The attendance rate was 100%.

The Compensation Committee has its own regulations, approved by the Board.

The Compensation Committee has the following tasks in particular:

- Submission of motions to the full Board of Directors relating to the Group's remuneration system;
- Submission of motions to the full Board of Directors relating to targets set for the Group Executive Committee, the achievement of which has an impact on remuneration paid;
- Submission of motions to the full Board of Directors relating to the specific remuneration paid to the Chairman of the Board of Directors and each of the other members of the Board of Directors;
- Submission of motions to the full Board of Directors relating to the specific remuneration paid to the CEO as well as the specific remuneration paid to each of the other members of the Group Executive Committee;
- Submission of motions to the full Board of Directors relating to changes to the Articles of Association affecting the remuneration system compensating the members of the Group Executive Committee.

For further details on the Compensation Committee, please refer to item [1.2 Compensation Committee](#) in the Compensation Report.

### **Audit Committee**

The Audit Committee consists of at least two members of the Board of Directors. The Board of Directors appoints the members of the Committee each year and designates the Chairperson. The Audit Committee provides support to the Board of Directors in overseeing the completeness of financial statements, compliance with statutory obligations, qualification of the external auditor and the performance of internal and external auditors. The Audit Committee assesses the fitness for purpose of the financial reporting, the internal review system and the general monitoring of business-related risks.

Audit Committee meetings are attended as guests by the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Head of Group Controlling, the Head of Internal Audit & Compliance and representatives of the external auditor. Where necessary, the Audit Committee addresses certain items on the agenda solely with representatives of the external auditor and/or internal auditing staff.

As of 31 December 2020, the Audit Committee was composed of Jörg Walther, Chairman, Urs Buchmann, member, and Ivo Wechsler, member. The Audit Committee convenes at the invitation of the Chairman as often as is required by business activities. In 2020, the Audit Committee convened four times: in February, July, September and December. The meetings lasted two hours on average. The attendance rate for the meetings was 100%.

In particular, the Audit Committee has the following main duties:

- Evaluation of external auditors and recommendations for the attention of the Board of Directors regarding selection of an auditor by the Annual General Meeting;
- Performance assessment of the incumbent auditor and approval of the remuneration budget for auditing submitted by the external auditor;

- Organisation of internal auditing and appointment of the internal auditor; commissioning of work and assessment of performance;
- Review and approval of auditing plans from internal auditing and the external auditor;
- Approval of any services rendered by the external auditor that are not related to auditing;
- Consultation with the Group Executive Committee and the external and internal auditors regarding significant risks, contingencies and other obligations of the Group, as well as evaluation of the measures taken by the Group to deal with them;
- Review and discussion of the annual and interim financial statements of the company and of the Group – including significant items not recognised in the balance sheet – with the relevant members of the Group Executive Committee;
- Discussion of the results of the annual review with the external auditor and discussion of internal auditing reports, as well as issuing of any recommendations or proposals to the Board of Directors;
- Evaluation of and ensuring cooperation between the external and internal auditors.

### 3.6 Definition of areas of responsibility

The allocation of the areas of responsibility between the Board of Directors and the Group Executive Committee is based on the law (Swiss Code of Obligations), on the company's Articles of Association and on its Organisational Regulations.

Insofar as provision to the contrary has not been made in law, in the Articles of Association or in its Organisational Regulations, the Board of Directors delegates management of the business completely to the Group Executive Committee.

The Board of Directors is responsible for the overall management of the company, supervision and control of the Group Executive Committee. It issues guidelines for business policy and is kept regularly informed of the course of business.

The Board of Directors is the supreme authority in the context of the management structure of the Group. Insofar as is permitted by law, the Board of Directors has the right of initiative, power of oversight and ultimate decision-making authority over the Group companies.

For the Articles of Association and Organisational Regulations, please refer to our website [www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance).

### 3.7 Information and control instruments vis-à-vis the Group Executive Committee

As part of regular reporting practice, the Board members receive monthly reports (income statement, key figures, commentary) and quarterly reports (also expanded to include balance sheet). In addition, the Board members receive a quantified medium-term plan and a detailed budget analysis. The strategic opportunities and risks are analysed regularly and in-depth once a year, and appropriate measures decided.

Operating under the guidance of the CFO, the Zehnder Group has a structured risk management process which has been approved by the Board of Directors and systematically monitors risks to the business. In this process, strategic and operational risks are identified every year and analysed in terms of both probability of occurrence and severity, and key risks are defined. Appropriate measures for minimising and

monitoring these risks are then set out. The Board of Directors reviews and approves the risk report once a year. Each member of the Group Executive Committee is responsible for implementation of the measures in his area of responsibility. The Audit Committee supports the Board of Directors in the monitoring of business risks and the assessment of measures introduced by the Group Executive Committee. The Board of Directors is informed periodically of significant changes to the risk assessment as well as being kept abreast of risk management activities that have been undertaken. The internal system for managing financial reporting defines checks and controls that reduce the corresponding risks. Compliance with internal guidelines is monitored by means of internal random checks and regular audits by external specialists.

The financial risks are monitored by the Treasury department of the Zehnder Group under the guidance of the CFO. Risk management focuses on identifying, analysing and mitigating currency, interest, liquidity and counterparty risks, in order to limit the extent to which they can impair cash flow and net profit.

## 4. Group Executive Committee

### 4.1 Members of the Group Executive Committee



**Matthias Huenerwadel**  
Chairman of the Group Executive Committee, CEO  
Swiss, born 1968

- Bachelor of Science in Mechanical Engineering, Swiss Federal Institute of Technology (ETH) Zurich (Switzerland)
- Master of Science in Industrial Engineering, Swiss Federal Institute of Technology (ETH) Zurich (Switzerland)
- 1996–2005 various leading positions in logistics, IT, customer service, sales and marketing at the Franke Group
- 2005–2017 member of the Executive Board and head of the Movement Systems (2005–2012) resp. Flooring Systems (2013–2017) division, Forbo International SA, Baar (Switzerland)
- Since 12.11.2018 member of the Group Executive Committee of Zehnder Group (CEO Designate), Gränichen (Switzerland)
- Since January 2019 Chairman of the Group Executive Committee, CEO
- Member of the Board of Directors of Daedalus Holding AG (Switzerland)



**René Grieder**  
Chief Financial Officer  
Swiss, born 1979

- Bachelor of Science in Business Economics, University of Applied Sciences Lucerne (Switzerland)
- Master of Advanced Studies in Corporate Finance, Institute of Financial Services Zug (Switzerland)
- 1998–2000 Product Manager, Intercycle SA, Sursee (Switzerland)
- 2003–2007 Controller, Pilatus Aircraft Ltd, Stans (Switzerland)
- 2007–2009 Group Controller, Emhart Glass SA, Cham (Switzerland)
- 2009–2010 Manager Group Reporting & Head of Group Reporting, Zehnder Group, Gränichen (Switzerland)
- 2011–2015 Head of Group Controlling, Zehnder Group
- Since August 2015 member of the Group Executive Committee of Zehnder Group (Chief Financial Officer)



**Johannes Bollmann**  
Competence Center  
Comfosystems

Swiss/Italian dual citizen, born 1982

- 2003–2006 Bachelor of Science in Mechanical Engineering, Swiss Federal Institute of Technology (ETH) Zurich (Switzerland)
- 2006–2008 Master of Science in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH) Zurich (Switzerland)
- 2007–2013 various functions at ABB in Zurich and Baden (Switzerland) in Marketing, Sales and Internal Audit
- 2013–2019 various functions and managerial tasks at the Zehnder Group in Switzerland in the areas of business development, sales, product and project management; since 2016 Managing Director of the Zehnder Group Schweiz AG
- Since April 2019 member of the Group Executive Committee of Zehnder Group (Head Competence Center Comfosystems), Gränichen (Switzerland)



**Jörg Metzger**  
Competence Center Radiators  
German, born 1967

- 1990–1995 studies at the Kaiserslautern University of Applied Sciences in Germany with a degree in civil engineering (Dipl.-Ing.)
- 1995–2009 management functions in various international companies
- 2009–2020 various executive positions at the Elster Group and Honeywell Inc. in the area of business management and transformation
- Since May 2020 member of the Group Executive Committee of the Zehnder Group (Head Competence Center Radiators), Gränichen (Switzerland)



**Cyril Peysson**  
Sales Europe/Middle East/Africa  
(EMEA)

French, born 1965

- Diploma from École Supérieure de Commerce et d'Administration, Montpellier (France)
- 1990–2000 various responsibilities in exports and sales for French industrial companies; last position held was head of sales at De Dietrich Heiztechnik (Germany)
- 2000–2005 Head of Zehnder SAS (France)
- Since 2006 member of the Group Executive Committee of Zehnder Group (Sales Europe/Middle East/Africa, EMEA; April 2008 until end 2013 Sales and Marketing Western Europe, previously Sales and Marketing Radiators), Gränichen (Switzerland)

#### 4.2 Other activities and vested interests

Other activities and vested interests are outlined in the short profiles of the members of the Group Executive Committee under the previous item **4.1 Members of the Group Executive Committee**.

#### 4.3 Rules in the Articles of Association on the number of permitted activities

By permission of the Board of Directors, each of the members of the Group Executive Committee is allowed to undertake the following additional activities in the supreme management or administrative bodies of legal entities obligated to be listed in the commercial register in Switzerland or an equivalent register in another country and which are not controlled by the company, do not control the company or are not occupational pension schemes subscribed to by employees of the Zehnder Group:

- Maximum 2 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies which are public corporations according to Article 727 Para. 1 Item 1 of the Swiss Code of Obligations; as well as
- Maximum 3 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies as defined in Article 727 Para. 1 Item 2 of the Swiss Code of Obligations; as well as
- Maximum 5 mandates in other legal entities which do not meet the criteria outlined above.

Mandates with companies which are controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate.

#### 4.4 Management contracts

There are no management contracts which transfer management responsibility to companies or individuals outside the Zehnder Group.

## 5. Compensation, shareholdings and loans

---

Information about compensation, shareholdings and loans are published in the [Compensation Report](#).

## 6. Shareholders' participation rights

---

Please refer to Swiss company law and also to Zehnder Group AG's Articles of Association on our website [www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance).

---

### 6.1 Voting rights restrictions and representation

Regardless of its nominal value, every share carries a voting right. The statements made under item **2.6 Limitations on transferability and nominee registration** in this Corporate Governance Report shall apply.

In its invitation to the Annual General Meeting, the Board of Directors will announce the deadline for entry into the share register which is required for the right to vote and participate.

Only another registered shareholder B can act as a proxy for a registered shareholder A at the Annual General Meeting. A registered shareholder A can be represented by the independent proxy or a third person. Regulations governing proxies and instructions are set by the Board of Directors. Written proxy is not required for legal representatives.

The independent proxy has to be elected each year at the Annual General Meeting. Re-election is permissible. The duties of the independent proxy are governed by applicable legal provision.

The Board of Directors did not grant any exceptions or exclude any nominees in the reporting year.

---

### 6.2 Quorums required by the Articles of Association

Insofar as provision to the contrary has not been made in law or the Articles of Association, the Annual General Meeting passes its resolutions and holds its elections based on a simple majority of the valid share votes cast. Abstentions, blank votes and invalid votes are not included when the majority is counted. If a vote is tied, the Chairman has the casting vote on resolutions and in elections. Resolutions and elections are open unless provision to the contrary is made by the Chairman.

Supplementary to Article 704 Para. 1 of the Swiss Code of Obligations, a resolution by the Annual General Meeting passed by at least a two-thirds majority of the votes represented and an absolute majority of the nominal value of the shares represented is required for:

- a) The conversion of registered shares into bearer shares and vice versa;
  - b) Amendments to Article 6, Article 7 and Article 17 of the Articles of Association.
- 

### 6.3 Convocation of the Annual General Meeting

As prescribed by law, the Annual General Meeting is convened by the Board of Directors or, if necessary, by the auditor. It is convened at least 20 days before the date on which it is to be held and the invitation to attend is published in the Swiss Official

Gazette of Commerce. If the postal or e-mail address of the shareholders is known, the invitation may also be issued via post or e-mail.

---

#### **6.4 Inclusion of items on the agenda**

The Board of Directors is responsible for listing matters to be discussed on the agenda. Shareholders registered with voting rights who individually or collectively represent at least 5% of the share capital of the company may request that an item be included on the agenda of the Board of Directors. The request for an item to be included on the agenda must be submitted in writing to the Chairman of the Board of Directors at least 45 days prior to the Annual General Meeting, stating the agenda item and the motions.

---

#### **6.5 Entries in the share register**

In its invitation to the Annual General Meeting, the Board of Directors will announce the deadline for entry into the share register which is required for the right to vote and participate.

## 7. Changes of control and defence measures

---

### 7.1 Duty to make an offer

An opting-out clause is laid down in Article 10 of the Articles of Association ([www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance)).

---

### 7.2 Clauses on changes of control

There are no change-of-control clauses for members of the Board of Directors or for members of the Group Executive Committee.

## 8. Auditors

---

### 8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers Ltd (PwC), Lucerne (Switzerland), have been external auditors for Zehnder Group AG since 2019. They also audit the consolidated financial statements of the Zehnder Group. The auditor is elected at the Annual General Meeting for a term of one year. Thomas Ebinger took over as lead auditor on 1 October 2020. The rotation rhythm for the lead auditor corresponds to a maximum term of seven years in accordance with the legal requirement.

### 8.2 Auditing fees

The financial statements of Zehnder subsidiaries are audited by various auditing firms, including PwC. In the 2020 reporting year, various auditing firms invoiced a total of EUR 849,000 (incl. expenses) for auditing individual accounts and the consolidated financial statements. Of this, EUR 504,000 were paid to PwC. No audit-related services were invoiced.

### 8.3 Additional fees

A total of EUR 1,914,000 were charged for taxation services, legal services and consulting services relating to M&A activities throughout the Group in 2020. Of this, EUR 240,000 were paid to PwC.

### 8.4 Information instruments pertaining to the external audit

The auditor attends the meetings of the Audit Committee. At these meetings, it presents significant information on the financial statements of the companies audited. The auditor is evaluated and monitored by the Audit Committee, which makes recommendations to the Board of Directors. In particular, the Audit Committee evaluates the auditing plans from the auditor, as well as the auditor's remuneration and performance. In 2020, PwC attended all four meetings of the Audit Committee.

## 9. Information policy

---

The Zehnder Group communicates regularly with its shareholders, the capital market and the public. The CEO and the CFO are the designated contact persons. Annual reports and six-month reports are available online on our website [www.zehndergroup.com/en/investor-relations/reports-and-presentations](http://www.zehndergroup.com/en/investor-relations/reports-and-presentations) in German and English. This also offers an opportunity for interested parties to subscribe to news publications and access other information. A meeting for media representatives and financial analysts is held at least once a year.

Additional information including the company calendar can be found under [Further information for investors](#).

---

# Compensation Report

41	Introduction
42	1. Governance and method of determination of compensation
46	2. Compensation policy and principles
47	3. Architecture of compensation of the Board of Directors
48	4. Architecture of compensation of the Group Executive Committee
54	5. Additional information on compensation, guarantees, loans and credits for the business year 2020
61	Report of the statutory auditor

# Introduction

---

The Compensation Report describes the compensation policy and programmes of Zehnder Group AG as well as the method of determination of compensation. Further, it provides details about the compensation awarded to the members of the Board of Directors and the Group Executive Committee in the fiscal year 2020.

The Compensation Report was prepared in accordance with the Ordinance against Excessive Compensation in Listed Companies (VegüV) and is in line with the Corporate Governance Directive issued by SIX Swiss Exchange and with the principles of the Swiss Code of Best Practice from economiesuisse. This Compensation Report shows how the business results are reflected in the variable compensation awarded to members of the Group Executive Committee in 2020.

# 1. Governance and method of determination of compensation

---

## 1.1 Shareholders' involvement

The Annual General Meeting approves the maximum compensation amounts paid to the Board of Directors and to the Group Executive Committee, each in a binding vote. The provisions of the Articles of Association of Zehnder Group AG ([www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance); Article 16) foresee that the Annual General Meeting votes annually and prospectively on each of the aggregate compensation amounts as follows:

- the maximum total compensation of the Board of Directors for the period to the next Annual General Meeting;
- the maximum total compensation of the Group Executive Committee for the current fiscal year.

The Articles of Association of the Zehnder Group AG ([www.zehndergroup.com/en/investor-relations/corporate-governance](http://www.zehndergroup.com/en/investor-relations/corporate-governance); Article 32 ff.) include the following provisions on compensation:

- Principles of compensation and the allocation of listed shares for the Board of Directors (Articles 32 and 34);
- Principles of compensation and the allocation of listed shares for the Group Executive Committee (Articles 33, 34 and 36);
- Additional amount for payments to members of the Group Executive Committee appointed after the vote on compensation at the Annual General Meeting (Article 37);
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Committee (Article 35).

## 1.2 Compensation Committee

According to the Articles of Association, the Annual General Meeting annually and individually elects at least two and a maximum of four members of the Board of Directors to the Compensation Committee, for a term of office of one year until the conclusion of the next Annual General Meeting. Members are eligible for re-election. At the 2019 General Meeting, shareholders elected the following members of the Compensation Committee:

	Executive/Independent/Non-independent member of the BoD	Chairman/Member
Riet Cadonau	Independent member of the BoD	Chairman
Thomas Benz (up to 2 April 2020)	Independent member of the BoD	Member
Urs Buchmann	Independent member of the BoD	Member
Milva Zehnder (since 2 April 2020)	Non-independent member of the BoD <sup>1</sup>	Member

BoD: Board of Directors

<sup>1</sup> Related to the representative of the controlling majority shareholder; holds less than 0.05% of the share capital of Zehnder Group AG.

As determined by the Articles of Association (based on Article 27), the Compensation Committee has the following responsibilities:

- Submission of proposals to the entire Board of Directors regarding the compensation system for the Board of Directors and the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the total compensation amounts of the Board of Directors and of the Group Executive Committee to be submitted to vote at the Annual General Meeting;
- Submission of proposals to the entire Board of Directors regarding the individual compensation of the Chairman and other members of the Board of Directors;
- Submission of proposals to the entire Board of Directors regarding the individual compensation and the employment terms and conditions of the CEO and other members of the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the determination of compensation-related performance objectives for the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the Compensation Report;
- Submission of proposals to the entire Board of Directors regarding amendments to the Articles of Association in respect of the compensation system for the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the approval of external mandates of members of the Group Executive Committee.

The levels of authority between the Compensation Committee, the Board of Directors and the Annual General Meeting are summarised in the table below.

### Responsibility levels

	CEO	CC	BoD	AGM
Compensation policy and principles		Proposes	Approves	
Total compensation of the BoD and GEC		Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the BoD		Proposes	Approves	
Compensation of CEO		Proposes	Approves	
Individual compensation of other members of the GEC	Proposes	Reviews	Approves	
Compensation Report		Proposes	Approves	Advisory vote

BoD: Board of Directors, CEO: Chief Executive Officer, GEC: Group Executive Committee, CC: Compensation Committee, AGM: Annual General Meeting

The Compensation Committee meets as often as the business requires, generally before the meetings of the full Board of Directors, which take place at least four times a year. In 2020, the Compensation Committee held four meetings of an hour and a half each on average, which were attended by all members. The Compensation Committee conducted its regular activities during the year, including the annual review of the compensation policy, taking into consideration the feedback of external shareholders about the compensation programmes and their disclosure in the Compensation Report, the benchmarking of the compensation of the Board of Directors and the Group Executive Committee, the review of employment contracts for the individual Group Executive Committee members, and the determination of the individual remuneration of the members of the Board of Directors and the Group Executive Committee, for the attention of the full Board of Directors.

On 1 April 2020, the Compensation Committee proposed to the Board of Directors that the compensation for the Board of Directors be temporarily reduced by 10% due to the negative impact of the coronavirus pandemic on the Zehnder Group's business activities. The Board of Directors approved this reduction and it was applied to retainers in cash and shares plus committee fees. Additionally, the Compensation Committee temporarily reduced the annual base salaries of the Group Executive Committee members by 10% in 2020 following a proposal by the Group Executive Committee. After a careful review of the business situation in the second half of 2020, the temporary reduction in the compensation for Board of Directors members and the annual base salaries of the Group Executive Committee members was revoked on 1 October 2020, six months after its introduction.

For certain agenda items, the Chairman of the Board of Directors and/or the CEO participate in the meetings in an advisory capacity. The Chairman of the Compensation Committee may invite other executives as appropriate. However, the Chairman of the Board of Directors and the executives do not participate in the meetings, or periods of meetings, during which their own compensation and/or performance are being discussed. After each meeting, the Chairman of the Compensation Committee reports on the activities of the committee to the Board of Directors. The minutes of the meetings are available to the full Board of Directors.

The Compensation Committee is entitled to bring in external consultants regarding specific compensation issues. In 2020, the Compensation Committee tasked Willis Towers Watson with benchmarking the compensation of the Board of Directors and Group Executive Committee. KPMG was also tasked with reviewing the employment contracts for the Group Executive Committee members to ensure their compliance with tax regulations and national insurance legislation. The Compensation Committee is also being supported by internal experts, such as the Head of Group Human Resources.

---

### 1.3 Method of determination of compensation

In order to ensure competitive compensation levels that allow to attract key talents and keep them motivated over the long term, the compensation of executives is regularly benchmarked with that of executives from other international industrial companies with similar market capitalisation, revenue, profitability, headcount and geographical reach to the Zehnder Group. The following companies were used for comparison purposes for the CEO and other members of the Group Executive Committee: Arbonia, Belimo, Bobst, Bossard, Burckhardt Compression, Burkhalter, Conzzeta, Daetwyler, Feintool, Forbo, Gurit, Huber+Suhner, Interroll, Komax, Landis+Gyr, Metall Zug, Meier Tobler, Phoenix Mecano, Rieter, Schweiter and Starrag. Executives who are fulfilling their tasks at the expected performance level are generally awarded target compensation at median level of the relevant benchmark data.

In 2020, Willis Towers Watson performed a benchmarking exercise for the compensation of the Board of Directors. The report was designed to provide the Compensation Committee with a basis for analysing the compensation of the Board of Directors for the 2021/2022 period of office. Willis Towers Watson also performed a benchmarking exercise for the Group Executive Committee's compensation in 2020. For this purpose, the data of industrial benchmark companies (as described above) has been compiled by Willis Towers Watson from their existing database for each function of the Group Executive Committee in the country of employment of the respective member and by using the job grading methodology of Willis Towers Watson. The grading system is the basis for compensation activities such as benchmarking and determination of the compensation structure and levels. In addition, the grading system is also used for talent management (succession planning and people development).

While the benchmarking data is one factor considered by the Compensation Committee to determine the compensation of the Group Executive Committee, other factors are considered as well, such as the internal compensation structure (equity), the profile of the Group Executive Committee member (skill set, experience, seniority) and affordability to the company. The performance of the company in any given year has a direct impact on the variable short-term and long-term compensation actually paid to the Group Executive Committee member through the profit-sharing plan.

## 2. Compensation policy and principles

Zehnder Group's executives and employees are the company's most valuable assets. There would be no entrepreneurial success without their commitment, passion and professionalism. Consequently, the clear objectives of the compensation policy are to recruit and retain qualified employees, to drive best-in-class performance, to ensure market-based pay and to encourage behaviour that is in line with the company's values and high standards of integrity. The compensation programmes are designed to fulfil these fundamental objectives based on the compensation principles.

### Compensation policy and principles

Alignment with business strategy	Compensation programmes are designed to support the business strategy.
Reward for sustainable performance	Variable compensation is based on the profitability of the company and its businesses, hence the performance management process is a central management tool to drive sustainable performance.
Participation in the company's long-term success	Executives have the opportunity to participate in the company's long-term success through the variable long-term compensation plan and the Zehnder Group Management Share Plan.
Market competitiveness	Compensation is regularly benchmarked against best market practice. The policy is to target median compensation of the relevant benchmark considering years of experience in the role.
Transparency and fairness	Compensation decisions are transparent and fair. The global grading system ensures consistency across the organisation.

## 3. Architecture of compensation of the Board of Directors

In order to guarantee their independence in their supervisory function of the Group Executive Committee, the members of the Board of Directors receive a fixed compensation only, consisting of a fixed annual retainer, a fixed compensation for the membership in committees of the Board of Directors as well as a lump sum expense allowance. The compensation of the Board of Directors is reviewed regularly. In order to strengthen the alignment to long-term shareholders' interests, 50% of the compensation of the Board of Directors is paid in cash and 50% is paid in form of Zehnder Group AG registered shares A. These shares are granted with a discount of 30% on the relevant share price, determined as the average volume-weighted share price of the share during the period between 1 October and 31 December of the respective year. The shares are subject to a restriction period of three years during which they cannot be sold, transferred or pledged. The restriction period also applies in case of termination of employment, except in case of death where the restriction immediately lapses.

The cash compensation is paid out monthly and the restricted shares A are allocated in January for the previous compensation period covering the term of office from the Annual General Meeting of the previous year to the Annual General Meeting of the reporting year.

Additional compensation to Board members for advisory services to the company or for the activities in companies that are controlled directly or indirectly by the company is permitted. This compensation is included in the total amount of compensation paid to the Board of Directors, which must be approved by the Annual General Meeting.

### Architecture of compensation of the Board of Directors

	In cash	In shares <sup>1</sup>
<b>Retainer (gross p.a.)</b>		
Chairman of the Board of Directors	175,000	175,000
Vice Chairman of the Board of Directors	50,000	50,000
Members of the Board of Directors	40,000	40,000
<b>Committee fees (gross p.a.)</b>		
Chairman of the Compensation Committee or Audit Committee	15,000	15,000
Member of the Compensation Committee or Audit Committee	10,000	10,000
Expense lump sum (gross) <sup>2</sup>	2,000	

<sup>1</sup> Converted into shares on the basis of the average volume-weighted share price during the period between 1 October and 31 December, discounted by 30%.

<sup>2</sup> The Chairman of the Board of Directors receives a lump sum expense allowance based on his level of activity, and in line with the company's expenses regulations for executives. For non-Swiss members of the Board of Directors or in cases where effective business expenses are in excess of CHF 2000, no expense lump sum is paid out and business expenses are reimbursed on an actual cost basis.

## 4. Architecture of compensation of the Group Executive Committee

The compensation for the Group Executive Committee includes a fixed annual base salary, a variable short-term element, a variable long-term element, participation in a management share plan, as well as occupational benefits and perquisites.

### Architecture of compensation of the Group Executive Committee

	Purpose	Drivers	Performance measures	Vehicle
Annual base salary (ABS)	Attract & retain	Position, experience and qualifications		Monthly cash payments
Variable short-term compensation element (short-term incentive, STI)	Pay for performance	Annual business performance	Group net profit	Annual cash payment
Variable long-term compensation element (long-term incentive, LTI)	Reward long-term, sustained performance; align with shareholders' interests; retain	Role and area of responsibility	Relative total shareholder return (rTSR); increase in earnings per share (EPS)	Conditional rights to restricted shares A (Performance Share Units)
Zehnder Group Management share plan (ZGMSP)	Align with shareholders' interests, retain	Level of position	Share price evolution	Discounted registered shares A
Benefits	Protect against risks, attract & retain	Market practice and position		Retirement plan, insurances, perquisites

#### 4.1 Annual base salary (ABS)

The annual base salary is determined individually on the basis of the scope and responsibilities associated with the position, experience and qualifications of the individual. The annual base salary is reviewed annually and adjustments reflect individual performance, current salary, competitive positioning, market salary trends and the affordability to the company.

#### 4.2 Variable short-term compensation element (short-term incentive, STI)

The short-term incentive (STI) allows the Group Executive Committee to participate in the Group's current success and is delivered in form of a cash payment under a profit-sharing plan. For each position, a profit-sharing amount is determined, taking into account the impact on the operating result, company strategy and responsibilities. The STI amount paid out for the fiscal year corresponds to the profit-sharing amount multiplied by the Group net profit (in EUR million). Since the reporting year, the STI can only be paid if a Group net profit of at least 60% of the budget value is achieved (lower limit, adjusted for non-budgeted one-off effects such as company acquisitions). This aligns with the STI principles of the other executives of the Zehnder Group. Considering the profit-sharing characteristic of the formula, there is no formal target level for this STI. However, there is a contractually agreed upper limit for the STI amount. This is set at 100% of the annual base salary for the CEO and 75% for all other members of the Group Executive Committee.

Calculation of the STI amount:

	Individual profit-sharing amount (EUR)	Group net profit × (MEUR)	STI amount = (EUR)
<b>Example</b>	2,000	30	60,000

The STI amount for any given fiscal year is paid in the spring of the following year.

The decision to directly and solely link the STI to the financial results of the company (Group net profit) is based on the conviction that performance management shall be disconnected from compensation. For the CEO and the other members of the Group Executive Committee, within the framework of the global performance management process, the performance objectives are derived directly from the business strategy by the Board of Directors at the start of each year and reviewed at regular intervals. This takes place at the request of the Compensation Committee. These performance objectives include financial, strategic and qualitative objectives, for example in the area of leadership and project management.

In case of termination of employment during the first half of the fiscal year, the STI is calculated pro rata temporis, based on pay-out level of the previous year. In case of termination of employment in the second half of the year, the published half-year figures for the pro rata temporis calculation are taken into account. And in case of termination of employment at the end of the year, the published annual results apply.

The STI is subject to clawback and malus provisions in the event that the company is required to prepare a relevant accounting/financial restatement or in the event of violating the law or the internal regulations.

### 4.3 Variable long-term compensation element (long-term incentive, LTI)

As part of a long-term share plan, the LTI is granted in the form of Performance Share Units (PSUs). The LTI rewards the long-term performance and the sustainable success of the Zehnder Group and is aligned to the interests of shareholders.

A PSU represents a conditional right to receive shares of the company. The prerequisite for this is the fulfilment of certain conditions during the three-year performance period (vesting period). The vesting conditions include both the attainment of the predefined performance objectives (performance conditions) and continuous and ongoing employment at the end of the vesting period (service condition).

The features of the LTI can be summarised as follows: At grant a target amount in relation to the LTI is determined for each member of the Group Executive Committee, taking the relevant benchmark for the individual total compensation into account.

In 2020, the allocation of the target amount consisted of 50% of the annual base salary for the CEO and no more than 50% of the annual base salary for the other members of the Group Executive Committee.

On the grant date, the individual target amount is converted into the relevant number of PSUs based on the average volume-weighted share price of Zehnder Group AG at the SIX Swiss Exchange during the period from 1 October to 31 December of the year before grant date.

50% of the performance condition is based on the relative total shareholder return (TSR) and the remaining 50% is based on the increase in earnings per share (EPS growth). The relative TSR is the achieved increase in value for the investor (that is, the share price performance plus dividend) in relation to a comparison group.

### Peer group

The peer group for the relative TSR measure is a summary of comparable companies that have already been taken into account for benchmarking purposes. The Board of Directors confirmed that the following companies were comparable:

Arbonia	Belimo	Bobst
Bossard	Burckhardt Compression	Burkhalter
Conzzeta	Daetwyler	Feintool
Forbo	Gurit	Huber+Suhner
Interroll	Komax	Landis+Gyr
Metall Zug	Meier Tobler	Phoenix Mecano
Rieter	Schweiter	Starrag

### Rewarding long-term performance

The total number of shares that are transferred to the participants after the vesting period is calculated as shown below. The performance factor can range between 0 and 150%, with no conversion into shares carried out below the threshold. The conversion into shares is limited to a maximum of 1.5 shares per PSU.

For both key figures, the Compensation Committee defines a lower limit for the performance level (with no vesting taking place below this limit), a target value (100% vesting) and an upper limit for the performance level (150% vesting). Between these levels, vesting is calculated on a linear basis.

	Lower limit 25% (EPS) 50% (TSR) vesting	Target value 100% vesting	Cap 150% vesting
Relative TSR (50%)	25% percentile rank	Median of the comparison group	≥75% percentile rank
EPS growth (50%)	X% of the target value	EPS target value	Z% of the target value

EPS: Earnings Per Share, TSR: Total Shareholder Return

The achievement of the relative performance measure and the combined performance factor are calculated by an external independent consultancy company. If the Zehnder Group reports a loss from ongoing business activities during the last year of the three-year vesting period or in other exceptional cases, the Board of Directors reserves the right to specify whether and to what extent the PSUs will lapse for this period, regardless of the combined performance factor achieved.

In case of termination of employment, the blocked PSUs usually lapse, except in the event of retirement, disability, death or a change of control at the company. These provisions are outlined individually in the table below.

Reason for release	Plan rules for non-vested PSUs
Termination by employee	Lapse
Termination of employment by employer for good cause	Lapse
Termination of employment by employer (other causes)	Discretion of the Board of Directors
Retirement	Discretion of the Board of Directors
Invalidity	Pro rata vesting, based on effective performance at regular vesting point in time
Death	Accelerated pro rata vesting based on target performance (100% payment factor)
Change of control	Accelerated, full vesting based on effective performance at the point of change of control (except if the plan is continued or replaced with an equivalent)

PSUs or shares granted as part of the long-term share plan are subject to the same clawback and sunset clauses as the STI.

In the event of a participant failing to adhere to reporting regulations and/or committing fraud and/or breaching legislation or relevant internal regulations, these clauses enable the Board of Directors to declare that any variable cash compensation elements that have not been paid out or long-term incentives that have not yet been transferred are forfeited, either in part or in full (penalty clause), and/or to reclaim in part or in full any variable cash compensation elements that have been paid out or long-term incentives that have been transferred.

### Shareholding guideline

To align the interests of the Group Executive Committee more closely with those of the shareholders, a shareholding guideline was introduced from the 2019 fiscal year onwards. Introduction of the shareholding guideline or after their appointment to the Group Executive Committee, the members of the Group Executive Committee must hold at least a multiple of their annual basic compensation in Zehnder Group AG shares, as demonstrated in the table below.

	% of the annual base salary
CEO	200%
Other members of the Group Executive Committee	150%

CEO: Chief Executive Officer

---

#### 4.4 Long-term benefits: Zehnder Group Management Share Plan (ZGMSP)

The Zehnder Group Management Share Plan (ZGMSP) is a long-term benefit programme with the objective to encourage members of the Group Executive Committee and all employees at management level to directly participate in the long-term success of the company. The Group Executive Committee members may elect to draw up to 30% of their annual base salary in the form of Zehnder Group AG registered shares A. These shares are offered at a discount of 30% on the relevant share price determined as the average volume-weighted share price of the share during the period between 1 October and 31 December. The shares are subject to a restriction period of three years during which they cannot be sold, transferred or pledged. The restriction period also applies in case of termination of employment, except in case of death where the restriction immediately lapses.

The ZGMSP strengthens the link between compensation and company long-term performance, as the compensation invested in the programme is exposed to the change in share value over the restriction period of three years.

---

#### 4.5 Benefits

As the Group Executive Committee is international in its nature, the members participate in the benefit plans available in the country of their employment contract. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents in respect to retirement and to the risks of disability, death and illness/accident.

The members of the Group Executive Committee with a Swiss employment contract participate in the pension plan offered to all employees in Switzerland, in which earnings up to an amount of CHF 700,000 per annum is insured. On 1 April 2020, optional pension saving schemes were introduced for all employees in Switzerland as a means of adapting to the changing market conditions. Within this context, employer pension contributions were increased by 1% in all cases. Employees also have the option of increasing their individual pension saving contribution by 1% or 2%. The Zehnder Group's pension benefits exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are in line with what other international industrial companies offer. As a result of the employer pension contributions increasing by 1% during the reporting year, the pension benefits provided by the Zehnder Group are approaching the median of the peer group companies in Switzerland.

Members of the Group Executive Committee under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and are structured in accordance with local practice and in line with local legal requirements.

In addition, the members of the Group Executive Committee are also eligible to standard perquisites such as a company car, children allowance, subsidised staff restaurant and other benefits in kind, according to competitive market practice in their country of contract. The monetary value of these other elements of compensation is evaluated at fair value and is included in the compensation tables.

Expenses that are not covered by the lump sum remuneration for expense allowance in accordance with the company's expenses regulations are compensated upon presentation of documentary evidence. The reimbursement of business expenses is not considered compensation and does not need to be approved by the Annual General Meeting.

---

#### **4.6 Contracts of members of the Group Executive Committee**

The employment contracts of the members of the Group Executive Committee are unlimited, incorporate a notice period of minimum six to maximum twelve months and provisions on a non-competition clause, which is limited to two years after termination of the employment relationship and provides for an entitlement to a maximum of the annual base salary. There are no agreements with regard to severance compensation in connection with leaving the company or a “change of control”.

## 5. Additional information on compensation, guarantees, loans and credits for the business year 2020

### 5.1 Compensation to the Board of Directors in the business year 2020

In 2020, the members of the Board of Directors received a total compensation of CHF 1.6 million (2019: CHF 1.7 million) in the form of fixed compensation of CHF 0.7 million (2019: CHF 0.8 million), share-based compensation of CHF 0.8 million (2019: CHF 0.8 million) and national insurance contributions of CHF 0.1 million (2019: CHF 0.1 million).

In 2020, the total compensation paid to the Board of Directors was slightly lower than the previous year as a result of the following factors:

- To demonstrate solidarity, waiving of 10% of the fixed compensation between April and September 2020, for the Board of Directors members in office for the 2020/2021 period,
- Reduction in the Board of Directors by two members,
- Higher share price on the grant date in 2021 compared to the previous year.

### Compensation for the members of the Board of Directors

#### ✓ PwC Switzerland

	Units 2020	Units 2019	CHF <sup>1</sup> 2020	CHF <sup>1</sup> 2019
<b>Hans-Peter Zehnder</b>				
Chairman of the Board of Directors				
Fixed cash compensation for Board activity			166,250	175,000
Lump sum expense allowances			12,000	12,000
Allocated shares for Board activity <sup>2</sup>	5,071	6,046	307,092	250,585
Fixed cash compensation for additional services			-	60,000
Cash compensation as per invoiced hours for additional services <sup>4</sup>			-	20,000
Employer national insurance contributions			27,806	63,300
Other payments			12,935	12,475
<b>Total compensation</b>			<b>526,083</b>	<b>593,360</b>

	Units 2020	Units 2019	CHF 2020	CHF 2019
<b>Thomas Benz</b>				
Vice Chairman of the Board of Directors and member of the Compensation Committee up to 2 April 2020				
Fixed cash compensation for Board activity			12,500	50,000
Fixed cash compensation for Compensation Committee activity			2,500	10,000
Allocated shares for Board and Compensation Committee activity <sup>2</sup>	493	2,073	21,670	85,895
Employer national insurance contributions			2,533	7,468
<b>Total compensation</b>			<b>39,203</b>	<b>153,363</b>

	Units 2020	Units 2019	CHF <sup>1</sup> 2020	CHF <sup>1</sup> 2019
<b>Jörg Walther</b>				
Vice Chairman of the Board of Directors since 2 April 2020 and Chairman of the Audit Committee				
Fixed cash compensation for Board activity			45,000	40,000
Fixed cash compensation for Audit Committee activity			14,250	15,000
Lump sum expense allowances			2,000	2,000
Allocated shares for Board and Audit Committee activity <sup>2</sup>	1,801	1,899	110,390	78,712
Cash compensation as per invoiced hours for additional services <sup>5</sup>			164,003	180,427
Employer national insurance contributions			11,468	9,175
<b>Total compensation</b>			<b>347,111</b>	<b>325,314</b>

	Units 2020	Units 2019	CHF 2020	CHF 2019
<b>Urs Buchmann</b>				
Member of the Board of Directors, the Compensation Committee and the Audit Committee				
Fixed cash compensation for Board activity			38,000	40,000
Fixed cash compensation for Compensation Committee activity			9,500	10,000
Fixed cash compensation for Audit Committee activity			9,500	10,000
Allocated shares for Board, Compensation and Audit Committee activity <sup>2</sup>	1,737	2,072	105,148	85,853
Employer national insurance contributions			11,238	10,009
<b>Total compensation</b>			<b>173,386</b>	<b>155,862</b>

	Units 2020	Units 2019	CHF 2020	CHF 2019
<b>Riet Cadonau</b>				
Member of the Board of Directors and Chairman of the Compensation Committee				
Fixed cash compensation for Board activity			38,000	40,000
Fixed cash compensation for Compensation Committee activity			14,250	15,000
Lump sum expense allowances			2,000	2,000
Allocated shares for Board and Compensation Committee activity <sup>2</sup>	1,593	1,899	96,450	78,712
Employer national insurance contributions			10,303	9,175
<b>Total compensation</b>			<b>161,003</b>	<b>144,887</b>

	Units 2020	Units 2019	CHF 2020	CHF 2019
<b>Daniel Frutig</b>				
Member of the Board of Directors from 28 March 2019 up to 2 April 2020				
Fixed cash compensation for Board activity			10,000	30,000
Allocated shares for Board activity <sup>2</sup>	328	985	14,443	43,329
<b>Total compensation</b>			<b>24,443</b>	<b>73,329</b>

	Units 2020	Units 2019	CHF 2020	CHF 2019
<b>Ivo Wechsler</b>				
Member of the Board of Directors and the Audit Committee since 28 March 2019				
Fixed cash compensation for Board activity			38,000	30,000
Fixed cash compensation for Audit Committee activity			9,500	7,500
Lump sum expense allowances			2,000	1,500
Allocated shares for Board activity <sup>2</sup>	1,448	1,231	87,650	54,153
Employer national insurance contributions			8,892	4,866
<b>Total compensation</b>			<b>146,042</b>	<b>98,019</b>

	Units 2020	Units 2019	CHF 2020	CHF 2019
<b>Milva Zehnder</b>				
Member of the Board of Directors and member of the Compensation Committee since 2 April 2020				
Fixed cash compensation for Board activity			38,000	40,000
Fixed cash compensation for Compensation Committee activity			7,000	–
Lump sum expense allowances			2,000	2,000
Allocated shares for Board activity <sup>2</sup>	1,366	1,382	84,042	57,255
Employer national insurance contributions			7,493	6,673
<b>Total compensation</b>			<b>138,535</b>	<b>105,928</b>

	Units 2020	Units 2019	CHF 2020	CHF 2019
<b>Total compensation paid to the members of the Board of Directors in the year of review</b>				
Fixed cash compensation for Board activity			385,750	445,000
Fixed cash compensation for Compensation Committee activity			33,250	35,000
Fixed cash compensation for Audit Committee activity			33,250	32,500
Lump sum expense allowances			20,000	19,500
Allocated shares for Board, Compensation Committee and Audit Committee activity <sup>2</sup>	13,837	17,587	826,885	734,494
Fixed cash compensation for additional services			-	60,000
Cash compensation as per invoiced hours for additional services			164,003	200,427
Employer national insurance contributions			79,733	110,666
Other payments			12,935	12,475
<b>Total compensation</b>			<b>1,555,806</b>	<b>1,650,062</b>

1 The amounts are gross amounts including national insurance contributions of the members of the Board of Directors, with the exception of one member whose national insurance contributions are settled by the employer due to the employment contract in question.

2 The shares are disclosed at the closing price of the shares on the respective grant dates.

3 A one-off payment of CHF 60,000 to the Chairman of the Board of Directors in the reporting year 2019 for the onboarding of the CEO.

4 Additional services of the Chairman of the Board relate to the support of the Group Executive Committee in strategic projects as well as to extra efforts within the BoD's ad hoc workgroups and is compensated with an annual maximum of CHF 20,000.

5 Additional services relate to legal services for specific projects (commercial and contract law, compliance, etc.) and to extraordinary expenses incurred within the BoD's ad hoc committees (Corporate Governance, M&A).

The 2020 Annual General Meeting approved a maximum budget of CHF 1.8 million for the Board of Directors during the period of office from the 2020 Annual General Meeting to the 2021 Annual General Meeting. The compensation effectively paid during the period under consideration in this Compensation Report (1 January to 31 December 2020) is within this budget approved by the shareholders. The final reporting for the entire period from the 2020 Annual General Meeting to the 2021 Annual General Meeting is included in the 2021 Compensation Report.

At the Annual General Meeting on 28 March 2019, the shareholders approved a maximum total compensation figure of CHF 1.8 million for the Board of Directors during the period of office from the 2019 Annual General Meeting to the 2020 Annual General Meeting. The compensation effectively paid to the members of the Board of Directors over this period was CHF 1.6 million and therefore fell within this approved budget.

## 5.2 Compensation for the Group Executive Committee in the business year 2020

For 2020, the members of the Group Executive Committee received a total compensation of CHF 3.9 million (2019: CHF 3.7 million) in the form of fixed compensation of CHF 1.7 million (2019: CHF 1.8 million), variable compensation of CHF 1.4 million (2019: CHF 1.2 million), other benefits including the value of the discount on the shares of CHF 0.3 million (2019: CHF 0.2 million), and national insurance and pension contributions of CHF 0.5 million (2019: CHF 0.5 million).

In 2020, the total compensation paid to the Group Executive Committee was slightly higher than the previous year due to the following factors:

- All members of the Group Executive Committee voluntarily waiving 10% of their fixed compensation from April to September 2020 as a demonstration of solidarity; the personal STI factors and allocated LTI amounts were not reduced as they are affected by the company's financial development,
- Individual increases in the annual base salaries in order to adjust to the market median. The total increase equates to 2.0% of the total fixed cash compensation for the members of the Group Executive Committee,
- Individual increases in the individual profit-sharing amounts in order to adjust to the responsibility of the position. The total increase equates to 5.0% of the profit-sharing amounts of all members of the Group Executive Committee,
- Compensation for Jörg Metzger as the new Head of the Competence Center Radiators since 11 May 2020, plus compensation for the former Head of the Competence Center Radiators, Tomasz Juda, within the same period (because of payments due under contract during the notice period),
- Higher STI amounts for 2020 compared with the previous year, due to a higher Group net profit in 2020.

In 2020, the Group achieved a net profit of EUR 39.9 million. Consequently, in 2020, the variable cash compensation amounted to 2.1% of the net profit for the members of the Group Executive Committee (2019: 2.4%).

The variable cash compensation for the CEO amounted to 58.4% of the fixed compensation and, for the other members of the Group Executive Committee, a maximum of 60.5% of the fixed compensation.

The highest compensation for a member of the Group Executive Committee was paid to CEO Matthias Huenerwadel in the reporting year and in the previous year.

In 2020, the Annual General Meeting authorised a maximum budget for compensation of the Group Executive Committee of CHF 5.3 million for fiscal year 2020. The total compensation amount of CHF 3.9 million paid to the Group Executive Committee for fiscal year 2020 as disclosed in the following table is below this upper limit.

## Compensation for the members of the Group Executive Committee



	Units 2020	Units 2019	CHF <sup>1</sup> 2020	CHF <sup>1</sup> 2019
<b>Highest-paid member of the Group Executive Committee: Matthias Huenerwadel</b>				
Fixed cash compensation for GEC activity			475,000	500,000
Variable cash compensation			277,235	213,206
Long-term variable compensation (LTI)	5,750	6,950	262,200	231,783
Lump sum expense allowances			24,000	24,000
Employer social security and pension contributions			142,751	127,201
Shares acquired <sup>2</sup>	4,926	–	65,023	–
Other payments			33,591	33,104
<b>Total compensation</b>			<b>1,279,800</b>	<b>1,129,294</b>
<hr/>				
	Units 2020	Units 2019	CHF <sup>1</sup> 2020	CHF <sup>1</sup> 2019
<b>Total compensation paid to the Group Executive Committee including Matthias Huenerwadel<sup>3</sup></b>				
Fixed cash compensation			1,607,171	1,755,097
Variable cash compensation			856,839	784,896
Long-term variable compensation (LTI)	11,144	11,287	508,166	376,421
Lump sum expense allowances			87,355	65,800
Employer social security and pension contributions			538,118	515,223
Shares acquired <sup>2</sup>	12,961	10,551	171,085	111,102
Other payments			91,687	91,060
<b>Total compensation</b>			<b>3,860,421</b>	<b>3,699,599</b>

1 The amounts are gross amounts including employee national insurance contributions.

2 The members of the Group Executive Committee are eligible to purchase shares under the Zehnder Group Management Share Plan. The value disclosed includes the value of the discount on the shares purchased, determined at the closing price of the shares at the grant date, 11 January 2019 and 10 January 2020, less the purchase price. This value is included in the amount approved by the Annual General Meeting.

3 There were five serving members of the Group Executive Committee on 31 December 2020. The total compensation paid to the Group Executive Committee for 2020 includes the pro rata compensation for Jörg Metzger (since 11 May 2020) and the pro rata compensation for Tomasz Juda up to the end of the normal notice period on 31 May 2020. There were five serving members of the Group Executive Committee on 31 December 2019. The total compensation paid to the Group Executive Committee for 2019 includes the pro rata compensation for Johannes Bollmann (since 4 April 2019) and the pro rata compensation for Olaf Schulte up to the end of the normal notice period on 31 August 2019. The pro rata compensation for Dominik Berchtold up to the end of the normal notice period on 28 February 2019 is included in the total compensation paid to the Group Executive Committee for 2019.

---

**5.3 Guarantees, loans, credits, etc.**

No Zehnder Group company has given guarantees, waivers of claims outstanding, credits or loans to current or former members of the Board of Directors, to present or former members of the Group Executive Committee, or to persons closely associated with them.

---

**5.4 Compensation for former members of the Board of Directors and of the Group Executive Committee, and for persons closely associated with them, in the business year 2020**

No compensation was paid to former members of the Board of Directors and of the Group Executive Committee in the reporting year.

No compensation was paid to persons closely related to members of the Board of Directors or to the Group Executive Committee.

# Report of the statutory auditor

## Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

We have audited the remuneration report of Zehnder Group AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled «✓PwC Switzerland» on pages 54 to 57 and on page 59 of the remuneration report.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the remuneration report of Zehnder Group AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Ebinger  
Audit expert  
Auditor in charge

Korbinian Petzi  
Audit expert

Luzern, 23 February 2021

---

*PricewaterhouseCoopers AG, Robert-Zünd-Strasse 2, Postfach, CH-6002 Luzern, Switzerland  
Telefon: +41 58 792 62 00, Telefax: +41 58 792 62 10, [www.pwc.ch](http://www.pwc.ch)*

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

---

# Financial Report

## **63 Consolidated financial statements**

63	Five-year overview
64	Data per share
65	Consolidated balance sheet
66	Consolidated income statement
67	Consolidated cash flow statement
68	Consolidated statement of changes in equity
69	Consolidation scope and principles
71	Accounting and valuation principles
76	Notes to the consolidated financial statements
93	Overview of companies
95	Report of the statutory auditor
99	Alternative performance measures

## **100 Financial statements of Zehnder Group AG**

100	Balance sheet of Zehnder Group AG
101	Income statement of Zehnder Group AG
102	Accounting and valuation principles
103	Notes to the financial statements of Zehnder Group AG
109	Proposal on the appropriation of earnings
110	Report of the statutory auditor

## Five-year overview

		2020	2019	2018	2017	2016
<b>Sales</b>	EUR million	<b>617.7</b>	<b>644.4</b>	<b>601.8</b>	<b>582.4</b>	<b>538.9</b>
Change from prior year	%	- 4.1	7.1	3.3	8.1	1.1
<b>EBITDA<sup>1</sup></b>	EUR million	<b>74.8</b>	<b>64.9</b>	<b>53.2</b>	<b>45.7</b>	<b>70.3</b>
Change from prior year	%	15.2	22.1	16.5	- 35.0	164.9
	% of sales	12.1	10.1	8.8	7.8	13.0
<b>EBIT before one-off effects<sup>1/2</sup></b>	EUR million	<b>50.5</b>	<b>42.1</b>	<b>31.1</b>	<b>23.5</b>	<b>15.1</b>
Change from prior year	%	20.1	35.4	32.1	56.4	187.1
	% of sales	8.2	6.5	5.2	4.0	2.8
<b>EBIT</b>	EUR million	<b>50.5</b>	<b>42.1</b>	<b>31.1</b>	<b>23.5</b>	<b>43.4</b>
Change from prior year	%	20.1	35.4	32.1	- 45.7	726.7
	% of sales	8.2	6.5	5.2	4.0	8.0
<b>Net profit<sup>3</sup></b>	EUR million	<b>39.9</b>	<b>31.9</b>	<b>24.5</b>	<b>16.5</b>	<b>28.1</b>
Change from prior year	%	24.9	30.6	48.3	- 41.3	-
	% of sales	6.5	5.0	4.1	2.8	5.2
<b>Cash flow from operating activities</b>	EUR million	<b>95.3</b>	<b>43.1</b>	<b>30.5</b>	<b>18.5</b>	<b>17.5</b>
Change from prior year	%	121.0	41.2	65.5	5.3	- 44.9
	% of sales	15.4	6.7	5.1	3.2	3.3
<b>Investments in property, plant and equipment &amp; intangible assets</b>	EUR million	<b>16.7</b>	<b>26.0</b>	<b>24.4</b>	<b>26.8</b>	<b>28.2</b>
<b>Depreciation &amp; amortisation</b>	EUR million	<b>- 24.3</b>	<b>- 22.8</b>	<b>- 22.1</b>	<b>- 22.1</b>	<b>- 26.9</b>
<b>Total assets</b>	EUR million	<b>498.6</b>	<b>470.5</b>	<b>440.9</b>	<b>419.8</b>	<b>450.5</b>
<b>Non-current assets</b>	EUR million	<b>198.9</b>	<b>211.8</b>	<b>207.8</b>	<b>206.5</b>	<b>210.1</b>
<b>Net liquidity/(net debt)<sup>1</sup></b>	EUR million	<b>96.4</b>	<b>25.5</b>	<b>21.3</b>	<b>27.5</b>	<b>54.1</b>
<b>Shareholders' equity<sup>3</sup></b>	EUR million	<b>326.9</b>	<b>303.0</b>	<b>283.1</b>	<b>271.2</b>	<b>280.2</b>
	% of total assets	65.6	64.4	64.2	64.6	62.2
<b>Employees</b>	Ø full-time equivalents	<b>3,340</b>	<b>3,413</b>	<b>3,412</b>	<b>3,383</b>	<b>3,247</b>
<b>Market closing price registered share A</b>	CHF	<b>59.10</b>	<b>45.60</b>	<b>33.35</b>	<b>39.95</b>	<b>32.15</b>
<b>Dividends<sup>4</sup></b>	CHF million	<b>14.7</b>	<b>8.2</b>	<b>9.4</b>	<b>5.9</b>	<b>11.1</b>
<b>Payout ratio</b>	%	<b>35</b>	<b>24</b>	<b>35</b>	<b>34</b>	<b>50</b>
<b>Market capitalisation<sup>5</sup></b>	CHF million	<b>576.6</b>	<b>444.9</b>	<b>325.4</b>	<b>389.8</b>	<b>313.7</b>
<b>Total market capitalisation<sup>6</sup></b>	CHF million	<b>693.6</b>	<b>535.2</b>	<b>391.4</b>	<b>468.9</b>	<b>377.3</b>

<sup>1</sup> See Alternative performance measures in the consolidated financial statements in this Financial Report.

<sup>2</sup> One-off effects in 2016 are related to the sale of the old production facility in China with a one-off positive effect of EUR 40.3 million on the operating result (EBIT) and restructuring costs of EUR 12.0 million.

<sup>3</sup> Including minority interests

<sup>4</sup> For 2020 as proposed by the Board of Directors

<sup>5</sup> Market value of all listed registered shares A at year end; excluding value of unlisted registered shares B

<sup>6</sup> Registered shares A and B; registered shares B recognised at one fifth of the price of the registered share A at year end

## Data per share<sup>1</sup>

			2020	2019	2018	2017	2016
<b>Shares outstanding</b>							
Registered shares A	in thousands	units	9,756	9,756	9,756	9,756	9,756
	each with a par value of	CHF	0.05	0.05	0.05	0.05	0.05
Registered shares B (not listed)	in thousands	units	9,900	9,900	9,900	9,900	9,900
	each with a par value of	CHF	0.01	0.01	0.01	0.01	0.01
Number of voting rights or shares	in thousands	units	19,656	19,656	19,656	19,656	19,656
Notional number of shares	in thousands	units	11,736	11,736	11,736	11,736	11,736
	each with a par value of	CHF	0.05	0.05	0.05	0.05	0.05
<b>Market prices (January–December)</b>							
Registered share A	high	CHF	59.20	45.90	46.00	40.95	44.20
Registered share A	low	CHF	30.85	31.20	29.15	31.30	30.50
Registered share A	at year end	CHF	59.10	45.60	33.35	39.95	32.15
<b>Consolidated net profit</b>							
Per registered share A		EUR	3.34	2.64	1.98	1.34	1.74
<b>Consolidated equity<sup>2</sup></b>							
Per registered share A		EUR	26.77	24.81	23.21	22.42	22.55
<b>Dividend (gross)</b>							
Dividend per registered share A <sup>3</sup>		CHF	1.25	0.70	0.80	0.50	0.95
Payout ratio	% of net profit per share		35	24	35	34	50

<sup>1</sup> All data excluding minority interests; all data on the basis of total shares outstanding at year end, less the average of the shares held by Zehnder Group AG as own shares

<sup>2</sup> Before appropriation of earnings

<sup>3</sup> For 2020 as proposed by the Board of Directors

# Consolidated balance sheet



EUR million	Notes	31 December 2020	31 December 2019	Change from prior year %
<b>Assets</b>				
Liquid assets	1	106.3	48.9	
Trade accounts receivable	2	111.0	124.2	
Other receivables	2	17.1	17.9	
Inventories	3	60.6	61.6	
Prepayments		1.3	2.7	
Accrued income		3.4	3.5	
<b>Current assets</b>		<b>299.7</b>	<b>258.6</b>	<b>15.9</b>
Property, plant and equipment	4	182.9	197.2	
Financial assets	4	13.0	11.3	
Intangible assets	4	3.0	3.3	
<b>Non-current assets</b>		<b>198.9</b>	<b>211.8</b>	<b>- 6.1</b>
<b>Total assets</b>		<b>498.6</b>	<b>470.5</b>	<b>6.0</b>
<b>Liabilities &amp; shareholders' equity</b>				
Short-term loans	5	3.1	15.4	
Trade accounts payable		35.1	31.6	
Other short-term liabilities		29.6	23.5	
Short-term provisions	6	10.9	6.5	
Accruals and deferred income		57.9	57.7	
<b>Current liabilities</b>		<b>136.7</b>	<b>134.7</b>	<b>1.5</b>
Long-term loans	5	6.8	8.0	
Other long-term liabilities		1.2	0.4	
Long-term provisions	6	27.0	24.4	
<b>Non-current liabilities</b>		<b>35.0</b>	<b>32.7</b>	<b>6.8</b>
<b>Total liabilities</b>		<b>171.7</b>	<b>167.4</b>	<b>2.5</b>
Share capital		0.4	0.4	
Capital reserves		33.6	33.6	
Own shares		- 4.1	- 4.2	
Retained earnings		293.6	261.8	
Accumulated FX differences		- 11.2	- 3.2	
Minority interests		14.7	14.8	
<b>Equity</b>	7	<b>326.9</b>	<b>303.0</b>	<b>7.9</b>
<b>Total liabilities &amp; shareholders' equity</b>		<b>498.6</b>	<b>470.5</b>	<b>6.0</b>

# Consolidated income statement



EUR million	Notes	2020	2019	Change from prior year %
<b>Sales</b>	16	<b>617.7</b>	<b>644.4</b>	<b>- 4.1</b>
Changes in inventories		3.5	0.8	
Own work capitalised		0.9	1.5	
Other operating income	17	3.0	4.0	
Cost of materials		- 229.5	- 242.2	
Personnel costs		- 197.8	- 208.2	
Depreciation of property, plant and equipment	4	- 23.7	- 22.2	
Amortisation of intangible assets	4	- 0.5	- 0.6	
Other operating expenses	18	- 123.0	- 135.4	
<b>Operating result (EBIT)</b>		<b>50.5</b>	<b>42.1</b>	<b>20.1</b>
Financial result	19	- 3.3	- 1.2	
<b>Earnings before taxes</b>		<b>47.2</b>	<b>40.9</b>	<b>15.5</b>
Income taxes	20	- 7.3	- 9.0	
<b>Net profit</b>		<b>39.9</b>	<b>31.9</b>	<b>24.9</b>
Minority interests		1.0	1.3	
Net profit excluding minority interests		38.9	30.6	
Non-diluted net profit excluding minority interests per registered share A (EUR)	21	3.34	2.64	26.6
Diluted net profit excluding minority interests per registered share A (EUR)	21	3.34	2.64	26.6
Non-diluted net profit excluding minority interests per registered share B (EUR)	21	0.67	0.53	26.6
Diluted net profit excluding minority interests per registered share B (EUR)	21	0.67	0.53	26.6

# Consolidated cash flow statement



EUR million	Notes	2020	2019
Net profit		39.9	31.9
Depreciation and amortisation of property, plant and equipment	4	23.7	22.2
Depreciation and amortisation of intangible assets	4	0.5	0.6
Other non-cash changes		4.0	3.6
(Gain)/loss on disposals of non-current assets		- 0.2	- 0.5
(Increase)/decrease of trade accounts receivable		9.7	- 20.3
(Increase)/decrease of other receivables, prepayments and accrued income		1.7	2.4
(Increase)/decrease of inventories		- 2.6	- 0.3
Increase/(decrease) of trade accounts payable		5.3	- 1.1
Increase/(decrease) of other short-term liabilities, accruals and deferred income		7.6	5.3
Increase/(decrease) of provisions	6	7.4	- 0.2
(Increase)/decrease of deferred tax assets	4	- 1.9	- 0.5
<b>Cash flow from operating activities</b>		<b>95.3</b>	<b>43.1</b>
Investments in property, plant and equipment	4	- 16.4	- 25.6
Investments in intangible assets		- 0.3	- 0.4
Investments in subsidiaries	23	-	- 6.1
Divestment of property, plant and equipment		0.7	1.6
<b>Cash flow from investing activities</b>		<b>- 16.0</b>	<b>- 30.5</b>
Dividends paid to shareholders		- 7.7	- 8.2
Dividends paid to minority shareholders		- 0.7	- 1.7
(Purchase)/sale of own shares		- 0.3	1.0
Increase/(decrease) of short-term loans	5	- 12.3	- 0.9
Increase/(decrease) of long-term loans	5	0.9	2.4
<b>Cash flow from financing activities</b>		<b>- 20.2</b>	<b>- 7.5</b>
Currency effects		- 1.7	1.1
<b>Increase/(decrease) of liquid assets</b>		<b>57.4</b>	<b>6.2</b>
Liquid assets at 1.1.		48.9	42.7
Liquid assets at 31.12.		106.3	48.9
<b>Increase/(decrease)</b>		<b>57.4</b>	<b>6.2</b>

# Consolidated statement of changes in equity



EUR million	Share capital	Capital reserves	Own shares	Goodwill offset	Retained earnings	Accumulated FX differences	Total excluding minority interests	Minority interests	Total including minority interests
<b>Equity at 1.1.2020</b>	<b>0.4</b>	<b>33.6</b>	<b>-4.2</b>	<b>-131.2</b>	<b>393.0</b>	<b>-3.2</b>	<b>288.2</b>	<b>14.8</b>	<b>303.0</b>
Purchase of own shares	-	-	-2.0	-	-	-	-2.0	-	-2.0
Sale of own shares	-	-	2.2	-	0.1	-	2.3	-	2.3
Share-based compensation									
- Granted	-	-	-	-	0.3	-	0.3	-	0.3
Net profit	-	-	-	-	38.9	-	38.9	1.0	39.9
Netted goodwill	-	-	-	0.1	-	-	0.1	-	0.1
Change in minority interests	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-7.7	-	-7.7	-0.7	-8.4
Currency effects	-	-	-	-	-	-8.0	-8.0	-0.4	-8.3
<b>Equity at 31.12.2020</b>	<b>0.4</b>	<b>33.6</b>	<b>-4.1</b>	<b>-131.1</b>	<b>424.7</b>	<b>-11.2</b>	<b>312.2</b>	<b>14.7</b>	<b>326.9</b>
<b>Equity at 1.1.2019</b>	<b>0.4</b>	<b>33.6</b>	<b>-6.3</b>	<b>-125.0</b>	<b>370.8</b>	<b>-5.1</b>	<b>268.4</b>	<b>14.7</b>	<b>283.1</b>
Purchase of own shares	-	-	-	-	-	-	-	-	-
Sale of own shares	-	-	2.1	-	-0.4	-	1.7	-	1.7
Share-based compensation									
- Granted	-	-	-	-	0.1	-	0.1	-	0.1
Net profit	-	-	-	-	30.6	-	30.6	1.3	31.9
Netted goodwill	-	-	-	-6.3	-	-	-6.3	-	-6.3
Change in minority interests	-	-	-	-	-	-	-	0.4	0.4
Dividends	-	-	-	-	-8.2	-	-8.2	-1.7	-9.9
Currency effects	-	-	-	-	-	1.9	1.9	0.1	2.0
<b>Equity at 31.12.2019</b>	<b>0.4</b>	<b>33.6</b>	<b>-4.2</b>	<b>-131.2</b>	<b>393.0</b>	<b>-3.2</b>	<b>288.2</b>	<b>14.8</b>	<b>303.0</b>

# Consolidation scope and principles



## Consolidation scope

The consolidated financial statements are presented in euros and include all domestic and foreign companies which Zehnder Group AG controls directly or indirectly by either holding more than 50% of the voting rights or by otherwise having the power to control their operating and financial policies. Assets and liabilities as well as revenues and expenses are included to 100% in accordance with the full consolidation method. Minority interests in equity and in net profit of fully consolidated companies are recognised separately.

Holdings with a voting interest of between 20 and 49% (associated companies) are included in accordance with the equity method. Consolidated equity and the financial result for the period are accounted for proportionately.

The following changes were made in the consolidation scope compared to the previous year:

- Liquidation of Zehnder Group Finance Ltd. as per 21 February 2020 in Guernsey;
- Founding of Zehnder Climate Ceiling Solutions SAS as per 23 December 2020 in France;
- Liquidation of Shanghai Zehnder Comfosystems Co., Ltd. as per 25 December 2020 in China.

## Consolidation principles

### General

Zehnder Group prepares its accounts in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations).

The consolidated balance sheet and income statement are based on the financial statements of the companies included in the consolidation scope for the year ended 31 December.

The data presented in the consolidated financial statements are based on uniform accounting and valuation principles which apply to all Group companies.

Intergroup receivables and payables as well as revenues and expenses are eliminated in the consolidated statements. Intermediate profits in inventories are eliminated as well.

## Foreign currency translation

For the year under review, the financial statements of subsidiaries which report in currencies other than the euro were translated into euro (EUR) as follows:

- Balance sheet figures at year-end rates;
- Income statement figures at average-for-the-year rates;
- Cash flow statement figures at average-for-the-year rates.

Differences arising from applying these disparate exchange rates as well as foreign exchange differences on long-term loans of an equity nature to Group companies were booked to the cumulative translation differences of the consolidated equity capital. Foreign currency differences arising from repayments of long-term loans of an equity nature are also booked to consolidated equity capital and are not transferred to the income statement until such time as a disposal takes place.

The most important exchange rates used for consolidation are shown in the table below.

	CHF 1	CNY 100	GBP 1	PLN 100	SEK 100	TRY 100	USD 1
<b>Year-end rates</b>							
<b>2020</b>	0.9240	12.49	1.1131	21.90	9.95	11.01	0.8154
2019	0.9214	12.80	1.1758	23.51	9.55	15.00	0.8917
<b>Average-for-the-year rates</b>							
<b>2020</b>	0.9355	12.73	1.1276	22.55	9.52	12.85	0.8827
2019	0.8977	12.95	1.1374	23.27	9.45	15.79	0.8927

## Capital consolidation

Capital is consolidated to show equity capital as if the Group were one single company. To do this, it is necessary to offset the net worth of consolidated companies against the capital allotted to them.

Capital consolidation is based on the purchase method, whereby the acquisition cost of a Group company is eliminated at the time of acquisition against the fair value of net assets acquired with the remainder recorded as goodwill that is subsequently offset within equity of the Group.

When a gradual acquisition, where the investment in shares in an associated company is increased so that takeover of control occurs, the values of participations held to date are initially posted as an outflow, taking any goodwill into account. The fair value of this outflow is determined by the terms of acquisition at the time of takeover of control. Any resulting profit or loss is reflected in the result from associated companies. A revaluation of the entire shareholding in accordance with the terms of acquisition at the time of takeover of control is subsequently carried out as if it were a new acquisition.

# Accounting and valuation principles



The balance sheets of all subsidiaries of Zehnder Group AG have been valued according to uniform valuation principles in accordance with the Swiss accounting and reporting recommendations (Swiss GAAP FER). The financial reporting gives a true and fair view of the financial position, the results of operations, and the cash flows. The consolidated financial statements have been prepared in accordance with the historical cost method with the exception of marketable securities and participations under 20%, which are measured at fair value. The consolidation principles as well as the accounting and valuation principles applied remained unchanged year on year.

## 1. Liquid assets

Cash and cash equivalents, postal checking account, and bank balances are shown at nominal values.

## 2. Trade accounts receivable

Accounts receivable are stated at nominal value. Value adjustments for doubtful accounts are established based on maturity structure and identifiable solvency risks. Besides individual value adjustments with respect to specific known risks, other value adjustments are recognised based on experience.

## 3. Inventories

Inventories are valued on the lower of cost or market principle. Purchased products are valued at acquisition cost and manufactured goods at production cost. Production costs comprise variable manufacturing costs and manufacturing overheads. Valuation adjustments are undertaken for risks arising from time in storage or reduced marketability. Unrealised profits in inventories from intergroup deliveries are eliminated. Any supplier discounts are netted with the cost of materials.

## 4. Property, plant and equipment

Property, plant and equipment are shown in the consolidated balance sheet at acquisition or manufacturing cost (for self-constructed assets) less depreciation and valuation adjustments. The following terms of useful life are applicable for the main items contained in property, plant and equipment:

Buildings	35 to 50 years
Installations	10 to 20 years
Machines and equipment	5 to 15 years
Furniture	5 to 10 years
Computer hardware	3 to 5 years
Vehicles	3 to 5 years

The straight-line method of depreciation is applied for all property, plant and equipment. In general, depreciation commences from the time the asset is put into operation. Plant under construction is not depreciated.

Minor assets to a value of up to EUR 3000 are charged directly as expenses to the income statement. Investments financed through long-term leases are shown on the balance sheet. Expenses for operating leasing are charged appropriate to the period directly to the income statement.

Costs for maintenance, repairs and minor renovations are charged as expenses to the income statement when they occur. Major renovations and investments are capitalised if they result in appreciation of value and depreciated at most over the remaining useful life of the corresponding asset.

---

## 5. Financial assets

Holdings with a voting interest of less than 20% and loans are valued at nominal or acquisition cost less the necessary valuation adjustments. For the accounting principles of the employer contribution reserves and the active deferred taxes, please refer to the following items “10. Pension funds” and “14. Income taxes” of these accounting and valuation principles.

---

## 6. Intangible assets

Acquired intangible assets are recognised at acquisition cost. Computer software is written down on a straight-line basis over three to five years, land use rights on the basis of the contract term or over 50 years as a maximum, and other intangible assets over three to ten years. Internally generated intangible assets are fully charged to the income statement in the year in which they are incurred.

---

## 7. Impairment of assets

The carrying amounts of assets are reviewed for impairment at each balance sheet date or if there are indications that an asset may be impaired. If an indication of potential impairment exists, the recoverable amount of the respective asset is determined. If the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. Impairment losses are recognised in the income statement. The recoverable amount is the higher of the estimated asset's net selling price and its value in use. The net selling price is the amount recoverable from the sale of an asset in an arm's-length transaction between independent parties less the cost of disposal. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

---

## 8. Trade accounts payable and other liabilities

Trade accounts payable and other liabilities are shown at nominal value. They include short-term tax liabilities, shown in the balance sheet on the basis of the results for the reporting year. This item also includes taxes on the proposed distribution of profits by subsidiaries.

---

## 9. Provisions

Provisions are set up for actual and legal obligations arising from events in the past and for potential risks and losses from existing agreements when an outflow of funds is likely and can be measured in a reliable way.

The provisions are for the purpose of personnel pensions and to cover identifiable risks, including guarantee, procedural and country risks, as well as restructuring measures implemented. Provisions for deferred tax liabilities and for set-off risks in respect of tax audits are also included.

Provisions are broken down according to their maturity, i.e. a distinction is made between short-term provisions with an expected cash outflow within the next twelve months and long-term provisions with an expected cash outflow of funds after a period greater than one year.

The provisions are recalculated annually and adjusted accordingly. It is assumed that there is a high probability of these provisions being utilised.

---

## 10. Pension funds

Employees of the Swiss Group companies are registered with a legally independent collective foundation that provides benefits in addition to state pensions. The collective foundation is funded through investment income and premiums paid by both employers and employees. The contributions payable are set out in the regulations.

The economic effects of pension plans on the company are presented as follows: although the capitalisation of economic benefit would be admissible, it is not undertaken because the company does not intend to use this to lower employer contributions. Any benefit resulting from freely disposable employer contribution reserves is recognised as an asset. An economic liability is recognised if the conditions for forming a provision are met. The employer contributions to the pension fund for the reporting period are recognised in the income statement.

In most countries abroad, pension and retirement plans are state-organised. They are generally financed through employer and employee contributions. Two of our German companies have a pension plan in addition to the state scheme. The corresponding obligations are specified in part under provisions. In addition, one obligation amounting to EUR 5.0 million was transferred to a pension trust (Contractual Trust Arrangement) and no longer specified on the balance sheet. Any financial income from the outsourced obligation is posted in personnel expenses.

---

## 11. Derivative financial instruments

Derivative financial instruments are sometimes used to hedge against currency, interest rate and commodity risks. Valuation is undertaken at current value or according to the same valuation principles as for the hedged underlying transaction (current values or according to lower of cost or market principle). The changes in value since the previous valuation are reported in the financial result for the period.

Instruments used to hedge future cash flows are not recognised in the balance sheet, but are reported in the notes until the future cash flow is realised.

---

## 12. Sales

Sales comprised the sale of products and services after deducting value-added taxes, rebates and other price discounts. Sales are posted if the relevant risks and opportunities that are associated with the services rendered or the ownership of the sold products have been transferred to the customer, the income and costs can be reliably determined and the recoverability of the resulting receivables is adequately assured.

---

## 13. Long-term contracts

If the applicable criteria are met, the revenue from sales of long-term projects is recognised according to the percentage of completion on the balance sheet date. Long-term contracts are defined as individual projects with a contract volume of more than a million euros and a term of more than nine months.

The percentage of completion is determined for each individual contract on the basis of the units of delivery method. It is calculated using the number of installed units as a percentage of the total delivery quantity that is contractually agreed. There are justified cases in which acceptance by the customer is delayed purely due to administrative or organisational issues, and all significant performance obligations have otherwise been fulfilled. In these cases, the company management evaluates the financial situation and recognises the revenue before customer acceptance if necessary. A unit is normally invoiced in full when it is accepted (to be offset against any advance payments that have been received or as trade accounts receivable for the amount exceeding the advance payments).

The contract costs are made up of the costs of materials and external services, material overheads (procurement and logistics) and production costs. For loss-free valuation purposes, a single valuation of contracts in progress is made. As soon as a loss becomes apparent, an adjustment is made to account for the full loss amount that is expected. If the adjustment exceeds the value of the asset for the contract, a provision for the excess amount is recognised.

Contracts in progress are projects in which the cumulative performance exceeds the advance payments that have already been received. If the advance payments received are higher than the cumulative performance, this is recognised under liabilities from contracts in progress.

Advance payments received are recognised directly in equity. They are offset against the contracts or compensation claims for which the advance payments have been made.

---

## 14. Income taxes

Income taxes are comprised of current and deferred income taxes.

The current income taxes are calculated with the current tax rates on the basis of the commercial code/anticipated annual tax results, in accordance with the respective taxable profit calculation regulations. The current income tax liabilities are recognised under accruals and deferred income.

The deferred taxes are comprised of deviations between the Group-wide and tax valuation in the company financial statements. These deviations can lead to postponements in the actual taxation of the profits. Deferred taxes are based on the income tax rates per country. Whether an actual tax expense or an actual tax reduction will also arise in the foreseeable future has not been taken into account. Deferred tax assets are posted in the balance sheet under financial assets, and deferred tax liabilities under provisions. Deferred tax assets and deferred tax liabilities are offset provided that they apply to the same taxable entity and are levied by the same tax authority. Deferred tax assets with respect to timing differences will only then be capitalised once it becomes likely that they can be offset by future taxable profits.

Several companies have tax loss carry-forwards. Deferred tax assets have not been capitalised from tax loss carry-forwards.

---

## **15. Transactions with related parties**

Associated companies, boards of directors, executive board members, employee benefits plans and companies controlled by major shareholders are considered to be related parties.

# Notes to the consolidated financial statements



## 1. Liquid assets

Liquid assets amounted to EUR 106.3 million (2019: EUR 48.9 million) whereas interest-bearing financial liabilities reached EUR 9.9 million (2019: EUR 23.4 million). Thus, at year end, net liquidity<sup>1</sup> amounted to EUR 96.4 million (2019: EUR 25.5million).

<sup>1</sup> See **Alternative performance measures** in the consolidated financial statements in this Financial Report.

## 2. Trade accounts receivable and other receivables

EUR million	31.12.2020	31.12.2019
Trade accounts receivable gross *	118.0	131.1
Value adjustments on trade accounts receivable	- 7.0	- 6.9
<b>Trade accounts receivable net</b>	<b>111.0</b>	<b>124.2</b>
Other receivables gross	17.1	17.9
<b>Other receivables net</b>	<b>17.1</b>	<b>17.9</b>
<b>Total trade accounts receivable and other receivables</b>	<b>128.1</b>	<b>142.0</b>
* Of which more than 12 months overdue gross	3.3	3.8

As well as bad debt operating allowances for receivable risks that are specifically identifiable, additional general allowances are made for the following overdue periods:

1-30 days	0%
31-60 days	10%
61-90 days	10%
91-180 days	25%
181-360 days	50%
More than 360 days	100%

### 3. Inventories

EUR million	31.12.2020	31.12.2019
Raw materials	35.0	35.4
Semi-finished products and goods in process	8.7	6.7
Finished products	30.7	32.6
Valuation adjustments	- 13.7	- 13.1
<b>Total inventories</b>	<b>60.6</b>	<b>61.6</b>

## 4. Development of non-current assets

### Property, plant and equipment

EUR million	Land/ buildings/ installations in buildings	Machinery/ plant	Other fixed assets	Plant under construction	Total
<b>Net book value at 1.1.2020</b>	<b>124.2</b>	<b>50.1</b>	<b>9.0</b>	<b>13.9</b>	<b>197.2</b>
<b>Acquisition cost</b>					
Status 1.1.2020	213.4	249.2	30.0	13.9	506.4
Investments	1.7	5.9	3.4	5.5	16.6
Disposals	- 0.3	- 8.8	- 3.2	-	- 12.4
Changes in consolidation scope	-	-	-	-	-
Reclassifications	7.2	3.3	0.3	- 10.8	-
Currency effects	- 4.9	- 4.6	- 0.4	- 0.1	- 10.0
Status 31.12.2020	217.1	245.0	30.0	8.5	500.5
<b>Accumulated valuation adjustments</b>					
Status 1.1.2020	- 89.1	- 199.1	- 21.0	-	- 309.2
Ordinary depreciation	- 6.0	- 13.0	- 3.2	-	- 22.2
Extraordinary depreciation	-	- 1.5	-	-	- 1.5
Disposals	0.3	8.1	2.9	-	11.2
Reclassifications	- 0.3	0.2	-	-	-
Currency effects	1.1	2.5	0.3	-	3.9
Status 31.12.2020	- 93.9	- 202.7	- 21.0	-	- 317.7
<b>Net book value at 31.12.2020</b>	<b>123.1</b>	<b>42.2</b>	<b>9.0</b>	<b>8.5</b>	<b>182.9</b>
<b>Net book value at 1.1.2019</b>					
<b>128.3</b>	<b>52.0</b>	<b>9.0</b>	<b>4.2</b>	<b>193.6</b>	
<b>Acquisition cost</b>					
Status 1.1.2019	211.9	242.8	30.3	4.2	489.2
Investments	1.2	8.0	3.2	13.4	25.8
Disposals	- 2.3	- 6.9	- 4.2	- 0.6	- 14.1
Changes in consolidation scope	-	0.4	0.3	-	0.7
Reclassifications	0.4	2.7	0.1	- 3.1	-
Currency effects	2.1	2.3	0.3	-	4.7
Status 31.12.2019	213.4	249.2	30.0	13.9	506.4
<b>Accumulated valuation adjustments</b>					
Status 1.1.2019	- 83.7	- 190.7	- 21.2	-	- 295.7
Ordinary depreciation	- 5.8	- 12.4	- 3.4	-	- 21.6
Extraordinary depreciation	-	-	-	- 0.6	- 0.6
Disposals	1.7	6.0	4.0	0.6	12.3
Reclassifications	-	-	-	-	-
Currency effects	- 1.3	- 2.0	- 0.3	-	- 3.6
Status 31.12.2019	- 89.1	- 199.1	- 21.0	-	- 309.2
<b>Net book value at 31.12.2019</b>	<b>124.2</b>	<b>50.1</b>	<b>9.0</b>	<b>13.9</b>	<b>197.2</b>

## Financial assets

EUR million	Loans	Reserves for employer contributions	Deferred tax assets	Total
<b>Net book value at 1.1.2020</b>	<b>0.2</b>	<b>2.7</b>	<b>8.3</b>	<b>11.3</b>
<b>Acquisition or current book value</b>				
Status 1.1.2020	0.4	2.7	8.3	11.4
Increases	-	-	2.0	2.0
Decreases	-	-	-0.1	-0.1
Currency effects	-	-	-0.1	-0.1
Status 31.12.2020	0.4	2.7	10.1	13.2
<b>Accumulated valuation adjustments</b>				
Status 1.1.2020	-0.2	-	-	-0.2
Status 31.12.2020	-0.2	-	-	-0.2
<b>Net book value at 31.12.2020</b>	<b>0.2</b>	<b>2.7</b>	<b>10.1</b>	<b>13.0</b>
<b>Net book value at 1.1.2019</b>	<b>0.2</b>	<b>2.6</b>	<b>7.8</b>	<b>10.7</b>
<b>Acquisition or current book value</b>				
Status 1.1.2019	0.4	2.6	7.8	10.8
Increases	-	-	1.0	1.0
Decreases	-	-	-0.5	-0.5
Currency effects	-	0.1	-	0.1
Status 31.12.2019	0.4	2.7	8.3	11.4
<b>Accumulated valuation adjustments</b>				
Status 1.1.2019	-0.2	-	-	-0.2
Status 31.12.2019	-0.2	-	-	-0.2
<b>Net book value at 31.12.2019</b>	<b>0.2</b>	<b>2.7</b>	<b>8.3</b>	<b>11.3</b>

For further details on reserves for employer contribution, please refer to item [14. Employer contribution reserves and pension fund liabilities](#) in these notes to the consolidated financial statements.

## Intangible assets

EUR million	2020	2019
<b>Net book value at 1.1.</b>	<b>3.3</b>	<b>3.5</b>
<b>Acquisition cost</b>		
Status 1.1.	14.8	14.3
Investments	0.3	0.4
Disposals	- 0.6	- 0.2
Currency effects	-	0.3
Status 31.12.	14.4	14.8
<b>Accumulated valuation adjustments</b>		
Status 1.1.	- 11.5	- 10.7
Ordinary amortisation	- 0.5	- 0.6
Disposals	0.6	0.2
Currency effects	-	- 0.2
Status 31.12.	- 11.4	- 11.5
<b>Net book value at 31.12.</b>	<b>3.0</b>	<b>3.3</b>

Intangible assets include software licences amounting to EUR 0.8 million (2019: EUR 1.0 million), patents amounting to EUR 0.1 million (2019: EUR 0.1 million) and land use rights amounting to EUR 2.1 million (2019: EUR 2.2 million).

## 5. Loans

EUR million	2020	2019
<b>Split by maturity</b>		
Less than 12 months	3.1	15.4
12 months to 60 months	6.2	6.9
More than 60 months	0.6	1.1
<b>Total</b>	<b>9.9</b>	<b>23.4</b>
<b>Split by currency</b>		
CAD	3.5	5.1
CNY	3.9	13.9
EUR	-	1.3
USD	2.5	3.2
<b>Total</b>	<b>9.9</b>	<b>23.4</b>

Short-term loans show an interest rate of 0 to 2% (2019: 0 to 4%). Long-term loans show an interest rate of 0 to 5% (2019: 0 to 6%), the majority of which consists of mortgage loans.

## 6. Provisions

EUR million	Tax provisions	Pension commitments	Restructuring provisions	Other provisions	Total
<b>Book value at 1.1.2020</b>	<b>7.1</b>	<b>6.9</b>	<b>1.3</b>	<b>15.6</b>	<b>30.9</b>
New provisions	1.4	0.3	4.2	7.6	13.5
Use	–	– 0.3	– 2.0	– 2.8	– 5.1
Reversals	0.1	– 0.6	– 0.2	– 0.4	– 1.1
Currency effects	– 0.1	–	–	– 0.1	– 0.3
<b>Book value at 31.12.2020</b>	<b>8.4</b>	<b>6.4</b>	<b>3.2</b>	<b>19.9</b>	<b>38.0</b>
Of which short-term	–	0.4	3.2	7.3	10.9
<b>Book value at 1.1.2019</b>	<b>7.5</b>	<b>5.8</b>	<b>2.5</b>	<b>14.9</b>	<b>30.8</b>
New provisions	–	1.6	0.7	4.9	7.2
Use	– 0.4	– 0.5	– 1.8	– 2.8	– 5.4
Reversals	– 0.1	– 0.1	– 0.2	– 1.5	– 1.9
Currency effects	0.1	–	0.1	0.2	0.3
<b>Book value at 31.12.2019</b>	<b>7.1</b>	<b>6.9</b>	<b>1.3</b>	<b>15.6</b>	<b>30.9</b>
Of which short-term	–	0.4	1.3	4.9	6.5

The tax provisions include deferred as well as other tax provisions in accordance with item “9. Provisions” of the [Accounting and valuation principles](#) in the consolidated financial statements in this Financial Report.

The discount rate for German pension obligations was 1.0% (1.0% in the previous year).

The other provisions include provisions for warranties, earn-out for acquisitions made, pending legal cases as well as personnel-related provisions.

## 7. Equity capital

At the balance sheet date, the equity ratio was 66% (2019: 64%). The factors that contributed to changes in consolidated equity are presented in the consolidated statement of changes in equity.

As in 2019, the share capital totalled CHF 0.6 million, corresponding to EUR 0.4 million at the exchange rate of 1 January 2003. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

The statutory and legal reserves and those not available for distribution amounted to EUR 4.2 million (2019: EUR 4.3 million).

	Registered shares A units 2020	Value per unit EUR 2020	Value thousand EUR 2020	Registered shares A units 2019	Value per unit EUR 2019	Value thousand EUR 2019
<b>Own shares at 1.1.</b>	<b>110,524</b>	<b>38.38</b>	<b>4,242</b>	<b>164,069</b>	<b>38.48</b>	<b>6,314</b>
Transfer at market price	- 56,095	40.88	- 2,293	- 53,545	31.48	- 1,686
Gain/(loss) from sale			131			- 386
Purchase at acquisition price	50,000	40.91	2,046	-	-	-
<b>Own shares at 31.12.</b>	<b>104,429</b>	<b>39.51</b>	<b>4,126</b>	<b>110,524</b>	<b>38.38</b>	<b>4,242</b>

Shares were sold at a discount of 30% to management staff participating in a stock ownership plan and issued to members of the Board of Directors as part of their fee (see item 22. **Shares granted** in these notes to the consolidated financial statements).

## 8. Contingent liabilities

At year end, there were guarantee obligations vis-à-vis third parties totalling EUR 1.9 million (2019: EUR 3.1 million).

With regard to Group financing, Group guarantees for subsidiaries were at the maximum level of EUR 43.7 million (2019: EUR 69.9 million).

## 9. Pledged assets

Of the Group's total assets, EUR 20.3 million served as collateral (2019: EUR 22.2 million). The pledged assets were exclusively land and buildings.

## 10. Liabilities to pension funds

At 31 December 2020, there were liabilities to pension funds in the amount of EUR 0.6 million (2019: EUR 0.5 million) and are included in other short-term liabilities.

## 11. Transactions with related parties

In the reporting year, as was the case in the previous year, no products were sold to companies that were not fully consolidated and there were no receivables with regard to companies that were not fully consolidated.

In the year under review, as per the previous year, Zehnder Group did not complete any major transactions with shareholders and there were no receivables or obligations.

As per the previous year, Zehnder Group completed no major transactions with minority shareholders of subsidiaries. At the end of the reporting year, as in the previous year, there were neither receivables nor obligations with regard to minority shareholders.

During the reporting year, one member of the Board of Directors (Jörg Walther) was compensated for additional services, such as legal advice in specific projects and extraordinary expenses associated with ad hoc Board of Directors committees, with EUR 0.2 million (2019: EUR 0.2 million). Please refer to item [5.1 Remuneration to the Board of Directors in the 2020 financial year](#) in the Compensation Report.

## 12. Derivative financial instruments

EUR million	Active value 31.12.2020	Passive value 31.12.2020	Active value 31.12.2019	Passive value 31.12.2019	Purpose
Foreign exchange	-	-	-	0.1	Hedging
<b>Total</b>	-	-	-	<b>0.1</b>	

## 13. Operating leasing not recognised in the balance sheet

Current operating leasing contracts expire as follows:

EUR million	31.12.2020	31.12.2019
Within 12 months	3.8	3.9
In 13–60 months	7.0	6.4
In more than 60 months	0.1	-
<b>Total</b>	<b>10.9</b>	<b>10.3</b>

## 14. Employer contribution reserves and pension fund liabilities

### Employer contribution reserve (ECR)

EUR thousands	Nominal value 31.12.2020	Balance sheet 31.12.2020	Currency gain (+)/ loss (-) on ECR 2020	Balance sheet 31.12.2019	Expense (-)/ income (+) in terms of personnel expense 2020	Expense (-)/ income (+) in terms of personnel expense 2019
Pension trust fund	2,730	2,730	8	2,722	-	-
<b>Total</b>	<b>2,730</b>	<b>2,730</b>	<b>8</b>	<b>2,722</b>	<b>-</b>	<b>-</b>

No interest was paid on the employer contribution reserve in either year.

### Economic benefits/economic liabilities and pension expenses

EUR thousands	Excess/ (inad- equated) cover 31.12.2020 <sup>1</sup>	Economic share of organisation 31.12.2020	Economic share of organisation 31.12.2019	Capitalised in business year 2020	Contri- butions accrued 2020	Pension expenses in personnel expenses 2020	Pension expenses in personnel expenses 2019
Pension trust fund	1,493	-	-	-	-	-	-
Personnel pension fund collective fund	5,814	-	-	-	2,189	2,189	1,996
Pension plans abroad	-	-	-	-	7,806	7,806	10,104
<b>Total</b>	<b>7,307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,995</b>	<b>9,995</b>	<b>12,100</b>

<sup>1</sup> The 2020 financial statements of the pension trust fund and the collective fund are not yet available as of the date of publication of this Annual Report. The details regarding the excess coverage in 2020 correspond to the value as at 31 December 2019.

Please refer to item "10. Pension funds" of the [Accounting and valuation principles](#) in the consolidated financial statements and to the pension commitments in item [6. Provisions](#) in these notes to the consolidated financial statements.

## 15. Segment reporting

In accordance with Swiss GAAP FER 31/8, segment reporting used at top management level for corporate management is disclosed. The Zehnder Group is an indoor climate system supplier. With the two segments, Europe and China & North America, the Group is classified according to geographical regions. These are managed independently from one another and their business performance is assessed separately. The regions of China and North America are reported together on grounds of materiality. Each of them only account for 8% (previous year: 9%) of total sales.

The Europe segment comprises a total of 42 production, sales and management companies in 17 European countries. The largest locations are in Germany, France, the United Kingdom, Switzerland and the Netherlands.

The China & North America segment is comprised of a total of 11 production, sales and management companies in China and North America. These sites are located in China, the US and in Canada.

		Europe	China & North America	Eliminations	Total
<b>2020</b>					
Sales third	EUR million	517.2	100.5	–	617.7
Sales intercompany	EUR million	4.1	2.6	– 6.7	–
<b>Sales</b>	EUR million	<b>521.3</b>	<b>103.0</b>	<b>– 6.7</b>	<b>617.7</b>
<b>EBIT</b>	EUR million	<b>41.6</b>	<b>8.9</b>	<b>–</b>	<b>50.5</b>
	% of sales	8.0	8.6		8.2
<b>Investments in property, plant and equipment &amp; intangible assets</b>	EUR million	<b>13.3</b>	<b>3.4</b>	<b>–</b>	<b>16.7</b>
<b>Property, plant and equipment</b>	EUR million	<b>144.6</b>	<b>38.3</b>	<b>–</b>	<b>182.9</b>
<b>Number of employees</b>	Ø full-time equivalents	<b>2,607</b>	<b>733</b>	<b>–</b>	<b>3,340</b>
<b>2019</b>					
Sales third	EUR million	531.1	113.3	–	644.4
Sales intercompany	EUR million	3.8	3.4	– 7.2	–
<b>Sales</b>	EUR million	<b>534.9</b>	<b>116.6</b>	<b>– 7.2</b>	<b>644.4</b>
<b>EBIT</b>	EUR million	<b>31.7</b>	<b>10.4</b>	<b>–</b>	<b>42.1</b>
	% of sales	5.9	8.9		6.5
<b>Investments in property, plant and equipment &amp; intangible assets</b>	EUR million	<b>17.8</b>	<b>8.2</b>	<b>–</b>	<b>26.0</b>
<b>Property, plant and equipment</b>	EUR million	<b>154.6</b>	<b>42.7</b>	<b>–</b>	<b>197.2</b>
<b>Number of employees</b>	Ø full-time equivalents	<b>2,650</b>	<b>763</b>	<b>–</b>	<b>3,413</b>

## 16. Sales

At EUR 617.7 million consolidated sales in 2020 were 4.1% lower than in 2019 (2019: EUR 644.4 million). Organically<sup>1</sup>, sales revenues decreased by 3.9%.

In revenue terms, EUR 1.4 million (2019: EUR 0.0 million) from long-term contracts are recognised.

Sales by region and business area are classified as follows:

		2020	%	2019	%
<b>Sales by region and business area</b>					
Ventilation Europe	EUR million	269.4	43.6	259.0	40.2
Change from prior year	%	4.0		11.8	
Ventilation North America	EUR million	14.4	2.3	11.8	1.8
Change from prior year	%	22.2		39.1	
Ventilation China	EUR million	40.2	6.5	45.2	7.0
Change from prior year	%	- 11.0		16.9	
<b>Total business area ventilation</b>	EUR million	<b>324.0</b>	<b>52.5</b>	<b>316.0</b>	<b>49.0</b>
Change from prior year	%	2.5		13.3	
Radiators Europe	EUR million	247.8	40.1	272.1	42.2
Change from prior year	%	- 8.9		- 1.0	
Radiators North America	EUR million	37.7	6.1	44.0	6.8
Change from prior year	%	- 14.4		20.6	
Radiators China	EUR million	8.1	1.3	12.2	1.9
Change from prior year	%	- 33.5		5.3	
<b>Total business area radiators</b>	EUR million	<b>293.6</b>	<b>47.5</b>	<b>328.3</b>	<b>51.0</b>
Change from prior year	%	- 10.6		1.7	
Total Europe	EUR million	517.2	83.7	531.1	82.4
Change from prior year	%	- 2.6		4.8	
Total North America	EUR million	52.1	8.4	55.8	8.7
Change from prior year	%	- 6.7		24.1	
Total China	EUR million	48.3	7.8	57.4	8.9
Change from prior year	%	- 15.8		14.2	
<b>Total</b>	EUR million	<b>617.7</b>	<b>100.0</b>	<b>644.4</b>	<b>100.0</b>
Change from prior year	%	- 4.1		7.1	

For sales by segment, please refer to the preceding item [15. Segment reporting](#).

<sup>1</sup> See [Alternative performance measures](#) in the consolidated financial statements in this Financial Report.

**17. Other operating income**

Other income is as follows:

EUR million	2020	2019
Licence income	0.2	0.1
Gain on disposal of fixed assets	0.2	0.5
Miscellaneous operating income	2.6	3.4
<b>Total</b>	<b>3.0</b>	<b>4.0</b>

The main sources of miscellaneous operating income are income generated by scrap materials, rental income from third parties and payments from insurance claims.

**18. Other operating expense**

The other operating expenses break down as follows:

EUR million	2020	2019
Operating expenses	- 44.0	- 45.1
Marketing and distribution expenses	- 55.8	- 65.1
Administration and IT expenses	- 23.2	- 25.2
<b>Total</b>	<b>- 123.0</b>	<b>- 135.4</b>

**19. Financial result**

EUR million	2020	2019
Financial expenses	- 1.4	- 1.2
Financial earnings	0.1	0.2
Exchange gains/(losses)	- 2.0	- 0.2
<b>Total financial result</b>	<b>- 3.3</b>	<b>- 1.2</b>

The exchange losses of EUR 2.0 million (2019: EUR 0.2 million) is primarily the result of currency losses associated with the Turkish lira.

## 20. Income taxes

The tax ratio (= taxes in per cent of earnings before taxes) was 16% (2019: 22%).

EUR million	2020	2019
Current taxes	- 9.1	- 9.9
Deferred taxes	1.8	0.9
<b>Total taxes</b>	<b>- 7.3</b>	<b>- 9.0</b>

The Zehnder Group anticipates that tax loss carry-forwards amounting to EUR 34.8 million (2019: EUR 56.9 million) may be applied in the future. The deferred tax assets on this carried forward items would amount to EUR 5.7 million (2019: EUR 8.6 million).

The differences between the expected income tax expense, based on the expected income tax rate and the effective income tax expense shown in the income statement, has been influenced by the following factors. The expected income tax rate of the Group is based on the profit/loss before taxes and the applicable tax rate in the tax year for the Group companies.

EUR million	2020	2019
Earnings before taxes	47.2	40.9
Expected tax rate in %	22.5	24.6
<b>Expected tax expense</b>	<b>- 10.6</b>	<b>- 10.0</b>
Effect of tax incentives	2.1	0.8
Effect of non-deductible expenses	- 0.1	- 0.3
Effect of non-recognition of tax loss carry forwards	- 0.2	- 0.7
Effect of use of unrecognised tax loss carry forwards	4.3	1.8
Other effects	- 2.7	- 0.4
<b>Effective tax expense</b>	<b>- 7.3</b>	<b>- 9.0</b>
Effective tax rate in %	15.5	21.9

The effect of tax incentives includes a deferred tax asset that was recorded in the tax balance sheet as a result of the tax reform measures introduced in Switzerland and the resulting step-up.

The other effects can be largely attributed to changes resulting from tax provisions.

## 21. Net profit per registered share

The undiluted net profit per registered share A is calculated by dividing the net profit excluding minority shares by the total nominal value adjusted shares, less the average number of own shares held by Zehnder Group AG.

For the calculation of the diluted net profit per registered share A, for the outstanding options, whose strike price on the balance sheet date is below the market price (in-the-money) on the balance sheet date, the number of additional registered shares A are calculated and these are added to the total outstanding nominal value adjusted shares.

No dilution effect occurred for the reporting year or the previous year.

		2020	2019
Net profit excluding minority interests	EUR million	38.9	30.6
Notional number of shares	units	11,736,000	11,736,000
Average number of own shares	units	73,837	119,203
<b>Non-diluted net profit excluding minority interests per registered share A</b>	<b>EUR</b>	<b>3.34</b>	<b>2.64</b>
Additional shares from outstanding options (in-the-money)	units	-	-
<b>Diluted net profit excluding minority interests per registered share A</b>	<b>EUR</b>	<b>3.34</b>	<b>2.64</b>

The undiluted/diluted net profit excluding minority interests per registered share B amounts to one fifth of the undiluted/diluted net profit excluding minority interests per registered share A.

## 22. Shares granted

The Zehnder Group introduced an employee investment plan in 2001. This plan allows operating unit managers and members of Group management to acquire registered shares A. The registered shares A issued also include the Board of Directors' shares. Half of the fee that the members of the Board of Directors receive is made up of registered shares A. The shares are issued at a discount to the persons entitled to receive them.

In 2019, Zehnder Group introduced a long-term, variable compensation element (long-term incentive or LTI). This is granted as part of a long-term investment plan in which rights to shares are awarded under certain conditions. The general contractual basis and exercise conditions are explained under item **4.3 Variable long-term compensation element (long-term incentive, LTI)** in the Compensation Report.

The value of shares issued at the time of allocation is equal to the current value. The current value is determined as the closing rate on the day of allocation.

The difference between the current value at the time of allocation and the issue price is recognised in personnel costs.

## Shares granted

		2020	2019
Shares granted for the employee investment plan and the compensation of the Board of Directors	units	56,095	53,545
Current value on the day of allocation	CHF	44.00	35.10
<b>Personnel costs</b>	CHF	<b>760,000</b>	<b>530,000</b>
Shares granted for the variable long-term compensation element for the Group Executive Committee (with 100% achievement of objectives)	units	11,144	11,287
Current value on the day of allocation	CHF	45.60	33.35
<b>Personnel costs</b>	CHF	<b>360,000</b>	<b>165,000</b>

## 23. Acquisitions

No acquisitions were made in the year under review.

The following acquisition was made in the previous year:

- On 7 March 2019, the Zehnder Group acquired the full complement of shares in the Dutch ventilation company Recair for EUR 7.4 million. As a result, the Group acquired net assets amounting to EUR 1.1 million. These included liquid assets of EUR 1.3 million, other current assets of EUR 1.4 million, non-current assets of EUR 0.7 million and liabilities of EUR 2.3 million. Net outflow of liquid assets resulting from the acquisition totalled EUR 6.1 million. The resulting goodwill amounted to EUR 6.3 million and was offset against equity.

## 24. Goodwill

In accordance with the consolidation principles, Zehnder Group directly nets acquired goodwill with equity at the time of first consolidation.

If the parts of the acquired goodwill that could be capitalised had been capitalised and written down over a period of five years, the following figures would have resulted:

### Impact of theoretical capitalisation of goodwill on balance sheet

		31.12.2020	31.12.2019
<b>Disclosed equity inclusive minority interests</b>	EUR million	<b>326.9</b>	<b>303.0</b>
Equity ratio	%	65.6	64.4
<b>Acquisition value of goodwill</b>			
Status at beginning of business year	EUR million	131.2	125.0
Additions <sup>1</sup>	EUR million	–	6.3
Disposals	EUR million	– 0.1	–
Status at end of business year	EUR million	131.1	131.2
<b>Accumulated amortisation</b>			
Status at beginning of business year	EUR million	– 117.7	– 111.4
Amortisation in current year	EUR million	– 5.8	– 6.3
Status at end of business year	EUR million	– 123.5	– 117.7
<b>Theoretical net book value of goodwill</b>	EUR million	<b>7.7</b>	<b>13.6</b>
<b>Theoretical equity inclusive minority interests and net book value of goodwill</b>	EUR million	<b>334.6</b>	<b>316.6</b>
Theoretical equity ratio	%	66.1	65.4

<sup>1</sup> EUR 6.3 million from the acquisition of Recair, Netherlands (2019)

### Impact of theoretical capitalisation of goodwill on results

		31.12.2020	31.12.2019
<b>Disclosed net profit</b>	EUR million	<b>39.9</b>	<b>31.9</b>
Theoretical amortisation of goodwill	EUR million	– 5.8	– 6.3
<b>Net profit after amortisation of goodwill</b>	EUR million	<b>34.1</b>	<b>25.7</b>

## 25. Disclosure of compensation paid to the Board of Directors and the Group Executive Committee

The total compensation for the Board of Directors and Group Executive Committee is shown in the table below.

EUR thousands	2020	2019
Fixed cash compensation	2,027	2,112
Variable compensation (short-term and long-term)	1,138	853
Employer social security and pension contributions	578	562
Share-based payments	934	759
Compensation for additional services	251	327
<b>Total compensation paid to the members of the Board of Directors and the Group Executive Committee</b>	<b>4,928</b>	<b>4,613</b>

Please also refer to the items [5.1 Compensation to the Board of Directors in the business year 2020](#) and [5.2 Compensation for the Group Executive Committee in the business year 2020](#) in the Compensation Report.

## 26. COVID-19 impacts

With regard to the potential impact of COVID-19, the following balance sheet items were analysed in detail: receivables, inventories, non-current assets, provisions and goodwill offset against equity. With the exception of the increased short-term provisions for targeted staffing measures – see item [6. Provisions](#) in these notes to the consolidated financial statements – no major adjustments were required.

To a similar extent as restructuring provisions were recognised in the reporting year, government contributions were received largely in the form of short-time work compensation. These are recorded in personnel costs with a cost-reducing effect.

## 27. Events after the balance sheet date

Following on from the 3 November 2020 announcement of the takeover of Zhongshan Fortuneway Environmental Technology Co., Ltd, headquartered in Zhongshan (Guangdong province, China), the effective transfer of control (closing) is likely to take place in the first half of 2021.

Apart from this, there were no extraordinary pending transactions, risks or further events after the balance sheet date which ought to be disclosed in these consolidated financial statements.

The 2020 financial statements were approved by the Board of Directors on 19 February 2021.

# Overview of companies



As at 31 December 2020, the consolidation scope of the Zehnder Group comprised the following companies.

Unless otherwise stated, the capital stock is shown in the relevant local currency.

		Activity	Capital stock	Capital share in %	Consolidated
<b>Austria</b>					
Vienna	Zehnder Österreich GmbH	S	5,000	100	Fully
<b>Belgium</b>					
Mechelen	Zehnder Group Belgium nv/sa	S	800,010	100	Fully
<b>Canada</b>					
Vancouver	Core Energy Recovery Solutions Inc.	S/P	18,766,213	100	Fully
<b>China</b>					
Dachang	Dachang Zehnder Indoor Climate Co., Ltd.	P	200,000,000	73	Fully
Beijing	Eric & Bason Building Environment Technologies Co., Ltd.	S	8,400,000	36	At equity
Beijing	Zehnder (China) Indoor Climate Co., Ltd.	S	228,250,000	73	Fully
Pinghu	Nather Ventilation System Co., Ltd.	S/P	60,000,000	76	Fully
Pinghu	Zhejiang Nather Water Treatment Technology Co., Ltd.	S	5,000,000	39	Fully
Shanghai	Shanghai Nather Air Technology Co., Ltd.	S	3,200,000	76	Fully
Shanghai	Zehnder Group Enterprise Management (Shanghai) Co., Ltd.	S	100,000	100	Fully
<b>Czech Republic</b>					
Prague	Zehnder Group Czech Republic s.r.o.	S	200,000	100	Fully
<b>Estonia</b>					
Tallinn	Zehnder Baltics OÜ	S	2,556	100	Fully
<b>Finland</b>					
Porvoo	Enervent Zehnder OY	S/P	250,000	100	Fully
<b>France</b>					
Évry	Zehnder Group France	S	7,225,230	100	Fully
Évry	Zehnder Group Participations SAS	O	7,744,000	100	Fully
Évry	Zehnder Climate Ceiling Solutions SAS	S	2,000	100	Fully
Saint-Quentin	HET Transport & Logistique SAS	O	687,000	100	Fully
Vaux-Andigny	Zehnder Group Vaux Andigny SAS	P	4,200,000	100	Fully
<b>Germany</b>					
Lahr	Zehnder Group Deutschland GmbH	S	2,000,000	100	Fully
Lahr	Zehnder GmbH	P	25,000,000	100	Fully
Lahr	Zehnder Group Deutschland Holding GmbH	O	2,100,000	100	Fully
Lahr	Zehnder Group Grundstücksverwaltungs-GmbH	O	1,100,000	100	Fully
Lahr	Zehnder Logistik GmbH	O	250,000	100	Fully
Kleve	Recair GmbH	S	25,000	100	Fully
Reinsdorf	Paul dPoint Technologies GmbH	S	25,000	100	Fully
Reinsdorf	Paul Wärmerückgewinnung GmbH	P	2,100,000	100	Fully

**Italy**

Campogalliano	Zehnder Group Italia S.r.l.	S	80,000	100	Fully
---------------	-----------------------------	---	--------	-----	-------

**Netherlands**

Zwolle	Zehnder Group Zwolle B.V.	P	908,000	100	Fully
Zwolle	Zehnder Group Nederland B.V.	S	18,000	100	Fully
Waalwijk	Recair B.V.	S/P	114,000	100	Fully
Waalwijk	Metis B.V.	S	18,000	100	Fully

**Norway**

Bekkestua	Exvent AS	S	300,000	100	Fully
-----------	-----------	---	---------	-----	-------

**Poland**

Bolesławiec	Zehnder Group Bolesławiec Sp. z o.o.	P	51,280,000	100	Fully
Wrocław	Zehnder Polska Sp. z o.o.	S	4,000,000	100	Fully

**Russia**

Moscow	OOO «Zehnder GmbH», Russia	S	1,866,410	100	Fully
--------	----------------------------	---	-----------	-----	-------

**Spain**

Cerdanyola del Vallès	Zehnder Group Iberica Indoor Climate, S.A.	S	300,500	100	Fully
-----------------------	--	---	---------	-----	-------

**Sweden**

Motala	Zehnder Group Nordic AB	S	6,400,000	100	Fully
Motala	Zehnder Group Motala AB	P	120,000	100	Fully
Täby	Ventener AB	S	50,000	100	Fully

**Switzerland**

Gränichen	Zehnder Group AG	O	586,800		Fully
Gränichen	Zehnder Group Produktion Gränichen AG	P	2,900,000	100	Fully
Gränichen	Zehnder Group International Ltd	O	1,000,000	100	Fully
Gränichen	Zehnder Group Schweiz AG	S	500,000	100	Fully
Gränichen	Zehnder Group Swiss Property AG	O	2,000,000	100	Fully

**Turkey**

Manisa	Hotpan Isitma Sistemleri Pazarlama ve Ticaret Aş	S	50,004	100	Fully
Manisa	Sanpan Isitma Sistemleri Sanayi ve Ticaret Aş	S/P	74,481,674	100	Fully
Istanbul	Zehnder Group İç Mekan İklimlendirme Sanayi Ticaret Ltd Şti	S	3,525,000	100	Fully

**United Kingdom**

Camberley	Zehnder Group UK Ltd	S	3,500,002	100	Fully
Camberley	Zehnder Group UK Holdings Ltd	O	20,000,000	100	Fully
Lenham	Zehnder Group Lenham Ltd	P	3,400,002	100	Fully

**USA**

Buffalo NY	Hydro-Air Components, Inc. (Zehnder Ritting)	S/P	55,950	100	Fully
Hampton NH	Zehnder America, Inc.	S	10	100	Fully
Ward Hill MA	Runtal North America, Inc.	S/P	193,522	100	Fully
Ward Hill MA	Zehnder Group US Holdings, Inc.	O	30	100	Fully

P: production, S: sales, O: other functions

# Report of the statutory auditor

## Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Zehnder Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes ('consolidation scope and principles' and 'notes to the consolidated financial statements' and 'overview of companies') to the consolidated financial statements, including a summary of significant accounting and valuation principles.

In our opinion, the accompanying consolidated financial statements (pages 65 to 94) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview



Overall Group materiality: CHF 4'500'000

We concluded full scope audit work at 17 Group companies in 9 countries. These Group companies contributed 72% of the Group's sales.

An audit of specific account balances was performed at one additional Group company, which addressed a further 8% of the Group's sales. A further 4% of audit coverage on the Group's sales was obtained by specified procedures performed centrally by us.

As key audit matter the following area of focus has been identified:

Valuation of trade accounts receivable

*PricewaterhouseCoopers AG, Robert-Zünd-Strasse 2, Postfach, CH-6002 Luzern, Switzerland  
Telefon: +41 58 792 62 00, Telefax: +41 58 792 62 10, [www.pwc.ch](http://www.pwc.ch)*

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	CHF 4'500'000
<b>How we determined it</b>	0.75% of sales, rounded
<b>Rationale for the materiality benchmark applied</b>	We chose sales as the benchmark because, in our view, it is one of the benchmarks against which the performance of a group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

### Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises two business divisions and it is active in two regions, Europe, and China and North America. The Group financial statements are a consolidation of 53 reporting units, comprising the Group's operating businesses and centralised service and corporate functions.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor as well as by the component auditors in the PwC network and third parties. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor was based on audit instructions and structured reporting. It included telephone conferences with the component auditors, an investigation of the risk analysis and on-site visits to discuss the audit with selected component auditors.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Valuation of trade accounts receivable

#### Key audit matter

As at 31 December 2020, Zehnder Group AG disclosed trade accounts receivable in the amount of EUR 111.0 million (prior year: 124.2 EUR million).

Trade accounts receivable are recognised at their nominal value. Allowances are determined on the basis of the maturity structure and identifiable credit and solvency risks. In applying this approach, Group management and the Board of Directors make assumptions regarding the underlying valuation and the recoverability of the out-standing receivables. We consider the valuation of trade accounts receivable as a key audit matter because the actual cash inflows from the outstanding receivables are subject to a material estimation uncertainty.

Please refer to page 71 of the annual report for information on the accounting and valuation principles and to page 76 for the notes on the trade accounts receivable.

#### How our audit addressed the key audit matter

We tested the appropriateness of the Group's financial reporting in relation to the valuation of trade accounts receivable, including the accounting policies for the determination of specific and general allowances for bad and doubtful debts.

Based on audit procedures listed we tested how Group Management and the Board of Directors made the accounting estimate in terms accounts receivable valuation:

- Critical examination of Group management's methods, assumptions and assessments relating to the impairment testing of the trade accounts receivable.
- Examination whether internal and external indicators of credit, solvency and default risks had been appropriately considered (specific allowances).
- Analysis whether the assumptions were consistent and based on acceptable historical experience and whether the calculation was performed in a mathematically correct manner based on the maturity structure (general allowances).

We consider the methods applied to be an appropriate basis for the valuation of trade accounts receivable. The results of our audit support the assumptions and data used and the assessments made by Group management and the Board of Directors.

### Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

### Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger  
Audit expert  
Auditor in charge

Korbinian Petzi  
Audit expert

Luzern, 23 February 2021



## Alternative performance measures

In this Annual Report, the Zehnder Group reports financial key figures that are not defined according to Swiss GAAP FER. These alternative performance measures are intended to aid the management team as well as analysts and investors in forming a clearer understanding of the Group's performance.

The following definitions and calculation bases of the Zehnder Group may differ from those employed by other companies.

Alternative performance measure	Definition	Calculation basis/reconciliation (in EUR million)	2020	2019
<b>Organic sales growth</b>	The organic sales growth measures the growth that the Group is able to achieve on its own. Organic sales equate to sales that have been adjusted for acquisition effects and have taken place at constant exchange rates.	<b>Sales</b>	<b>617.7</b>	<b>644.4</b>
		Currency effects	1.4	- 4.9
		Acquisition effects	-	- 14.5
		<b>Organic sales</b>	<b>619.0</b>	<b>625.0</b>
		<b>Organic sales growth in %</b>	<b>- 3.9</b>	<b>3.8</b>
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a key figure used to measure the performance of the Group.	<b>Operating result (EBIT)</b>	<b>50.5</b>	<b>42.1</b>
		Depreciation of property, plant and equipment	23.7	22.2
		Amortisation of intangible assets	0.5	0.6
		<b>EBITDA</b>	<b>74.8</b>	<b>64.9</b>
<b>EBIT before one-off effects</b>	Earnings before interest and taxes (EBIT) adjusted for significant one-off effects is a key figure used to measure the performance of the Group. One-off effects include, for example, material restructuring costs or the sale of properties.	<b>Operating result (EBIT)</b>	<b>50.5</b>	<b>42.1</b>
		One-off effects	-	-
		<b>EBIT before one-off effects</b>	<b>50.5</b>	<b>42.1</b>
<b>ROCE</b>	The return on capital employed (ROCE) measures the profitability and efficiency of the Group's capital utilisation. The net operating profit after tax (NOPAT) is compared with the capital employed (CE).	Trade accounts receivable	111.0	124.2
		Other receivables	17.1	17.9
		Inventories	60.6	61.6
		Prepayments	1.3	2.7
		Accrued income	3.4	3.5
		Trade accounts payable	- 35.1	- 31.6
		Other short-term liabilities	- 29.6	- 23.5
		Accruals and deferred income	- 57.9	- 57.7
		Short-term provisions	- 10.9	- 6.5
		Long-term provisions	- 27.0	- 24.4
		Other long-term liabilities	- 1.2	- 0.4
		Non-current assets	198.9	211.8
		<b>Capital employed (CE)</b>	<b>230.5</b>	<b>277.5</b>
		<b>Operating result (EBIT)</b>	<b>50.5</b>	<b>42.1</b>
		Expected income taxes	- 11.4	- 10.3
<b>Net operating profit after tax (NOPAT)</b>	<b>39.1</b>	<b>31.7</b>		
<b>ROCE in %</b>	<b>17.0</b>	<b>11.4</b>		
<b>Net liquidity/(net debt)</b>	Net liquidity or debt is a key figure used to measure the Group's financial liquidity or debt.	<b>Liquid assets</b>	<b>106.3</b>	<b>48.9</b>
		Short-term loans	- 3.1	- 15.4
		Long-term loans	- 6.8	- 8.0
		<b>Net liquidity/(net debt)</b>	<b>96.4</b>	<b>25.5</b>

# Balance sheet of Zehnder Group AG



CHF million	Notes	31 December 2020	31 December 2019
<b>Assets</b>			
Liquid assets		11.7	3.8
Other short-term receivables	1	3.5	2.7
<b>Current assets</b>		<b>15.3</b>	<b>6.5</b>
Financial assets	2	100.9	107.8
Participations	3	294.4	288.6
<b>Non-current assets</b>		<b>395.2</b>	<b>396.4</b>
<b>Total assets</b>		<b>410.6</b>	<b>402.9</b>
<b>Liabilities &amp; shareholders' equity</b>			
Short-term interest-bearing liabilities	4	10.4	5.1
Other short-term liabilities	5	0.1	0.1
Accruals and deferred income		1.0	1.0
<b>Current liabilities</b>		<b>11.6</b>	<b>6.2</b>
Provisions		0.2	0.3
<b>Non-current liabilities</b>		<b>0.2</b>	<b>0.3</b>
Share capital	6	0.6	0.6
Legal retained earnings		46.5	46.5
Voluntary retained earnings			
• Voluntary retained earnings		4.2	4.2
• Available earnings			
– Profit carried forward		341.4	338.6
– Net profit for the year		10.5	11.0
Own shares	7	– 4.4	– 4.6
<b>Shareholders' equity</b>		<b>398.8</b>	<b>396.3</b>
<b>Total liabilities and shareholders' equity</b>		<b>410.6</b>	<b>402.9</b>

# Income statement of Zehnder Group AG



CHF million	Notes	2020	2019
Dividend income		16.0	19.1
Other operating income		1.8	2.4
<b>Operating income</b>		<b>17.8</b>	<b>21.5</b>
Personnel expenses		-0.9	-1.0
Other operating expenses		-3.6	-2.5
Impairment losses on loans and participations		-	-9.1
<b>Operating profit</b>		<b>13.3</b>	<b>8.9</b>
Financial income		3.1	5.1
Financial expenses		-5.6	-2.8
Direct taxes		-0.2	-0.2
<b>Net profit for the year</b>		<b>10.5</b>	<b>11.0</b>

# Accounting and valuation principles



---

These annual accounts have been prepared in accordance with the provisions of the Swiss Accounting Law (title 32 OR [Swiss Code of Obligations]). The main valuation principles applied that are not prescribed by law are described below. It should be noted that the option of forming and releasing hidden reserves was exercised in order to safeguard the company's long-term best interests.

---

## 1. Income from participations

The income from participations corresponds to the dividend earnings of the company. These are generally stated before the deduction of withholding tax.

---

## 2. Own shares

Own shares are recognised under shareholders' equity in the balance sheet as a deduction at cost at the time of acquisition. If they are later resold, the profit or loss is recognised as financial income or expense on the income statement.

---

## 3. Share-based compensation

If own shares are used for share-based compensation for Board of Director members, then the difference between the current value at the time of allocation and the allocated share payment to the Board members is assigned as a personnel expense.

---

## 4. Participations

Participations are valued at acquisition cost less impairments.

---

## 5. Receivables and liabilities

Receivables and liabilities to third parties and Group companies are recognised at nominal values, less any operating allowance for bad debts.

# Notes to the financial statements of Zehnder Group AG



## General comments

As Zehnder Group AG has a pure holding company function, the point must be made that the income development of this company in no way reflects the present or future profitability of Zehnder Group. Hence the development of the Group as set out in the consolidated financial statements – and not the individual financial statements of Zehnder Group AG – is decisive for the Board of Directors for their dividend proposal. The aim of the dividend policy laid down by the Board of Directors is to pay out some 30 to 50% of the consolidated net profit of Zehnder Group to its shareholders.

## 1. Other short-term receivables

CHF million	31.12.2020	31.12.2019
Accounts receivable from Group companies	3.5	2.7
<b>Total</b>	<b>3.5</b>	<b>2.7</b>

## 2. Financial assets

CHF million	31.12.2020	31.12.2019
Loans to third parties	-	0.2
Loans to Group companies	100.9	107.6
<b>Total</b>	<b>100.9</b>	<b>107.8</b>

## 3. Participations

The directly or indirectly held majority interests which are material are included in the [Overview of companies](#) table set out in the consolidated financial statements in this Financial Report.

## 4. Short-term interest-bearing liabilities

CHF million	31.12.2020	31.12.2019
Loans from Group companies	10.4	5.1
<b>Total</b>	<b>10.4</b>	<b>5.1</b>

**5. Other short-term liabilities**

CHF million	31.12.2020	31.12.2019
Other short-term liabilities to third parties	0.1	0.1
<b>Total</b>	<b>0.1</b>	<b>0.1</b>

**6. Share capital**

	Registered shares A units 2020	Registered shares B units 2020	Value CHF 2020	Registered shares A units 2019	Registered shares B units 2019	Value CHF 2019
Total registered shares A as of 1.1.	9,756,000		487,800	9,756,000		487,800
Total registered shares B as of 1.1.		9,900,000	99,000		9,900,000	99,000
<b>Total at 31.12.</b>	<b>9,756,000</b>	<b>9,900,000</b>	<b>586,800</b>	<b>9,756,000</b>	<b>9,900,000</b>	<b>586,800</b>

As in 2019, total share capital amounted to CHF 0.6 million, corresponding to EUR 0.4 million at the exchange rate of 1 January 2003. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

The unlisted registered shares B (CHF 0.01 nominal value) are all directly or indirectly held by members of the Zehnder family or by persons closely associated with the family. The great majority of the registered shares B is owned by Graneco AG (Switzerland). On the balance sheet date, Graneco AG and its shareholders held 51.7% of the company's restricted shares and voting rights.

## 7. Own shares

The development of this item can be seen in the table below.

	Registered shares A units 2020	Value per share CHF 2020	Value CHF 2020	Registered shares A units 2019	Value per share CHF 2019	Value CHF 2019
<b>Own shares at 1.1., trading portfolio</b>	<b>110,524</b>	<b>41.34</b>	<b>4,568,660</b>	<b>157,509</b>	<b>41.39</b>	<b>6,518,538</b>
Shares sold	- 56,095	44.00	- 2,468,180	- 53,545	35.10	- 1,879,430
Gain/(loss) from sale			140,238			- 430,164
Shares bought	50,000	43.85	2,192,493	-	-	-
Reclassifications	-	-	-	6,560	54.83	359,716
<b>Own shares at 31.12., trading portfolio</b>	<b>104,429</b>	<b>42.45</b>	<b>4,433,210</b>	<b>110,524</b>	<b>41.34</b>	<b>4,568,660</b>
<b>Own shares at 1.1., long-term stock option plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,560</b>	<b>54.83</b>	<b>359,716</b>
Shares sold	-	-	-	-	-	-
Gain/(loss) from sale			-			-
Shares bought	-	-	-	-	-	-
Reclassifications	-	-	-	- 6,560	54.83	- 359,716
<b>Own shares at 31.12., long-term stock option plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total securities at 1.1.	110,524		4,568,660	164,069		6,878,254
Total securities at 31.12.	104,429		4,433,210	110,524		4,568,660

The own shares allocated to the Board of Director members are shown in item [5.1 Compensation to the Board of Directors in the business year 2020](#) in the Compensation Report.

## 8. Number of full-time positions

The holding company has no employees.

## 9. Pledged assets and guarantees

The company has guarantee obligations and pledged assets in favour of subsidiaries in the amount of CHF 48.8 million (2019: CHF 77.3 million).

The company belongs to a VAT group which comprises all the Swiss companies in Zehnder Group and is thus jointly and severally liable vis-à-vis the Swiss Federal Tax Administration for any VAT debts of this VAT group.

---

## 10. Disclosure of ownership structure

According to the information available to the Board of Directors, the following shareholders held more than 3% of the share capital of Zehnder Group AG as at the balance sheet date:

- Graneco AG, Gränichen (Switzerland): 15,720 registered shares A and 9,775,600 registered shares B, corresponding to 49.8% of the votes (2019: 49.8%); together with the other registered shares of the company held by the shareholders of Graneco AG, this group holds 51.7% of the voting rights;
- Credit Suisse Funds AG, Zurich (Switzerland): 773,354 registered shares A, corresponding to 3.9% of the votes (2019: 4.5%).

For notification of disclosure of significant shareholdings, please refer to the website of SIX Swiss Exchange: [www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?companyId=ZEHNDER](http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?companyId=ZEHNDER).

As at the balance sheet date, the members of the Board of Directors and of the Group Executive Committee, including persons closely associated with them, owned the following shares and options:

Board of Directors and Group Executive Committee	Registered shares A units <sup>1</sup>	Registered shares A units <sup>1</sup>	Registered shares B units <sup>2</sup>	Registered shares B units <sup>2</sup>
	2020	2019	2020	2019
<b>Hans-Peter Zehnder<sup>4</sup></b>	210,846	203,878	20,000	20,000
Chairman of the Board	1.1% <sup>3</sup>	1.0% <sup>3</sup>	0.1% <sup>3</sup>	0.1% <sup>3</sup>
<b>Thomas Benz</b>	37,301	35,331	-	-
Vice Chairman of the Board up to 2 April 2020	0.2% <sup>3</sup>	0.2% <sup>3</sup>		
<b>Jörg Walther</b>	8,335	6,530	-	-
Vice Chairman of the Board since 2 April 2020				
<b>Urs Buchmann</b>	18,962	16,993	-	-
Member of the Board	0.1% <sup>3</sup>	0.1% <sup>3</sup>		
<b>Riet Cadonau</b>	10,065	8,260	-	-
Member of the Board	0.1% <sup>3</sup>			
<b>Daniel Frutig</b>	1,313	-	-	-
Member of the Board from 28 March 2019 up to 2 April 2020				
<b>Ivo Wechsler</b>	1,641	-	-	-
Member of the Board since 28 March 2019				
<b>Milva Zehnder</b>	6,062	4,749	-	-
Member of the Board				
<b>Matthias Huenerwadel</b>	10,726	5,800	-	-
Chairman of the Group Executive Committee, CEO	0.1% <sup>3</sup>			
<b>René Grieder</b>	17,850	14,780	-	-
CFO	0.1% <sup>3</sup>	0.1% <sup>3</sup>		
<b>Johannes Bollmann</b>	2,610	1,160	-	-
Competence Center Comfosystems since 4 April 2019				
<b>Tomasz Juda</b>	2,800	2,800	-	-
Competence Center Radiators up to 31 May 2020				
<b>Jörg Metzger</b>	-	-	-	-
Competence Center Radiators since 11 May 2020				
<b>Cyril Peysson</b>	45,557	42,792	-	-
Sales Europe/Middle East/Africa (EMEA)	0.2% <sup>3</sup>	0.2% <sup>3</sup>		
<b>Olaf Schulte</b>	-	475	-	-
Competence Center Comfosystems up to 3 April 2019				

1 Provided they were acquired under the employee share ownership programme, some of these shares may be subject to a restriction period (see Compensation Report).

2 The registered shares B are not listed.

3 Share of total votes in % (only if  $\geq 0.1\%$ )

4 Excluding Graneco AG, in which Hans-Peter Zehnder holds a 58.4% stake.

---

**11. Net release of hidden reserves**

The total net release of hidden reserves amounts to CHF 15.0 million (2019: CHF 0.0 million).

---

**12. Events after the balance sheet date**

Following on from the 3 November 2020 announcement of the takeover of Zhongshan Fortuneway Environmental Technology Co., Ltd, headquartered in Zhongshan (Guangdong province, China), the effective transfer of control (closing) is likely to take place in the first half of 2021.

Apart from this, there were no extraordinary pending transactions, risks or further events after the balance sheet date which should be set out in the financial statements.

## Proposal on the appropriation of earnings

CHF

---

The balance sheet profit available for distribution comprises

Retained earnings from previous year	341,420,259
Net gain for 2020 according to the income statement	10,527,796
<b>Balance sheet profit</b>	<b>351,948,055</b>

**The Board of Directors proposes the following appropriation of earnings:**

---

Payment of a dividend	14,670,000
To be carried forward to new account	337,278,055
<b>Total appropriation of earnings</b>	<b>351,948,055</b>

As retained earnings have reached the statutory requirement of 20% of share capital, any corresponding allocation can be waived.

# Report of the statutory auditor

## Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Zehnder Group AG, which comprise the balance sheet as at 31 December 2020, income statement for the year then ended and notes to the financial statements, including a summary of significant accounting and valuation principles.

In our opinion, the accompanying financial statements (pages 100 to 108) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview



Overall materiality: CHF 4,000,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Valuation of investments in subsidiaries

PricewaterhouseCoopers AG, Robert-Zünd-Strasse 2, Postfach, 6002 Luzern  
 Telefon: +41 58 792 62 00, Telefax: +41 58 792 62 10, [www.pwc.ch](http://www.pwc.ch)

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality</b>	CHF 4,000,000
<b>How we determined it</b>	1% of total assets (rounded)
<b>Rationale for the materiality benchmark applied</b>	We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which a holding company can be assessed, and it is a generally accepted benchmark for materiality considerations.

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
<p>The Company as at 31 December 2020 had direct and indirect investments in subsidiaries in the amount of CHF 294.4 million (prior year: CHF 288.6 million).</p> <p>The value of these investments is assessed using a capitalised earnings model. In this process, wide-ranging qualitative and quantitative factors are taken into account. The model applies various assumptions that have a significant influence on the calculated value of the investment.</p> <p>We consider the impairment testing of investments in subsidiaries as a key audit matter owing to their significance on the balance sheet and the corresponding estimation uncertainty.</p>	<p>In order to test the appropriateness of the valuation procedures undertaken by Group management and the Board of Directors, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Assessment whether a methodologically correct valuation process had been chosen and whether the calculations were mathematically correct.</li> <li>Reconciliation of the budget figures with the current business plans of Group management that had been approved by the Board of Directors.</li> <li>Critical assessment of the key assumptions, including the expected future earnings, the growth</li> </ul>



Please refer to page 102 of the annual report for information on the accounting and valuation principles and to page 103 for the notes on the investments.

rate and the capitalisation rates used, by comparison with other available internal and external information and by performing sensitivity analyses.

We conducted on the basis of the available documentation a critical assessment of the wider-ranging qualitative and quantitative factors considered in the valuation by Group management.

Additionally, we compared the net assets of the Company with the market capitalisation of the Group.

We consider the valuation procedures to be an appropriate and adequate basis for the impairment testing of the equity investments. The results of our audit support the assumptions of Group management and the Board of Directors.

---

#### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is available on the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

#### Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.



We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger  
Audit expert  
Auditor in charge

Korbinian Petzi  
Audit expert

Lucerne, 23 February 2021



## Further information for investors

### For further information please contact:

Zehnder Group AG  
Investor Relations  
Moortalstrasse 1  
5722 Gränichen (Switzerland)

Phone + 41 62 855 1521  
[investor-relations@zehndergroup.com](mailto:investor-relations@zehndergroup.com)  
[www.zehndergroup.com](http://www.zehndergroup.com)

### Registered shares A

Valor number	27 653 461
SIX	ZEHN
Bloomberg	ZEHN SW
Reuters	ZEHN S

### Registered shares B (unlisted)

Valor number	13 312 654
--------------	------------

### Registered shares A

Annual General Meeting 2021	26.3.2021
Ex-dividend date	30.3.2021
Dividend payout	1.4.2021
Six-month Report 2021	28.7.2021
End of business year	31.12.2021
Sales for 2021	14.1.2022
Annual Report 2021 and media/analyst conference	23.2.2022
Annual General Meeting 2022	7.4.2022

News and reports, as well as this Annual Report, are available in German and English. The German version is binding.

News are published under [www.zehndergroup.com/en/news](http://www.zehndergroup.com/en/news).

Reports and presentations are published under [www.zehndergroup.com/en/investor-relations/reports-and-presentations](http://www.zehndergroup.com/en/investor-relations/reports-and-presentations).