

zehnder

always the
best climate

20
17

SHORT REPORT

Key Figures

		2017	2016	%
Sales	EUR million	582.4	538.9	8.1
EBIT before one-off effects ¹	EUR million	23.5	15.1	56.0
	% of sales	4.0	2.8	
EBIT after one-off effects ¹	EUR million	23.5	43.4	–45.7
	% of sales	4.0	8.0	
Net profit ²	EUR million	16.5	28.1	–41.3
	% of sales	2.8	5.2	
Net profit before depreciation & amortisation ²	EUR million	38.6	55.0	–29.8
	% of sales	6.6	10.2	
Investments in property, plant and equipment & intangible assets	EUR million	26.8	28.2	–5.0
Depreciation & amortisation ³	EUR million	22.1	26.9	–17.8
Total assets	EUR million	419.8	450.5	–6.8
Non-current assets	EUR million	206.5	210.1	–1.7
Shareholders' equity ²	EUR million	271.2	280.2	–3.2
	% of total assets	64.6	62.2	
Number of employees	Ø full-time equivalents	3,383	3,247	4.2
Net profit per registered share A ⁴	EUR	1.34	1.74	–23.5
Net profit per registered share A before depreciation & amortisation ⁴	EUR	3.26	4.05	–19.6
Shareholders' equity per registered share A ⁴	EUR	22.42	22.55	–0.6
Dividend per registered share A ⁵	CHF	0.50	0.95	–47.4

¹ 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 (2016)

² Including minority interests

³ Including an impairment of EUR 0.4 million (2017) or EUR 4.9 million (2016) in the business area Radiators in Europe

⁴ Excluding minority interests

⁵ For 2017 as proposed by the Board of Directors

Heading towards the right path

Dear shareholders,

Following the previous year's somewhat mixed performance, which included stagnating sales figures, the 2017 financial year saw the Zehnder Group boost its sales in all of its key markets. Germany and China in particular demonstrated positive market trends and it was possible for the Group to increase its market shares here. Overall, sales experienced an increase of 8% (10% when adjusted for currency effects), taking the figure to EUR 582.4 million. This positive development is evidence that we are on the right path with our strategic efforts to become a leading international provider of integrated complete solutions for indoor climates.

Achieving an increase of 56%, the operating result (EBIT before one-off effects) also demonstrated the Zehnder Group's return to growth during the year under review. Nevertheless, particularly where the EBIT margin is concerned, it is still too early to start celebrating. At 4.0%, this figure is still undoubtedly too low, and that is why our focus on optimising our processes and cost structure will continue undiminished.

Numerous highlights

In Europe, the new generation of ventilation units – the Zehnder ComfoAir Q model range – made a significant contribution to our growth during the last financial year. The market launch of this range concluded in January 2017 with its introduction in Switzerland. Driven by large-scale projects and growth in its retail business, the Zehnder Group was able to more than double its ventilation sales in China. We believe that there is strong potential for more growth in this region, and as a result we are constructing a new factory for ventilation units in the city of Pinghu (Zhejiang Province), with work scheduled to start in mid-2018. We expect the commissioning stage to take place in spring 2019.

Sales of the classic Zehnder Charleston radiator also demonstrated a positive trend. Recent years have seen continuous investment in market development, and this move is now paying off. As well as this, the Zehnder Zenia multifunctional thermal comfort unit went on display at leading international trade fair ISH in Frankfurt (Germany), and was extremely well received. Working independently of central heating systems, this new radiator provides fast and comfortable heat in the bathroom, while also allowing towels to be dried and pre-warmed behind an infra-red heated glass door. Zehnder Zenia demonstrates how even classic products such as radiators can be reinvented and marketed to customers with outstanding added benefits. We are delighted that both the new and traditional products in our portfolio are able to contribute to our growth.

Improved operating result

At EUR 23.5 million, the operating result for the 2017 financial year shows a significant improvement over the previous year's result (EUR 15.1 million before one-off effects). Despite this, we remain dissatisfied with the EBIT margin of 4.0%.

In an effort to achieve even better profitability, during the fourth quarter of 2017 we approved our Step-up programme. This will see us focus on five principal objectives: reducing procurement costs, increasing our reliability of supply, optimising our pricing structure, turning around unprofitable businesses and product segments, and implementing general Group-wide efficiency measures that aim to reduce costs. In a move with a more comprehensive scope, we will also be streamlining our organisational aspects and structures, laying the foundation for profitable growth into the future.

Potential for growth in advantageous megatrends

The Zehnder Group is able to take advantage of people's growing demand for healthy solutions and their requirements for room and air quality that go hand in hand with this. It is a trend that is particularly strong in cities and agglomerations experiencing consistent growth. As developments in digitalisation are progressing, so too is the demand for intelligent indoor climate control solutions (smart home solutions). Global climate change is also boosting the need for cooling and ventilation solutions in private renovation and new building projects, where we occupy a leading position. In the future, we believe that the four long-term global megatrends of health, urbanisation, climate change and digitalisation will continue to represent significant drivers of sustained growth within the Zehnder Group.

Proposed dividend within the framework of the long-term dividend policy

For the 2017 financial year, the Board of Directors is proposing to the Annual General Meeting a dividend of CHF 0.50 per registered share A. This corresponds to a provision of 34% and therefore reflects the long-term dividend policy of the Zehnder Group of distributing around 30 to 50% of the consolidated net income.

A word of thanks

Our ongoing work to adapt our products, systems and solutions in line with the needs of markets requires our staff members to be extremely flexible. We would therefore like to extend our sincere thanks to everyone for their ability to do so, and for the outstanding dedication they have demonstrated.

We also wish to express a special word of thanks to our customers, who reward us with their loyalty to our services and inspire us to deliver our very best performance every single day.

Finally, we would like to thank all shareholders for their loyalty and appreciation of the Zehnder Group and its members of staff.

Yours sincerely,



Hans-Peter Zehnder

Chairman of the Board of Directors

Significant increase in sales and income

In 2017, the Zehnder Group recorded an encouraging 10% organic sales growth, taking its sales figure to EUR 582.4 million. The operating result (EBIT) before one-off effects increased by 56% to EUR 23.5 million, while net profit amounted to EUR 16.5 million. The sales and income of the Zehnder Group showed positive signs of development in the second half of the year in particular.

Sales growth in all key countries

Following the almost stagnant performance recorded in the 2016 financial year's sales, the Zehnder Group was able to achieve an increase in sales during the 2017 financial year, from EUR 538.9 million to EUR 582.4 million. This equates to growth of 8% (+10% when adjusted for currency effects).

The Europe segment accounted for EUR 491.1 million (previous year: EUR 466.5 million) or 84% of consolidated sales, which represents 5% growth (+7% when adjusted for currency effects). Sales in the radiator business area also saw an increase, in this case by 3% (+5% when adjusted for currency effects). Meanwhile, the ventilation business area recorded growth of 8% (+9% when adjusted for currency effects). It was possible to boost sales in every key country, and particularly in Germany due to a positive market trend and gains in market shares. The main growth drivers proved to be the new Zehnder ComfoAir Q ventilation unit, as well as cooling and heating ceilings. In addition to this, sales of the classic Zehnder Charleston radiator demonstrated a positive trend. The second half of the year was not able to compensate

fully for the six-week production stoppage that took place in Manisa (Turkey) during the first half of the year due to earthquakes, but this event did not result in any further negative effects.

The China & North America segment accounted for EUR 91.3 million (EUR 72.4 million in the previous year) or 16% of total sales. Its significant sales growth of 26% (+29% when adjusted for currency effects) was spurred on by the positive trend experienced in the ventilation business area in China. Gaining an opportunity from the air pollution in China's cities – which in some cases reaches significant levels – and the population's growing demand for healthy solutions, ventilation sales more than doubled, compensating significantly for the decline in the radiator business area. Overall, sales proceeds in China rose by a remarkable 61% (+66% when adjusted for currency effects). In North America, the Zehnder Group experienced a reasonably positive trend on the whole. As was the case in other regions, the growth in the ventilation business area made it possible to offset the slight decline in radiator sales. In total, the result was an increase in sales of 4% in North America (+4% when adjusted for currency effects).

Significant improvement in operating result

The operating result (EBIT) saw a significant improvement, increasing 56% to EUR 23.5 million (previous year: EUR 15.1 million before one-off effects), although the EBIT margin of 4.0% (previous year: 2.8%) meant that its performance remained unsatisfactory. Rising steel prices and the continuing trend in favour of lower-price models had a negative impact on profitability, as did further investment in expanding the air cleaning systems business (Clean Air Solutions). In the Europe segment, the devaluation of the British pound proved to be another

er negative factor, in this case affecting operating profits. EBIT in this segment was EUR 21.1 million (previous year: EUR 17.2 million before one-off effects). This represents an improvement over the previous year, which is primarily the result of lower costs in the area of IT as well as research and development.

Recording an operating result of EUR 2.4 million (previous year: EUR –2.1 million before one-off effects), the China & North America segment returned to profitability. In particular, this was due to the strong sales growth experienced in the ventilation business area in China. The reasonably positive operating result was possible despite the measures that were put in place in order to achieve the turnaround aimed for at the Buffalo, NY (USA) plant, the additional costs involved in expanding the Canadian company Core Energy Recovery Solutions Inc. (formerly dPoint Technologies Inc.), plus the development and launch of new products.

Net profit was EUR 16.5 million (previous year: EUR 28.1 million including one-off effects).

Ongoing optimisation of processes and cost structure

In order to improve profitability, the year under review saw production of the Yucca bathroom radiator relocated from Lahr (Germany) to Bolesławiec (Poland), where a shared service center for IT and finance was also set up. In Switzerland, jobs were relocated from the Wädenswil sales office to the headquarters in Gränichen. Additionally, the administration and sales office in Täby, Sweden, was closed and integrated into the production site in Motala.

In January 2017, the Reinsdorf (Germany) and Zwolle (Netherlands) sites were successfully integrated into the new SAP platform. The Europe-wide SAP project, which has harmonised all the processes that take place across the Group, is now officially complete following a five-year implementation phase.

A strong balance sheet – Investment level remains high

At the end of the year, the Zehnder Group continued to have a high equity ratio of 65% with shareholder equity of EUR 271.2 million (EUR 280.2 million, or 62%, in the previous year). Net liquidity fell by EUR 26.6 million to EUR 27.5 million during the year under review, due in part to the high level of investment activity that took place. Cash flow from operating activities, meanwhile, increased from EUR 17.5 million to EUR 18.5 million.

During the year under review, expenditure on research, development and ongoing development of products amounted to EUR 17.7 million (previous year: EUR 20.2 million), with the Europe segment accounting for most of this. This development included the range of electric radiators being adapted in line with the European

Ecodesign Directive 2018 and apps being designed to control Zehnder products. Investments in property, plant and equipment and intangible assets in the reporting period amounted to EUR 26.8 million (previous year: EUR 28.2 million). Even geographically speaking, the focus also was on Europe. Particularly noteworthy aspects in this regard include the construction of the new production building for bathroom radiators in Manisa (Turkey), and the continued automation of radiator production processes in Germany and the USA.

2018: Slight growth in sales and earnings anticipated

The Zehnder Group will continue to take a resolute approach towards its aim of becoming a leading provider of healthy indoor climate solutions. Several factors are spurring on demand for efficient, intelligent and reliable solutions of the kind that the Zehnder Group offers, such as its comfort ventilation units and Clean Air Solutions: these are climate change, the rapid increase in population being experienced in certain regions, the sharp growth in urbanisation, and the strong increase in demand for a high quality of life and high standards of air quality in indoor areas.

Forecasts for construction activities in the Zehnder Group's key markets are giving us reason to be optimistic. The Group Executive Committee believes that the welcome growth in sales experienced during the past year will continue in 2018, albeit with somewhat weaker momentum than before.

Pressure on prices is set to continue in the 2018 financial year, particularly in the radiator business area. By launching innovations – like the Zehnder Zenia multi-functional radiator presented at ISH in Frankfurt (Germany) in 2017 – and demonstrating its outstanding design skills, the Zehnder Group intends to pursue an increasing number of niche areas in which it can take advantage of better margins. At the same time, the Group will keep investing in its production structures and processes in order to stay competitive on an international scale. A key pillar of this will be the new bathroom radiator production plant in Manisa (Turkey), which is scheduled to open during the second half of 2018.

The initiatives launched as part of the medium-term plan for the period leading up to 2020 are designed to achieve an even better operating result in 2018. They aim to reduce procurement costs, increase reliability of supply, optimise the pricing structure, turn around unprofitable businesses and product segments, and implement additional Group-wide efficiency measures for reducing costs.

Board of Directors

(Status 1.1.2018)

Members of the Board of Directors,
other activities
and vested interests

Hans-Peter Zehnder

**Chairman of the Board,
first elected 1988**

Swiss citizen, born 1954

- Executive member
- Chairman and Delegate 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 deputy chairman of the Group Executive Committee
- 1993–31.10.2014 chairman of the Group Executive Committee
- Supervision of Zehnder's activities in China and North America a.i.
- Member of the board of directors of AZ Medien AG (Switzerland); R. Nussbaum AG (Switzerland); and Lagerhäuser der Central-schweiz AG (Switzerland)

Thomas Benz

**Vice Chairman of the Board,
first elected 1993**

Swiss and German citizen, born 1947

- Non-executive member
- Member of the Compensation Committee
- Degree in electrical engineering from ETH (Swiss Federal Institute of Technology), Zurich (Switzerland)
- 1972–1973 Guardian Electric, Chicago (USA)
- End 1973 joined Zettler GmbH (Germany)
- 1977–1996 managing partner of Zettler GmbH (Germany)
- Since 1997 managing partner of CG International (Germany)
- Since 1974 member of the Bavarian Metal Working and Electrical Industry e. V. (Germany)
- Since 3.5.2011 Deputy Chairman of the Board of Warema Renkhoff SE (Germany)
- 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.

Urs Buchmann

**Member of the Board,
first elected 2010**

Swiss citizen, born 1957

- 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
- Currently Vice Chairman Greater China in a leading international bank
- 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, first elected 2013

Swiss citizen, born 1961

- 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 (today a Xerox company)
- 2007–2011 CEO Ascom Group (Switzerland)
- 7.2011–8.2015 CEO Kaba Group (Switzerland)
- Since 1.9.2015 CEO dormakaba Group (Switzerland)
- 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.

Jörg Walther

Member of the Board, first elected 2016

Swiss citizen, born 1961

- 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 with 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; member of the Board of Directors of Kraftwerk Augst AG, Immobilien AEW AG, Proderma AG (Chairman)
- Sika AG (Chairman of the Special Expert Committee)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He provides Zehnder Group AG and its subsidiaries with legal advice on corporate governance, commercial and compliance matters.

Milva Zehnder

Member of the Board, first elected 2016

Swiss citizen, born 1985

- Non-executive member
- 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.

Hans-Jakob Zehnder

Honorary President

Swiss citizen, born 1923

In 1993, after having spent 34 years at the head of the company he served for a total of 39 years, Hans Jakob Zehnder resigned as Chairman of the Board. In recognition of his outstanding contribution to the development of Zehnder Group, the Board of Directors appointed him Honorary President. This office carries no vote.

Group Executive Committee

(Status 1.1.2018)

Members of the Group Executive Committee,
other activities
and vested interests

Dominik Berchtold

Chairman of the Group Executive Committee, CEO

Swiss citizen, born 1971

- Degree in business administration from the University of Freiburg i. Ü. (Switzerland)
- Executive master of corporate finance from the Institute of Financial Services IFZ, Zug (Switzerland)
- Advanced Management Programme INSEAD (Singapore)
- 1996–1997 finance and marketing assistant at Exsa (Peru); Cervesur (Peru); and Linde (China)
- 1997–2005 various management positions in finance and controlling at Pilatus Aircraft Ltd. (Switzerland); and Transairco SA (Switzerland)
- 2005–2006 manager corporate restructuring at KPMG (Switzerland)
- 2006–2008 director business development Zehnder Group, Gränichen (Switzerland)
- 2008–2012 member of the Group Executive Committee of Zehnder Group (CFO)
- 2013–6.2014 CEO designate, Sales & Marketing Switzerland and Nordic, Head Operations Europe a.i. (as of 11.6.2014)
- 7.2014–10.2014 CEO designate, Sales Nordic, Head Operations Europe a.i.
- Since November 2014 Chairman of the Group Executive Committee, CEO

Cyril Peysson

Sales Europe / Middle East / Africa (EMEA)

French citizen, born 1965

- Diploma from Ecole 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)

René Grieder

Chief Financial Officer

Swiss citizen, 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 (CH)
- 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)
- Since July 2017 member of the board of SwissHoldings

Olaf Schulte

Competence Center Comfosystems

Dutch citizen, born 1972

- Bachelor's degree in Industrial Management
- Master's degree in Information Management
- Various posts at Dutch companies
- 10.2000–6.2012 various roles at the Dutch subsidiary of the Zehnder Group
- 7.2012–10.2014 head of the Dutch manufacturing company Zehnder Group Nederland
- Since November 2014 member of the Group Executive Committee of Zehnder Group (Head Competence Center Comfosystems), Gränichen (Switzerland)

Tomasz Juda

Competence Center Radiators

Polish citizen, born 1969

- Engineering degree at the Dresden University of Technology (Germany)
- Master's degree in Business Administration from the St. Gallen Business School at the Cracow University of Economics (Poland)
- Various posts at Polish companies as material testing engineer and as head of engineering and manufacturing
- 2.2000–10.2014 Managing Director of the Polish manufacturing company Zehnder Group Bolesławiec (Poland)
- Since November 2014 member of the Group Executive Committee of Zehnder Group (Head Competence Center Radiators), Gränichen (Switzerland)

Five-year Overview

		2017	2016	2015	2014	2013
Sales	EUR million	582.4	538.9	533.0	525.1	522.4
Change from prior year	%	8.1	1.1	1.5	0.5	-0.3
Of which segment Europe	EUR million	491.1	466.5	465.7	466.8	463.8
Change from prior year	%	5.3	0.2	-0.2	0.6	-1.2
Of which segment China & North America	EUR million	91.3	72.4	67.3	58.3	58.6
Change from prior year	%	26.2	7.5	15.4	-0.5	7.6
EBIT before one-off effects¹	EUR million	23.5	15.1	27.0	32.7	32.3
Change from prior year	%	56.0	-44.2	-17.2	1.1	-16.0
	% of sales	4.0	2.8	5.1	6.2	6.2
Net profit²	EUR million	16.5	28.1	0.3	26.0	18.2
Change from prior year	%	-41.3	-	-98.7	42.8	-32.0
	% of sales	2.8	5.2	0.1	5.0	3.5
Net profit before depreciation & amortisation²	EUR million	38.6	55.0	21.6	45.9	37.4
Change from prior year	%	-29.8	154.4	-53.0	22.9	-17.1
	% of sales	6.6	10.2	4.1	8.7	7.2
Investments in property, plant and equipment & intangible assets	EUR million	26.8	28.2	29.4	25.1	35.9
Depreciation & amortisation³	EUR million	22.1	26.9	21.3	19.9	19.1
Total assets	EUR million	419.8	450.5	435.6	429.7	412.6
Non-current assets	EUR million	206.5	210.1	209.1	193.1	183.8
Shareholders' equity²	EUR million	271.2	280.2	269.0	281.8	255.5
	% of total assets	64.6	62.2	61.8	65.6	61.9
Employees	Ø full-time equivalents	3,383	3,247	3,194	3,239	3,265
Zehnder Group AG						
Dividends ⁴	CHF million	5.9	11.1	-	11.7	6.5
Share capital	CHF million	0.6	0.6	0.6	0.6	0.6
Market capitalisation ⁵	CHF million	389.8	313.7	375.1	402.9	400.0
Total market capitalisation ⁶	CHF million	468.9	377.3	451.2	484.7	481.2

¹ 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 (2016) respectively restructuring costs of EUR 21.8 million (2015)

² Including minority interests

³ Including an impairment of EUR 0.4 million (2017) or EUR 4.9 million (2016) in the business area Radiators in Europe

⁴ For 2017 as proposed by the Board of Directors

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

⁶ Registered shares A and B; registered shares B recognised at 1/3 of the price of the registered share A at year end

Consolidated Balance Sheet

EUR million	31 December 2017	31 December 2016	Change from prior year %
Assets			
Liquid assets	41.3	79.4	
Trade accounts receivable	93.4	86.5	
Other receivables	14.3	12.6	
Inventories	57.4	53.9	
Prepayments	3.0	4.2	
Accrued income	3.9	3.8	
Current assets	213.3	240.4	- 11.3
Property, plant and equipment	196.0	201.4	
Financial assets	9.0	7.2	
Intangible assets	1.5	1.5	
Non-current assets	206.5	210.1	- 1.7
Total assets	419.8	450.5	- 6.8
Liabilities & shareholders' equity			
Loans	6.7	17.0	
Trade accounts payable	31.1	26.5	
Other liabilities ¹	22.2	31.2	
Provisions	10.0	18.0	
Accruals and deferred income	47.4	44.6	
Current liabilities	117.3	137.3	- 14.6
Loans	7.2	8.3	
Other liabilities ¹	1.8	3.0	
Provisions	22.4	21.6	
Long-term liabilities	31.3	32.9	- 5.0
Total liabilities	148.6	170.2	- 12.7
Share capital	0.4	0.4	
Capital reserves	33.6	33.6	
Own shares	- 8.4	- 10.5	
Retained earnings	235.6	230.7	
Accumulated FX differences	- 3.3	8.7	
Minority interests	13.3	17.4	
Equity	271.2	280.2	- 3.2
Total liabilities & shareholders' equity	419.8	450.5	- 6.8

¹ Includes outstanding payments worth EUR 2.5 million (2017) or EUR 3.0 million (2016) for the acquisition of a property in Turkey.

Consolidated Income Statement

EUR million	2017	2016	Change from prior year %
Sales	582.4	538.9	8.1
Changes in inventories	1.3	2.0	
Internal additions to plant and equipment	2.6	2.1	
Other income	4.0	47.0	
Cost of materials	-220.3	-189.1	
Personnel costs	-196.6	-193.1	
Depreciation of property, plant and equipment	-21.4	-25.8	
Amortisation of intangible assets	-0.7	-1.1	
Other operating expenses	-127.8	-137.5	
Earnings before interest and taxes (EBIT) ¹	23.5	43.4	-45.7
Result from associated companies	-0.2	-	
Financial result	-1.6	-0.8	
Earnings before taxes	21.7	42.5	-48.9
Income taxes	-5.2	-14.4	
Net profit	16.5	28.1	-41.3
Minority interests	1.1	7.7	
Net profit excluding minority interests	15.4	20.3	
Non-diluted net profit excluding minority interests per registered share A (EUR)	1.34	1.74	
Diluted net profit excluding minority interests per registered share A (EUR)	1.34	1.74	
Non-diluted net profit excluding minority interests per registered share B (EUR)	0.27	0.35	
Diluted net profit excluding minority interests per registered share B (EUR)	0.27	0.35	

¹ Includes 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 (2016).

Consolidated Cash Flow Statement

EUR million	2017	2016
Net profit	16.5	28.1
Depreciation and amortisation of property, plant and equipment	21.4	25.8
Depreciation and amortisation of intangible assets	0.7	1.1
Non-cash change in valuation adjustments on receivables and inventories	0.4	0.1
(Gain)/Loss on disposals of non-current assets ¹	-0.2	-44.6
Result from associated companies	0.2	-
(Increase)/decrease of trade accounts receivable	-8.8	0.1
(Increase)/decrease of other receivables, prepayments and accrued income	-2.1	4.3
(Increase)/decrease of inventories	-7.9	-1.1
Increase/(decrease) of trade accounts payable	7.3	3.7
Increase/(decrease) of other short-term liabilities, accruals and deferred income	-0.4	15.6
Increase/(decrease) of provisions	-6.3	-12.7
(Increase)/decrease of deferred tax assets	-2.4	-2.8
Cash flow from operating activities	18.5	17.5
Investments in property, plant and equipment	-26.0	-27.7
Investments in financial assets	-	-0.4
Investments in associated companies	-	-0.1
Investments in intangible assets	-0.8	-0.5
Investments in subsidiaries	-3.0	-
Divestment of property, plant and equipment ¹	0.6	36.8
Divestment of intangible assets	-	0.1
Cash flow from investing activities	-29.2	8.1
Dividends paid to shareholders	-10.2	-
Dividends paid to minority shareholders	-4.3	-3.2
(Purchase)/sale of own shares	1.8	-7.4
Increase/(decrease) of short-term loans	-9.5	6.4
Increase/(decrease) of long-term loans	-0.5	-0.2
Cash flow from financing activities	-22.7	-4.4
Currency effects	-4.6	-1.6
Increase/(decrease) of liquid assets	-38.1	19.6
Liquid assets at 1.1.	79.4	59.7
Liquid assets at 31.12.	41.3	79.4
Increase/(Decrease)	-38.1	19.6

¹ Includes 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) respectively a final payment of EUR 35.6 million (2016).

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% of total sales.

The Europe segment comprises a total of 34 production, sales and management companies in 13 European countries. The largest locations are in Germany, France, Great Britain, and Switzerland.

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

		Europe	China & North America	Eliminations	Total
2017					
Sales third	EUR million	491.1	91.3	–	582.4
Sales intercompany	EUR million	3.0	1.9	–4.8	–
Sales	EUR million	494.1	93.2	–4.8	582.4
EBIT before one-off effects¹	EUR million	21.1	2.4	–	23.5
	% of sales	4.3	2.6		4.0
EBIT after one-off effects¹	EUR million	21.1	2.4	–	23.5
	% of sales	4.3	2.6		4.0
Investments in property, plant and equipment & intangible assets	EUR million	20.3	6.5	–	26.8
Property, plant and equipment	EUR million	154.5	41.5	–	196.0
Net working capital²	EUR million	90.8	28.9	–	119.7
Number of employees	Ø full-time equivalents	2,615	768	–	3,383
2016					
Sales third	EUR million	466.5	72.4	–	538.9
Sales intercompany	EUR million	3.6	1.6	–5.2	–
Sales	EUR million	470.1	74.0	–5.2	538.9
EBIT before one-off effects¹	EUR million	17.2	–2.1	–	15.1
	% of sales	3.7	–2.8		2.8
EBIT after one-off effects¹	EUR million	5.2	38.2	–	43.4
	% of sales	1.1	51.6		8.0
Investments in property, plant and equipment & intangible assets	EUR million	22.9	5.3	–	28.2
Property, plant and equipment	EUR million	159.0	42.4	–	201.4
Net working capital²	EUR million	92.9	21.1	–	113.9
Number of employees	Ø full-time equivalents	2,521	725	–	3,247

¹ 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 (2016)

² Trade accounts receivable plus inventories minus trade accounts payable

Further Information for Investors

For further information please contact:

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

Phone + 41 62 855 1521
Fax + 41 62 855 1515
investor-relations@zehndergroup.com
www.zehndergroup.com/en

Press releases
www.zehndergroup.com/en/news

Registered shares A

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

In accordance with Art. 10 of the articles of association, the opting out clause applies.

Registered shares B (unlisted)

Security number 13 312 654

Company calendar

Annual General Meeting	12.4.2018
Ex-dividend date	16.4.2018
Dividend payout	18.4.2018
Six-month report	27.7.2018
End of business year	31.12.2018
Announcement of sales for 2018	18.1.2019
Annual report 2018	27.2.2019
Press conference on financial statements and analysts' meeting	27.2.2019

The Short Report is available in German and English.
The German version is binding.

A Short Report can be ordered in both languages under
investor-relations@zehndergroup.com.

Both the short and comprehensive versions of our Annual Report are available online in both languages under
www.zehndergroup.com/en/investor-relations/reports-and-presentations.

Annual General Meeting 2019

The Annual General Meeting 2019 will be held on
28 March 2019 in Suhr (Switzerland).

Shareholder information

Zehnder Group AG regularly informs interested parties on business developments and major events in the Group. Should you wish to receive such press releases, please contact us at the above address or register direct on our website.
www.zehndergroup.com/en/investor-relations/reports-and-presentations

Company profile

Operating worldwide, the Zehnder Group improves quality of life by providing outstanding indoor climate solutions. It develops and manufactures its products in 14 of its own factories, 5 of which are located in China and North America. Its sales activities, spanning more than 70 countries, take place through local sales companies and representative offices.

Zehnder's products and systems for heating and cooling, comfort indoor ventilation, and interior air purification feature outstanding energy efficiency and excellent design. With brands such as Zehnder, Runtal, Acova, Bisque, Greenwood, Paul and Core, the Zehnder Group is a market and technology leader in its business areas.

The Zehnder Group has had its headquarters in Gränichen, Switzerland, since 1895. It employs over 3000 people worldwide and achieved sales of EUR 582 million in 2017. 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.

Imprint

Published by

Zehnder Group AG
Moortalstrasse 1
5722 Gränichen (Switzerland)

Phone + 41 62 855 1521
Fax + 41 62 855 1515
investor-relations@zehndergroup.com
www.zehndergroup.com/en

Concept/Design/Realisation

Linkgroup AG, Zurich
www.linkgroup.ch

Copyright

© 2018 Zehnder Group AG



Zehnder Group AG

Moortalstrasse 1

5722 Gränichen (Switzerland)

T +41 62 855 1521

F +41 62 855 1515

investor-relations@zehndergroup.com

www.zehndergroup.com/en