

**zehnder**

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best climate

20

SHORT REPORT  
16

# Key Figures

		2016	2015	%
Sales	EUR million	538.9	533.0	1.1
EBIT before one-off effects <sup>1</sup>	EUR million	15.1	27.0	–44.2
	% of sales	2.8	5.1	
EBIT after one-off effects <sup>1</sup>	EUR million	43.4	5.2	726.7
	% of sales	8.0	1.0	
Net profit <sup>2</sup>	EUR million	28.1	0.3	–
	% of sales	5.2	0.1	
Net profit before depreciation & amortization <sup>2</sup>	EUR million	55.0	21.6	154.4
	% of sales	10.2	4.1	
Investments in property, plant and equipment & intangible assets	EUR million	28.2	29.4	–3.9
Depreciation & amortization <sup>3</sup>	EUR million	26.9	21.3	26.5
Total assets	EUR million	450.5	435.6	3.4
Non-current assets	EUR million	210.1	209.1	0.5
Shareholders' equity <sup>2</sup>	EUR million	280.2	269.0	4.2
	% of total assets	62.2	61.8	
Number of employees	Ø full-time equivalents	3,247	3,194	1.7
Net profit per registered share A <sup>4</sup>	EUR	1.74	0.01	–
Net profit per registered share A before depreciation & amortization <sup>4</sup>	EUR	4.05	1.83	120.9
Shareholders' equity per registered share A <sup>4</sup>	EUR	22.55	21.76	3.6
<b>Zehnder Group AG</b>				
Share capital	CHF million	0.6	0.6	–
Dividend per registered share A <sup>5</sup>	CHF	0.95	–	–

<sup>1</sup> 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)

<sup>2</sup> Including minority interests

<sup>3</sup> Including an impairment of EUR 4.9 million in the business area Radiators in Europe

<sup>4</sup> Excluding minority interests

<sup>5</sup> For 2016 as proposed by the Board of Directors

# An eventful year

## Dear shareholders,

2016 was an eventful year marked by many positive developments, and some disappointments. The highlights of the year included the successful market launch of the Zehnder ComfoAir Q central ventilation units, as well as the integration of the Vaux-Andigny (France) and Motala (Sweden) production sites and also the Polish and Scandinavian sales companies into the SAP IT platform, which went according to schedule.

Zehnder ComfoAir Q was launched in June and the feedback from the market is very good. This new model range is an example of the Zehnder Group continuing to reaffirm its position as a leading innovator again and again. Zehnder Zmart has also received positive feedback. Installation technicians appreciate the innovative polymer radiator, which is 60% lighter than conventional steel models and therefore considerably easier to install. However, we are still in the initial phase in terms of production and the manufacturing process needs to be optimized further to reduce costs.

## Atypical sales performance

With sales growth of 3% at the end of June 2016, the Zehnder Group grew in line with expectations during the first half of the year. However, in the final months of the financial year – which are traditionally among the strongest in terms of sales – we were surprised to see a slump in various areas.

France and the United Kingdom were particularly affected. There was a marked contraction in the demand for radiators in France, and customers increasingly favoured models with smaller margins. The factory capacity in France was not sufficiently utilized. In the UK, the fall in the value of sterling in the wake of the Brexit vote led to reduced sales revenues and margins expressed in euros, because the procurement and production costs were largely incurred in euros. Furthermore, price increases were harder than expected to implement. Sales in other markets – such as Germany, Italy, the Netherlands, Belgium and North America, as well as in the Clean Air Solutions and heat exchanger sectors – grew positively as expected.

## Unsatisfactory profit situation

The restructuring measures announced in the middle of 2015 were completed in the year under review as planned. The negative trend in the second half of the year, however, put a great deal of pressure on profitability. At EUR 15.1 million, the operating result before one-off effects was considerably lower than the previous year's figure of EUR 27.0 million. To improve the unsatisfactory profit situation, further restructuring measures were introduced. These affected the annual financial statements with one-off costs of EUR 12.0 million.

A one-off positive effect of EUR 40.3 million on EBIT resulted from the sale of the old production facility in Beijing (China), which was concluded at the end of 2016. Thanks to the sale of the facility, it was possible to achieve an EBIT after one-off effects of EUR 43.4 million, and net income compared to the previous year increased from EUR 0.3 million to EUR 28.1 million.

### Sound growth potential

The conditions that need to be in place in order for us to harness growth potential are different for the two business areas of radiators and ventilation. The market for radiators is largely saturated. The Zehnder Group assumes that the number of providers will continue to fall and that it can gain larger shares in a stagnating market.

The ventilation business area is driven by consumers' growing awareness of health and comfort. This increases the need for healthy ambient air, which boosts the sales potential for solutions such as those offered by Zehnder. With the acquisition of the Canadian firm dPoint Technologies Inc. in 2015, the Zehnder Group has secured a world-leading position when it comes to membranes for energy recovery systems. As a result, the comfort and energy efficiency of buildings can be increased considerably.

### Long-term investment activities

In order to further strengthen its market position and to secure medium-term growth potential, the Zehnder Group is maintaining its investment plans. Geographically speaking, the focus was on Europe. Of particular importance were the new factory and the modernization of the production facilities for enthalpy exchangers in Reinsdorf (Germany), the new training center at the headquarters in Gränichen (Switzerland) and the acquisition of land in Manisa (Turkey) for the construction of a new factory for bathroom radiators. Furthermore, the share in the Chinese ventilation company Shanghai Nather Air Tech Co., Ltd. was increased from 51 to 75.5%.

### Optimization of the profit situation in the medium term

2017 remains a challenging year. The focus remains on optimizing processes and costs in order to grow again in the medium term and increase profitability.

### Dividends

For the financial year 2016, the Board of Directors is proposing to the Annual General Meeting a dividend of CHF 0.95 per registered share A. This corresponds to a provision of 50% and therefore to the long-term dividend policy of the Zehnder Group of distributing around 30 to 50% of consolidated net income excluding minority interests.

### A word of thanks

We would like to express our sincere gratitude to our employees, who demonstrated a great deal of dedication and customer focus in 2016. They are key to the successful development of the Zehnder Group.

Our heartfelt thanks also go to our customers, who inspire us every day to deliver maximum performance and who in turn reward us with their loyalty to our products and solutions.

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



**Dominik Berchtold**

Chairman of the Group Executive Committee,  
CEO

# Profit increase due to one-off effect of selling property in China

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In 2016, the Zehnder Group achieved a turnover of EUR 538.9 million – an increase of 1% compared to the previous year. The operating result (EBIT), before one-off effects, dropped from EUR 27.0 million to EUR 15.1 million. Further restructuring costs totalling EUR 12.0 million had an impact on EBIT. There was a one-off positive effect of EUR 40.3 million resulting from the sale of the old production facility in China. After one-off effects, EBIT amounted to EUR 43.4 million, with net income of EUR 28.1 million.

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## Modest growth in sales

In the financial year 2016, the Zehnder Group increased its sales from EUR 533.0 million to EUR 538.9 million. This equates to growth of 1% (+3% organically and when adjusted for currency effects). The Europe segment accounted for EUR 466.5 million, or 87% of total sales, which was on par with the previous year (adjusted for currency effects: +2%). Sales in Germany, in particular, increased favourably and also grew in the Netherlands, Italy, Belgium and Poland. On the other hand, France, the UK and Switzerland – all key markets for the Zehnder Group – had negative growth. There was a marked decline in the demand for radiators in France in the second half of the year. At the same time, customers increasingly favoured lower-cost models. In the UK, the fall in the value of sterling put strain on sales expressed in euros. As a whole, the

revenue gained from the sale of radiators in Europe fell by 3% (–1% when adjusted for currency effects), in contrast the ventilation business managed to achieve growth of 5% (+7% when adjusted for currency effects).

The China & North America segment accounted for EUR 72.4 million (EUR 67.3 million in the previous year) or 13% of total sales. The growth in the Chinese economy continued to slow down in 2016, which had an impact on the construction industry. The radiator market also saw decline. Despite this, growth in the ventilation business enabled sales to rise by 6% in the local currency (–1% in euros). The construction industry in North America showed signs of growth. The Canadian company dPoint Technologies Inc., which was fully acquired in December 2015, was also able to contribute to the sales growth of 14% (+6% organically and when adjusted for currency effects).

## Operating result affected by one-off effects

Despite the restructuring measures introduced in mid-2015 to improve earnings, profitability in 2016 was also under a great deal of pressure. The operating result, before one-off effects, was EUR 15.1 million – far below the value of EUR 27.0 million achieved in the previous year. The trend towards lower-price models, the insufficient utilization of the radiator factories' capacity in France, Switzerland and China, as well as the depreciation of sterling, all had a negative impact on margins. In addition, expenditure on product development, sales and information technology were increased further in order to strengthen market position and exploit potential for growth over the medium term. In a bid to im-

prove unsatisfactory profits, additional restructuring measures were introduced which affected EBIT with one-off costs of EUR 12.0 million. The sale of the old production facility in Beijing (China), which was concluded at the end of 2016, had a one-off positive effect of EUR 40.3 million on EBIT. After one-off effects, EBIT amounted to EUR 43.4 million (EUR 5.2 million in the previous year), with net income of EUR 28.1 million (EUR 0.3 million in the previous year).

### **Additional optimization measures introduced**

The comprehensive package of measures announced on 1 June 2015 to reduce the cost base and increase efficiency, sales and profit was fully implemented as planned in 2016.

However, the unsatisfactory profitability, particularly in the second half of the year, forced the Group Executive Committee to introduce further targeted restructuring measures. This included relocating the production of Yucca bathroom radiators from Lahr (Germany) to Bolesławiec (Poland). The administration and sales office in Täby (Sweden) is being closed and integrated into the production site in Motala (Sweden). In addition, a one-off adjustment was made for radiator production equipment in Europe. The one-off costs for the restructuring measures totalling EUR 12.0 million have been fully charged to the 2016 result.

### **A strong balance sheet – Continuing investment**

At year-end, the balance sheet total was EUR 450.5 million (compared to EUR 435.6 million in the previous year). At the end of the year, the Zehnder Group continued to have a high equity ratio of 62% with shareholder equity of EUR 280.2 million (EUR 269.0 million, or 62%, in the previous year). In the year under review, net liquidity increased from EUR 41.1 million to EUR 54.1 million. The majority of this increase is accounted for by the outstanding payment for the sale of the old production facility in Beijing. Cash flow from operating activities dropped from EUR 31.8 million to EUR 17.5 million.

Investments in property, plant and equipment and intangible assets in 2016 totalled EUR 28.2 million (prior-year: EUR 29.4 million). Geographically speaking, investments focused on Europe. Of particular importance were the new factory extension and the modernization of the production facilities for enthalpy exchangers in Reinsdorf (Germany). In order to further expand our market position, the Zehnder Group increased its research and development expenditure by around one-third to EUR 20.3 million (in the previous year expenditure totalled EUR 15.3 million).

### **Outlook**

The relevant markets are set to remain challenging in the coming year. Macroeconomic conditions will continue to be fragile particularly in the sales markets important to the Zehnder Group, namely France, the United Kingdom and Switzerland. In terms of procurement, steel prices are increasing. At the same time, we are facing increasing pricing pressure from customers. The Zehnder Group's focus on optimizing processes and cost structures will continue unabated. In light of the growing demand in the ventilation business area, the Zehnder Group is planning further investments into new products and services, as well as infrastructure.

# Board of Directors

(Status 1.1. 2017)

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

## Hans-Peter Zehnder

**President 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 (CH)
- 1981–1984 Gebr. Bühler AG (CH)
- 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 (CH); R. Nussbaum AG (CH); Lagerhäuser der Centralschweiz AG (CH); and Rouge + Blanc Holding AG (CH)

## 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 (CH)
- 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
- Chairman of the Board of the Sino-Swiss Partnership Fund, member of the Board of Zehnder (China) Indoor Climate Co. Ltd.
- 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.

## Enrico Tissi

**Member of the Board,  
first elected 2005**

Swiss citizen, born 1946

- Non-executive member
- Chairman of the compensation committee
- Degree in engineering from ETH (Swiss Federal Institute of Technology), Zurich (CH)
- 1972–1986 various responsibilities and positions at Rieter AG (CH)
- 1986–1996 delegate of the Board and CEO of Elco Looser Holding AG (CH)
- 1997–2004 delegate of the Board and CEO of Sika Corp. (USA) and a member of group management of Sika AG (CH)
- 2005–2007 vice chairman of Sika Corp. (USA)
- Member of the Board of Georg Utz Holding AG (CH)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He supports Zehnder's subsidiaries in the USA in strategic and conceptual issues.

## Thomas Benz

**Member of the Board, Deputy Chairman,  
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 (CH)
- 1972–1973 Guardian Electric, Chicago (USA)
- End 1973 joined Zettler GmbH (DE)
- 1977–1996 managing partner of Zettler GmbH (DE)
- Since 1997 managing partner of CG International (DE)
- Since 1974 member of the Bavarian Metal Working and Electrical Industry e. V. (DE)
- Since 3.5.2011 Deputy Chairman of the Board of Warema Renkhoff SE (DE)
- 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
- Master of Arts in economics and business administration from the University of Zurich (CH)
- Advanced Management Program at INSEAD (FR)
- 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
- 2007–2011 CEO Ascom Group (CH)
- 7.2011–8.2015 CEO Kaba Group (CH)
- Since 1.9.2015 CEO dormakaba Group (CH)
- 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
- 1990 Admitted to the bar
- 1993 Post-graduate certificate in European Economic Law at the University of St.Gallen
- 1999 MBA University of Chicago, 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 Anti-trust, Member of the Group Legal Executive Committee
- Since 2010 Partner with Schärer Attorneys at Law, Aarau
- 2010–2012 Resun AG, General Counsel and Head Corporate Services, Member of the Executive Committee
- Member of the Board of Directors of SFS Group AG, Huber + Suhner AG, AEW Energie AG, Kraftwerk Augst AG, Immobilien AEW AG, Proderma AG (Chairman of the Board of Directors), 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 has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

## 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 with a Master of Law degree
- 2009 Exchange semester at Fordham University, School of Law, New York
- 2012 Admitted to the bar, attorney-at-law and notary public in the canton of Zug
- 2008–2009 Legal assistant at Geissmann Attorneys at Law, Baden
- 2010–2011 Legal intern at Schweiger Attorneys at Law and Notaries, Zug
- Since 2013 Attorney-at-law and notary public at Schweiger Attorneys at Law and Notaries, Zug
- 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 1.1.2017)

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

## René Grieder

**Chief Financial Officer**

Swiss citizen, born 1979

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

## Tomasz Juda

**Competence Center Radiators/RHC**

Polish citizen, born 1969

- Engineering degree at the Dresden University of Technology (DE)
- Master's degree in Business Administration from the St. Gallen Business School at the Cracow University of Economics (PL)
- 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 (PL)
- Since November 2014 member of the Group Executive Committee of Zehnder Group (Head Competence Center Radiators/RHC)

## Cyril Peysson

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

French citizen, born 1965

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

## 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)

## Five-year Overview

		2016	2015	2014	2013	2012
<b>Sales</b>	<b>EUR million</b>	<b>538.9</b>	<b>533.0</b>	<b>525.1</b>	<b>522.4</b>	<b>523.8</b>
Change from prior year	%	1.1	1.5	0.5	-0.3	1.6
Of which segment Europe	EUR million	466.5	465.7	466.8	463.8	469.3
Change from prior year	%	0.2	-0.2	0.6	-1.2	1.8
Of which segment China & North America	EUR million	72.4	67.3	58.3	58.6	54.5
Change from prior year	%	7.5	15.4	-0.5	7.6	0.5
<b>EBIT before one-off effects<sup>1</sup></b>	<b>EUR million</b>	<b>15.1</b>	<b>27.0</b>	<b>32.7</b>	<b>32.3</b>	<b>38.5</b>
Change from prior year	%	-44.2	-17.2	1.1	-16.0	-24.7
	% of sales	2.8	5.1	6.2	6.2	7.3
<b>Net profit<sup>2</sup></b>	<b>EUR million</b>	<b>28.1</b>	<b>0.3</b>	<b>26.0</b>	<b>18.2</b>	<b>26.8</b>
Change from prior year	%	-	-98.7	42.8	-32.0	-34.7
	% of sales	5.2	0.1	5.0	3.5	5.1
<b>Net profit before depreciation &amp; amortization<sup>2</sup></b>	<b>EUR million</b>	<b>55.0</b>	<b>21.6</b>	<b>45.9</b>	<b>37.4</b>	<b>45.1</b>
Change from prior year	%	154.4	-53.0	22.9	-17.1	-23.4
	% of sales	10.2	4.1	8.7	7.2	8.6
<b>Investments in property, plant and equipment &amp; intangible assets</b>	<b>EUR million</b>	<b>28.2</b>	<b>29.4</b>	<b>25.1</b>	<b>35.9</b>	<b>39.4</b>
<b>Depreciation &amp; amortization<sup>3</sup></b>	<b>EUR million</b>	<b>26.9</b>	<b>21.3</b>	<b>19.9</b>	<b>19.1</b>	<b>18.2</b>
<b>Total assets</b>	<b>EUR million</b>	<b>450.5</b>	<b>435.6</b>	<b>429.7</b>	<b>412.6</b>	<b>407.3</b>
<b>Non-current assets</b>	<b>EUR million</b>	<b>210.1</b>	<b>209.1</b>	<b>193.1</b>	<b>183.8</b>	<b>177.7</b>
<b>Shareholders' equity<sup>2</sup></b>	<b>EUR million</b>	<b>280.2</b>	<b>269.0</b>	<b>281.8</b>	<b>255.5</b>	<b>247.6</b>
	% of total assets	62.2	61.8	65.6	61.9	60.8
<b>Employees</b>	<b>Ø full-time equivalents</b>	<b>3,247</b>	<b>3,194</b>	<b>3,239</b>	<b>3,265</b>	<b>3,266</b>
<b>Zehnder Group AG</b>						
Dividends <sup>4</sup>	CHF million	11.1	-	11.7	6.5	10.6
Share capital	CHF million	0.6	0.6	0.6	0.6	0.6
Market capitalization <sup>5</sup>	CHF million	313.7	375.1	402.9	400.0	429.3
Total market capitalization <sup>6</sup>	CHF million	377.3	451.2	484.7	481.2	516.4

<sup>1</sup> 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)

<sup>2</sup> Including minority interests

<sup>3</sup> Including an impairment of EUR 4.9 million in the business area Radiators in Europe

<sup>4</sup> For 2016 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 recognized at 1/5 of the price of the registered share A at year end

# Consolidated Balance Sheet

EUR million	31 December 2016	31 December 2015	Change from prior year %
<b>Assets</b>			
Liquid assets	79.4	59.7	
Trade accounts receivable	86.5	89.0	
Other receivables	12.6	17.7	
Inventories	53.9	52.8	
Prepayments	4.2	3.7	
Accrued income	3.8	3.6	
<b>Current assets</b>	<b>240.4</b>	<b>226.5</b>	<b>6.1</b>
Property, plant and equipment	201.4	202.9	
Financial assets	7.2	4.0	
Intangible assets	1.5	2.2	
<b>Non-current assets</b>	<b>210.1</b>	<b>209.1</b>	<b>0.5</b>
<b>Total assets</b>	<b>450.5</b>	<b>435.6</b>	<b>3.4</b>
<b>Liabilities &amp; shareholders' equity</b>			
Loans	17.0	10.3	
Trade accounts payable	26.5	24.6	
Other liabilities <sup>1</sup>	31.2	40.4	
Provisions	18.0	19.3	
Accruals and deferred income	44.6	30.7	
<b>Current liabilities</b>	<b>137.3</b>	<b>125.2</b>	<b>9.7</b>
Loans	8.3	8.3	
Other liabilities <sup>2</sup>	3.0	–	
Provisions	21.6	33.0	
<b>Long-term liabilities</b>	<b>32.9</b>	<b>41.4</b>	<b>–20.3</b>
<b>Total liabilities</b>	<b>170.2</b>	<b>166.6</b>	<b>2.2</b>
Share capital	0.4	0.4	
Capital reserves	33.6	33.6	
Own shares	–10.5	–3.0	
Retained earnings	230.7	212.7	
Accumulated FX differences	8.7	10.4	
Minority interests	17.4	15.0	
<b>Equity</b>	<b>280.2</b>	<b>269.0</b>	<b>4.2</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>450.5</b>	<b>435.6</b>	<b>3.4</b>

<sup>1</sup> Includes the advanced payments of EUR 14.1 million in relation to the sale of the old production facility in China (2015)

<sup>2</sup> Includes outstanding payments worth EUR 3.0 million for the acquisition of a property in Turkey (2016)

# Consolidated Income Statement

EUR million	2016	2015	Change from prior year %
<b>Sales</b>	<b>538.9</b>	<b>533.0</b>	<b>1.1</b>
Changes in inventories	2.0	-0.7	
Internal additions to plant and equipment	2.1	1.0	
Other income	47.0	2.7	
Cost of materials	-189.1	-179.9	
Personnel costs	-193.1	-193.1	
Depreciation of property, plant and equipment	-25.8	-20.0	
Amortization of intangible assets	-1.1	-1.2	
Other operating expenses	-137.5	-136.5	
<b>Earnings before interest and taxes (EBIT)</b>	<b>43.4</b>	<b>5.2</b>	<b>726.7</b>
Result from associated companies	-	2.4	
Financial result	-0.8	-2.8	
<b>Earnings before taxes</b>	<b>42.5</b>	<b>4.8</b>	<b>780.5</b>
Income taxes	-14.4	-4.5	
<b>Net profit</b>	<b>28.1</b>	<b>0.3</b>	<b>-</b>
Minority interests	7.7	0.2	
Net profit excluding minority interests	20.3	0.1	
Non-diluted net profit excluding minority interests per registered share A (EUR)	1.74	0.01	
Diluted net profit excluding minority interests per registered share A (EUR)	1.74	0.01	
Non-diluted net profit excluding minority interests per registered share B (EUR)	0.35	-	
Diluted net profit excluding minority interests per registered share B (EUR)	0.35	-	

# Consolidated Cash Flow Statement

EUR million	2016	2015
Net profit	28.1	0.3
Depreciation and amortization of property, plant and equipment	25.8	20.0
Depreciation and amortization of intangible assets	1.1	1.2
(Gain)/loss from sale of subsidiaries <sup>1</sup>	–	11.6
Non-cash change in valuation adjustments on receivables and inventories	0.1	0.2
Loss/(gain) on disposals of non-current assets <sup>2</sup>	–44.6	–0.2
Result from associated companies <sup>3</sup>	–	–2.4
(Increase)/decrease of trade accounts receivable	0.1	1.2
(Increase)/decrease of other receivables, prepayments and accrued income	4.3	–6.0
(Increase)/decrease of inventories	–1.1	6.6
Increase/(decrease) of trade accounts payable	3.7	–3.2
Increase/(decrease) of other short-term liabilities, accruals and deferred income	15.6	–6.1
Increase/(decrease) of provisions	–12.7	8.5
(Increase)/decrease of deferred tax assets	–2.8	–
<b>Cash flow from operating activities</b>	<b>17.5</b>	<b>31.8</b>
Investments in property, plant and equipment	–27.7	–29.0
Investments in financial assets	–0.4	–
Investments in associated companies <sup>4</sup>	–0.1	–0.3
Investments in intangible assets	–0.5	–0.3
Investments in subsidiaries <sup>5</sup>	–	–12.9
Divestment of property, plant and equipment <sup>2</sup>	36.8	3.2
Divestment of intangible assets	0.1	–
Divestment of subsidiaries <sup>1</sup>	–	–4.8
<b>Cash flow from investing activities</b>	<b>8.1</b>	<b>–44.0</b>
Dividends paid to shareholders	–	–11.1
Dividends paid to minority shareholders	–3.2	–
(Purchase)/sale of own shares	–7.4	–1.0
Increase/(decrease) of short-term loans	6.4	9.1
Increase/(decrease) of long-term loans	–0.2	–0.9
<b>Cash flow from financing activities</b>	<b>–4.4</b>	<b>–4.0</b>
Currency effects	–1.6	2.2
<b>(Decrease)/increase of liquid assets</b>	<b>19.6</b>	<b>–13.9</b>
Liquid assets at 1.1.	59.7	73.7
Liquid assets at 31.12.	79.4	59.7
<b>(Decrease)/increase</b>	<b>19.6</b>	<b>–13.9</b>

<sup>1</sup> Equals loss from the sale of the production plant in Châlons-en-Champagne, France, in the amount of EUR 11.6 million, of which EUR 4.8 million is cash outflow (2015).

<sup>2</sup> 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). The outstanding payment in 2016 amounted to EUR 35.6 million. In the previous year, the deposit amounted to EUR 1.5 million.

<sup>3</sup> Includes profit from the revaluation of the 33% participation in dPoint Technologies Inc., Canada, in relation to the complete acquisition as at 1 December 2015 (2015).

<sup>4</sup> Purchase of 49% of the shares in Eric & Bason Building Environment Technologies Co., Ltd., in China (2015)

<sup>5</sup> Purchase of Eco Concept Habitat, France, and the remaining 67% of dPoint Technologies Inc., Canada (2015)

## 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. They only account for 5% and 8% of total sales, respectively.

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 ten 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
<b>2016</b>					
Sales third	EUR million	466.5	72.4	–	538.9
Sales intercompany	EUR million	3.6	1.6	–5.2	–
<b>Sales</b>	<b>EUR million</b>	<b>470.1</b>	<b>74.0</b>	<b>–5.2</b>	<b>538.9</b>
<b>EBIT before one-off effects<sup>1</sup></b>	<b>EUR million</b>	<b>17.2</b>	<b>–2.1</b>	<b>–</b>	<b>15.1</b>
	% of sales	3.7	–2.8		2.8
<b>EBIT after one-off effects<sup>1</sup></b>	<b>EUR million</b>	<b>5.2</b>	<b>38.2</b>	<b>–</b>	<b>43.4</b>
	% of sales	1.1	51.6		8.0
<b>Investments in property, plant and equipment &amp; intangible assets</b>	<b>EUR million</b>	<b>22.9</b>	<b>5.3</b>	<b>–</b>	<b>28.2</b>
<b>Property, plant and equipment</b>	<b>EUR million</b>	<b>159.0</b>	<b>42.4</b>	<b>–</b>	<b>201.4</b>
<b>Net working capital<sup>2</sup></b>	<b>EUR million</b>	<b>92.9</b>	<b>21.1</b>	<b>–</b>	<b>113.9</b>
<b>Number of employees</b>	<b>Ø full-time equivalents</b>	<b>2,521</b>	<b>725</b>	<b>–</b>	<b>3,247</b>
<b>2015</b>					
Sales third	EUR million	465.7	67.3	–	533.0
Sales intercompany	EUR million	2.8	0.3	–3.1	–
<b>Sales</b>	<b>EUR million</b>	<b>468.5</b>	<b>67.6</b>	<b>–3.1</b>	<b>533.0</b>
<b>EBIT before one-off effects<sup>1</sup></b>	<b>EUR million</b>	<b>26.9</b>	<b>0.1</b>	<b>–</b>	<b>27.0</b>
	% of sales	5.7	0.2		5.1
<b>EBIT after one-off effects<sup>1</sup></b>	<b>EUR million</b>	<b>5.1</b>	<b>0.1</b>	<b>–</b>	<b>5.2</b>
	% of sales	1.1	0.2		1.0
<b>Investments in property, plant and equipment &amp; intangible assets</b>	<b>EUR million</b>	<b>27.9</b>	<b>1.5</b>	<b>–</b>	<b>29.4</b>
<b>Property, plant and equipment</b>	<b>EUR million</b>	<b>156.7</b>	<b>46.2</b>	<b>–</b>	<b>202.9</b>
<b>Net working capital<sup>2</sup></b>	<b>EUR million</b>	<b>95.2</b>	<b>22.0</b>	<b>–</b>	<b>117.2</b>
<b>Number of employees</b>	<b>Ø full-time equivalents</b>	<b>2,526</b>	<b>667</b>	<b>–</b>	<b>3,194</b>

<sup>1</sup> 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)

<sup>2</sup> Trade accounts receivable plus inventories minus trade accounts payable

# Further Information for Investors

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## 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

Announcement of sales for 2016	13.1.2017
Annual report 2016	27.2.2017
Press conference on financial statements and analysts' meeting	3.3.2017
General meeting of shareholders	6.4.2017
Ex-dividend date	10.4.2017
Dividend payout	12.4.2017
Six-month report	28.7.2017
End of business year	31.12.2017
Announcement of sales for 2017	19.1.2018

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

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](http://www.zehndergroup.com/en/investor-relations/reports-and-presentations).

## General Meeting of Shareholders 2018

The general meeting of shareholders 2018 will be held on 12 April 2018 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](http://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 dPoint, 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 around 3000 people worldwide and achieved sales of EUR 538.9 million in 2016. 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

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Steiner Kommunikationsberatung  
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