

# Six-month Report

# 20

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## 6 **Management Report**

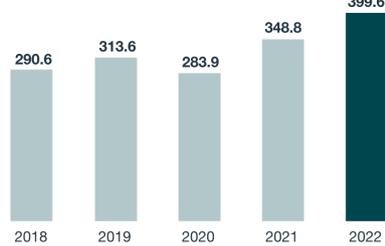
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**Key figures 1<sup>st</sup> half-year**

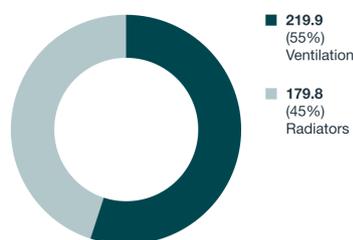
**Sales**  
EUR million



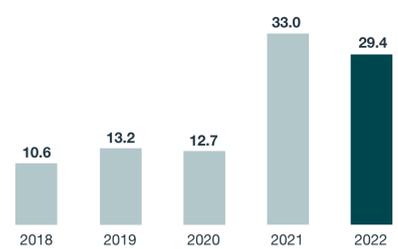
**EBIT**  
EUR million, % of sales



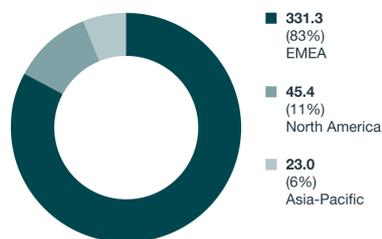
**Sales by segment**  
2022, EUR million



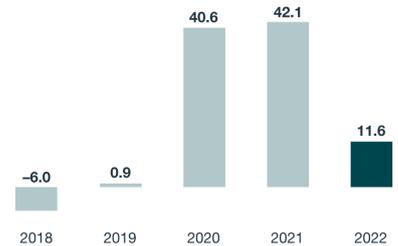
**Net profit**  
EUR million



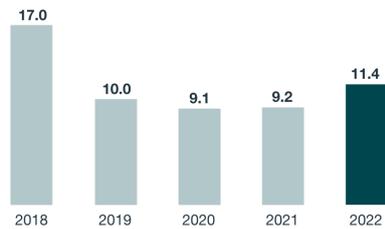
**Sales by region**  
2022, EUR million



**Cash flow from operating activities**  
EUR million



**Investments in property, plant and equipment & intangible assets**  
EUR million



**Share price development**  
1 January to 30 June 2022, %



		1 <sup>st</sup> half-year 2022	1 <sup>st</sup> half-year 2021	Change from prior year in %
<b>Sales</b>	EUR million	<b>399.6</b>	<b>348.8</b>	<b>14.6</b>
<b>EBITDA<sup>1</sup></b>	EUR million	<b>48.3</b>	<b>50.1</b>	<b>- 3.5</b>
	% of sales	12.1	14.4	
<b>EBIT</b>	EUR million	<b>36.9</b>	<b>37.7</b>	<b>- 2.2</b>
	% of sales	9.2	10.8	
<b>Net profit<sup>2</sup></b>	EUR million	<b>29.4</b>	<b>33.0</b>	<b>- 10.9</b>
	% of sales	7.4	9.5	
<b>Cash flow from operating activities</b>	EUR million	<b>11.6</b>	<b>42.1</b>	<b>- 72.5</b>
<b>Investments in property, plant and equipment &amp; intangible assets</b>	EUR million	<b>11.4</b>	<b>9.2</b>	<b>23.3</b>
<b>Depreciation &amp; amortisation</b>	EUR million	<b>11.4</b>	<b>12.4</b>	<b>- 7.6</b>
<b>Total assets</b>	EUR million	<b>562.0</b>	<b>532.3</b>	<b>5.6</b>
<b>Non-current assets</b>	EUR million	<b>229.7</b>	<b>197.3</b>	<b>16.4</b>
<b>Net liquidity/(net debt)<sup>1</sup></b>	EUR million	<b>23.3</b>	<b>110.7</b>	<b>- 78.9</b>
<b>Total equity</b>	EUR million	<b>325.4</b>	<b>343.5</b>	<b>- 5.3</b>
	% of total assets	57.9	64.5	
<b>Number of employees</b>	Ø full-time equivalents	<b>3,772</b>	<b>3,473</b>	<b>8.6</b>
<b>Market closing price registered share A</b>	CHF	<b>56.50</b>	<b>88.20</b>	<b>- 35.9</b>
<b>Registered shares A (CHF 0.05 par value)</b>	Units	<b>9,756,000</b>	<b>9,756,000</b>	<b>-</b>
<b>Own shares</b>	Ø Units	<b>216,426</b>	<b>91,753</b>	<b>135.9</b>
<b>Registered shares B (not listed; CHF 0.01 par value)</b>	Units	<b>9,900,000</b>	<b>9,900,000</b>	<b>-</b>
<b>Net profit per registered share A<sup>2</sup></b>	EUR	<b>2.46</b>	<b>2.76</b>	<b>- 11.0</b>
<b>Shareholders' equity per registered share A<sup>2</sup></b>	EUR	<b>26.6</b>	<b>28.0</b>	<b>- 5.1</b>

1 For further information please refer to: [Alternative performance measures](#)

2 Excluding minority interests

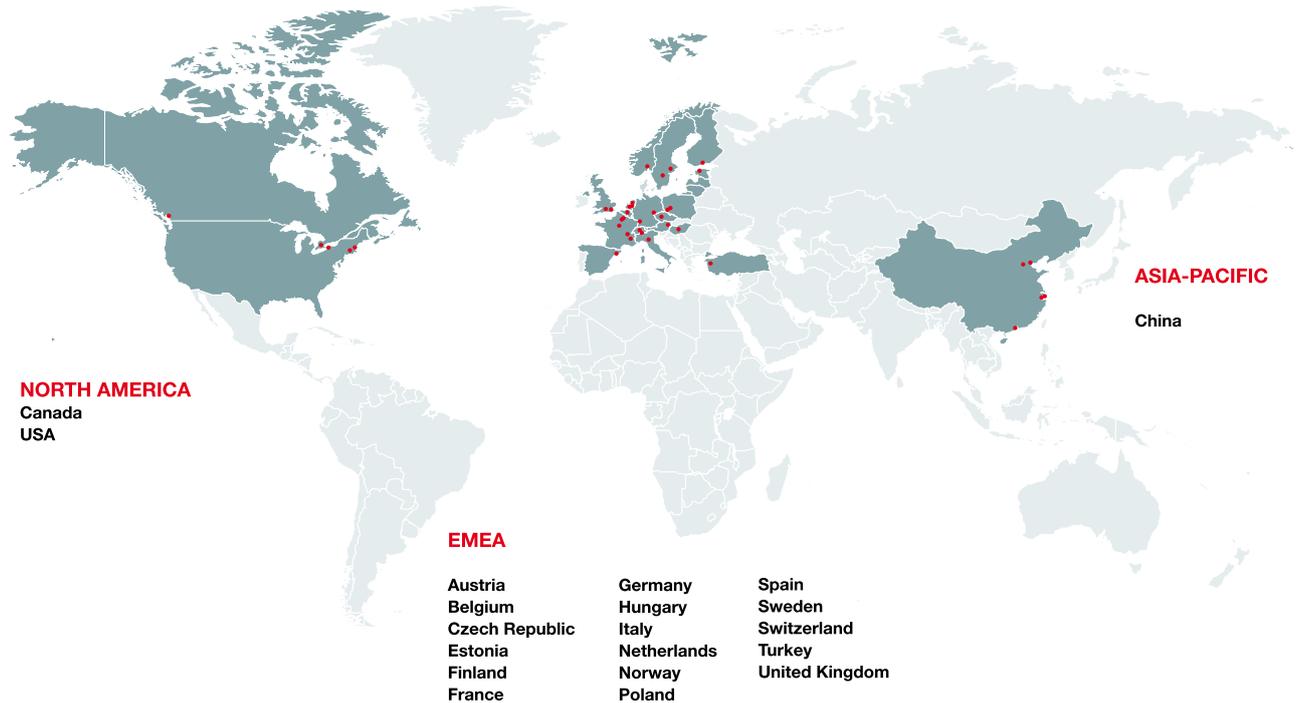
## Company profile

The Zehnder Group improves quality of life with comprehensive indoor climate solutions. The globally active company develops and manufactures its products in its own plants in Europe, China and 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 segments with brands such as Zehnder, Acova and Core.

The Zehnder Group has had its headquarters in Gränichen (CH) since 1895. It employs around 4,000 people worldwide and achieved sales of EUR 697 million in 2021. 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



## Solid business results in the first half of 2022

In the first half of 2022, Zehnder Group increased its sales to EUR 399.6 million. Rising manufacturing costs and supply bottlenecks weighed on profitability. With an operating result (EBIT) of EUR 36.9 million and a net profit of EUR 29.4 million, the Group nevertheless achieved solid results.



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### Dear shareholders,

The demand for products and systems for healthy, comfortable and sustainable buildings remained consistently positive in the first half of 2022. We have worked tirelessly to serve our customers in the best possible way despite disruptions in the supply chain and rising material, transport and operating costs. Due to our differentiated approach to cost management with a focus on profitable growth together with the contributions from our recently acquired companies, we are able to report solid business results for the first six months.

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### New segment reporting according to business areas

In the past, Zehnder Group's segment reporting was divided into the geographical regions of Europe, China and North America. In connection with the increased share of ventilation sales in total sales due to acquisitions and in line with the "Growth for ventilation – harvest for radiators" strategy, the Group is also reorganising itself according to business areas in North America. The segment reporting has been adjusted accordingly. The new segments – ventilation and radiators – have been reported for the first time with this 2022 Six-month Report.

**"Our ventilation segment covers the three product lines for ventilation, heat exchangers and clean air solutions. The radiator segment contains two product lines: radiators and climate ceilings."**

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**Acquisitions strengthen ventilation sales**

In the first half of 2022, the Zehnder Group increased its sales by 15% (5% organically<sup>1</sup>) to EUR 399.6 million. 55% of sales were in the ventilation segment and 45% were in the radiator segment. This means that the share of ventilation sales in the Group's total sales increased by an additional 3 percentage points as compared to the same period in the previous year.

In the ventilation segment, sales increased by 20% (4% organically) to EUR 219.9 million. The latest acquisitions of ventilation companies led to strong growth, particularly in Canada, the USA and France. Other successes in the first half of the year include good sales of air distribution products, particularly in Switzerland and Germany, as well as the high demand for extract ventilation products in the UK. However, the persistent shortage of electronic components severely limited the ability to supply ventilation units in Europe and North America. Ventilation sales also declined in China. First of all, new housing, which is important for the ventilation business, collapsed due to the real estate crisis. Secondly, the zero-covid strategy also limited business activities markedly. However, expansion of the heat exchanger business largely offset this decline.

**“The lack of electronic components severely limited our ability to supply ventilation. With the contributions of our recently acquired companies, we still managed to grow ventilation sales by 20%.”**

The radiator segment recorded sales of EUR 179.8 million, which equates to a growth of 8% (7% organically). After the high order backlog related to the pandemic led to strong sales in the previous year, demand normalised in the first half of 2022. The radiator business was also affected by the component shortage. In France, this restricted the sale of electric radiators. Overall, however, Zehnder Group's most important market for radiators achieved the same level of sales as the previous year. Development in Germany was very positive, especially for multi column radiators and climate ceilings. In Italy, the Zehnder Group participated in the booming market for low-energy buildings, which also favoured the use of radiators. In the USA, demand for electric radiators was robust and online sales gained momentum. In China, on the other hand, the radiator business also suffered significantly due to the challenging economic environment.

<sup>1</sup> For more information, see: [Alternative performance measures](#).

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**Operating margin within communicated range**

The operating result (EBIT) for the first six months of 2022 amounted to EUR 36.9 million and was therefore 2% below the value of the same period in the previous year. The EBIT margin fell by 1.6 percentage points to 9.2%. The war in Ukraine and the global supply chain issues have led to further increases in material, transport and operating costs. Due to extended delivery times, these will be passed on to the customers with a time delay. In this challenging environment, the Zehnder Group is pursuing a proactive pricing policy and a differentiated approach to cost management. Spending on strategically important business activities such as research and development, marketing and sales, and digital transformation has been increased. At the same time, the Group is continuing its consistent pursuit of cost optimisation and efficiency improvements in every area.

**“With a differentiated approach to cost management, we are promoting the activities that generate above-average, profitable growth. At the same time, we are striving for efficiency gains in every area.”**

In the ventilation segment, an EBIT of EUR 29.1 million was achieved. This equates to growth of 10% as compared to the same period in the previous year. The EBIT margin, however, was slightly lower at 13.2% (previous year: 14.5%). Global supply challenges and rising purchase prices had a negative impact on profitability.

In the radiator segment, EBIT decreased by 30% to EUR 7.8 million. And with this, the EBIT margin reduced to 4.4% (previous year: 6.8%). In particular, the still challenging business with climate ceilings and the decline in sales in China weighed on the results. In addition, one-off costs of approximately EUR 1.0 million were added to the reporting period due to the discontinuation of business activities in Russia.

The tax rate, which was reduced in previous years by positive one-off effects, normalised in the reporting period to 21% (previous year: 12%). Net profit came out at EUR 29.4 million (previous year: EUR 33.0 million).

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### **Investment in infrastructure, innovation and market coverage**

In the first half of 2022, the Zehnder Group invested EUR 11.4 million (previous year: EUR 9.2 million) in property, plant and equipment and intangible assets. In Lahr (DE), the new “Center of Climate” is taking shape. This centre for a healthy indoor climate includes training rooms and practical workshops, an exhibition space, meeting and conference rooms, office space and a restaurant as a meeting place for customers, partners and employees. The move into the centre is scheduled for the beginning of 2023. The further expansion of production capacities for heat exchangers in Waalwijk (NL) and Reinsdorf (DE) is also certainly worth noting.

**“The ‘Center of Climate’ we are building at the Lahr site sees itself as a future communication hub for customers, partners and employees as well as a centre for healthy indoor climate for Zehnder in Germany.”**

Expenditure on research and development increased by 14% to EUR 11.8 million during the first half of 2022. A large part of this flowed into the ventilation segment. Due to the current challenges in terms of deliveries and in order not to jeopardise market success, some product launches have been postponed. Nevertheless, Zehnder’s innovative strength received recognition. At the VSK in Utrecht, the largest Dutch trade fair for heating, sanitary and air conditioning technology, the product combination of Zehnder ComfoClime & Thermal Shield was awarded the VSK Award 2022 in the Health and Comfort category. The indoor climate system solution Zehnder ComfoClime offers a perfectly coordinated all-in-one system – heating, ventilation, cooling and hot water preparation from a single source. The Thermal Shield insulated air distribution system distributes the cooled or heated air throughout the house with little temperature loss.

In the first six months of 2022, the Zehnder Group continued its acquisition activities and invested EUR 61.7 million (previous year: EUR 2.3 million) in subsidiaries. In February, the Canadian company Airia Brands Inc. based in London (province of Ontario) joined the Group. This company develops and produces ventilation systems with heat recovery, primarily for use in residential buildings. Its products are sold in both Canada and the USA under the established Lifebreath brand. In April, the Group also acquired Filtech, a long-standing supplier of high-quality air filters. In addition to its headquarters and a production facility in the Dutch municipality of Udenhout, the company also has two other production sites in Modane, France and Rancate-Mendrisio, Switzerland.

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### Net liquidity despite high investment activity

The cash flow from operating activities in the first half of 2022 fell to EUR 11.6 million (previous year: EUR 42.1 million). The reasons for this are primarily due to the increase in trade accounts receivable associated with the growth in sales and the build-up of inventories. During the same period, the Zehnder Group invested in subsidiaries, bought back its own shares and paid dividends for the 2021 financial year, among other things. As a result, net liquidity<sup>1</sup> as at the end of June 2022 decreased to EUR 23.3 million (previous year: EUR 110.7 million). Equity amounted to EUR 325.4 million (previous year: EUR 343.5 million). This equates to another high equity ratio of 58% (previous year: 65%).

As part of the ongoing share buyback programme, the Zehnder Group purchased 150,632 listed registered shares A in the reporting period for a total price of EUR 11.6 million. In addition, outside the programme, it acquired a further 60,000 listed registered shares A for a total of EUR 4.3 million for employee share ownership plans.

**“In 2021, we launched a share buyback programme for a maximum of 487,800 registered shares A over a maximum period of three years for the purpose of capital reduction. By the end of June 2022, we had bought back 229,932 shares.”**

<sup>1</sup> For more information, see: [Alternative performance measures](#).

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### Further strategic progress achieved

The Zehnder Group has been pursuing a strategy of “Growth for ventilation – harvest for radiators”. This was further implemented in 2022. The acquisition of Airia in Canada and the expansion of the production of ventilation units in Buffalo NY (USA) are significant milestones for increasing the ventilation business in North America. Ventilation now accounts for 56% (previous year: 36%) of sales in North America. In Europe, the acquisition of Filtech was an important step in driving ventilation growth. In addition, the market launch of new products was prepared.

**“We see great development opportunities for the North American ventilation market. With the acquisition of Airia in Canada and the expansion of manufacturing in the USA, we want to achieve this potential.”**

The Zehnder Group has a strong market position in radiators, particularly in the areas of bathroom radiators and multi column radiators. The focus is on optimising production processes and increasing productivity. In addition, development competencies in the field of electronics are being expanded in order to position the radiator business well for the future.

With heat exchangers, clean air solutions and climate ceilings, the Group has three further product lines in its portfolio, the potential of which it intends to exploit and develop into significant business areas over the medium to long term. In the heat exchanger sector, production capacities were increased during the reporting period. With clean air solutions, the focus was on expanding the distribution network and launching the new generation of air cleaning units. The climate ceilings area focused on improving profitability.

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**Target of an EBIT margin of 8–10% for the year 2022 as a whole confirmed**

Procurement, manufacturing and logistics are likely to continue to be affected by the war in Ukraine, geopolitical tensions and the ongoing pandemic in the coming months. Further price and interest rate increases could cause customers to postpone or even cancel construction projects. In this environment, the Zehnder Group considers a temporary weakening of the market over the medium term to be the likely scenario. Over the long term, the outlook remains positive. Zehnder Group's product range is ideally designed to meet the growing demand for sustainable, healthy and comfortable buildings.

The Zehnder Group expects above-average sales growth in the second half of 2022 as well, thanks to the acquisitions and price increases. It will counter the increasing pressure on margins with a consistent, proactive approach to cost management. For the year as a whole, the Group is targeting sales of EUR 775–825 million and an EBIT margin within the communicated range of 8–10%.

**“In the current environment, planning has become noticeably more difficult. We are thinking in scenarios and reacting flexibly and promptly to any changes in the market and the economic environment.”**

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**Thank you to our stakeholders**

On behalf of the Board of Directors and the Group Executive Committee, we would first like to thank all our employees for their commitment and all our customers for their loyalty.

We would also like to thank our suppliers and business partners for the excellent working relationships.

A huge thank you also goes out to you, our valued shareholders, for your commitment to our company and your confidence in our successful future.

Yours sincerely,



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



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

## Consolidated balance sheet

EUR million	30 June 2022	31 December 2021	30 June 2021
<b>Assets</b>			
Liquid assets	61.8	136.4	121.1
Trade accounts receivable	140.4	109.3	129.0
Other receivables	22.4	18.9	15.7
Inventories	99.7	75.4	64.1
Prepayments	2.9	1.2	1.5
Accrued income	5.0	3.5	3.6
<b>Current assets</b>	<b>332.3</b>	<b>344.7</b>	<b>335.1</b>
Property, plant and equipment	203.5	187.7	180.5
Financial assets	18.9	17.2	13.6
Intangible assets	7.2	3.0	3.2
<b>Non-current assets</b>	<b>229.7</b>	<b>207.9</b>	<b>197.3</b>
<b>Total assets</b>	<b>562.0</b>	<b>552.6</b>	<b>532.3</b>
<b>Liabilities &amp; shareholders' equity</b>			
Short-term financial liabilities	27.3	3.4	3.5
Trade accounts payable	56.0	41.5	48.0
Other short-term liabilities	32.9	29.0	28.9
Short-term provisions	9.2	12.0	13.2
Accruals and deferred income	72.4	66.0	60.9
<b>Current liabilities</b>	<b>197.8</b>	<b>151.9</b>	<b>154.5</b>
Long-term financial liabilities	11.1	9.8	6.9
Other long-term liabilities	0.6	0.7	0.8
Long-term provisions	27.1	27.8	26.6
<b>Non-current liabilities</b>	<b>38.8</b>	<b>38.3</b>	<b>34.4</b>
<b>Total liabilities</b>	<b>236.6</b>	<b>190.2</b>	<b>188.8</b>
Share capital	0.4	0.4	0.4
Capital reserves	33.6	33.6	33.6
Own shares	- 21.6	- 7.5	- 7.5
Retained earnings	293.9	317.5	299.8
<b>Equity attributable to shareholders of Zehnder Group AG</b>	<b>306.3</b>	<b>344.0</b>	<b>326.3</b>
Minority interests	19.1	18.4	17.2
<b>Total equity</b>	<b>325.4</b>	<b>362.4</b>	<b>343.5</b>
<b>Total liabilities &amp; equity</b>	<b>562.0</b>	<b>552.6</b>	<b>532.3</b>

# Consolidated income statement

EUR million	1 <sup>st</sup> half-year 2022	1 <sup>st</sup> half-year 2021	Change from prior year in %
<b>Sales</b>	<b>399.6</b>	<b>348.8</b>	<b>14.6</b>
Changes in inventories	1.7	0.2	
Own work capitalised	0.9	0.8	
Other operating income	2.6	2.2	
Cost of materials	- 161.0	- 126.6	
Personnel costs	- 119.6	- 106.9	
Depreciation of property, plant and equipment	- 11.1	- 12.1	
Amortisation of intangible assets	- 0.3	- 0.3	
Other operating expenses	- 75.8	- 68.5	
<b>Operating result (EBIT)</b>	<b>36.9</b>	<b>37.7</b>	<b>- 2.2</b>
Financial result	0.2	- 0.4	
<b>Earnings before taxes</b>	<b>37.1</b>	<b>37.5</b>	<b>- 1.0</b>
Income taxes	- 7.7	- 4.4	
<b>Net profit</b>	<b>29.4</b>	<b>33.0</b>	<b>- 10.9</b>
Attributable to:			
- shareholders of Zehnder Group AG	28.4	32.2	
- minority interests	1.1	0.8	
Non-diluted net profit excluding minority interests per registered share A (EUR)	2.46	2.76	- 11.0
Diluted net profit excluding minority interests per registered share A (EUR)	2.45	2.76	- 11.2
Non-diluted net profit excluding minority interests per registered share B (EUR)	0.49	0.55	- 11.0
Diluted net profit excluding minority interests per registered share B (EUR)	0.49	0.55	- 11.2

# Consolidated cash flow statement

EUR million	1 <sup>st</sup> half-year 2022	1 <sup>st</sup> half-year 2021
Net profit	29.4	33.0
Depreciation and amortisation of property, plant and equipment	11.1	12.1
Depreciation and amortisation of intangible assets	0.3	0.3
Other non-cash changes	3.8	4.6
(Gain)/loss on disposals of non-current assets	- 0.1	- 0.1
(Increase)/decrease in trade accounts receivable	- 25.6	- 17.6
(Increase)/decrease in other receivables, prepayments and accrued income	- 5.4	1.2
(Increase)/decrease in inventories	- 14.7	- 4.3
Increase/(decrease) in trade accounts payable	8.5	12.8
Increase/(decrease) in other short-term liabilities, accruals and deferred income	3.4	0.9
Increase/(decrease) in provisions	- 0.1	- 0.5
(Increase)/decrease in deferred tax assets	1.0	- 0.4
<b>Cash flow from operating activities</b>	<b>11.6</b>	<b>42.1</b>
Investments in property, plant and equipment	- 10.9	- 8.9
Investments in intangible assets	- 0.5	- 0.3
Investments in subsidiaries	- 61.7	- 2.3
Divestment of property, plant and equipment	0.2	0.2
Divestment of financial assets	-	0.1
<b>Cash flow from investing activities</b>	<b>- 72.8</b>	<b>- 11.2</b>
Dividends paid to shareholders	- 20.2	- 13.3
Dividends paid to minority shareholders	- 0.9	-
Purchase of own shares	- 15.9	- 5.6
Sale of own shares	1.8	3.1
Increase/(decrease) in short-term financial liabilities	21.1	- 0.2
Increase/(decrease) in long-term financial liabilities	- 1.9	-
Increase/(decrease) in other liabilities	- 0.1	- 0.2
<b>Cash flow from financing activities</b>	<b>- 16.2</b>	<b>- 16.2</b>
Currency effects	2.9	0.1
<b>Increase/(decrease) in liquid assets</b>	<b>- 74.6</b>	<b>14.8</b>
Liquid assets at 1.1.	136.4	106.3
Liquid assets at 30.6.	61.8	121.1
<b>Increase/(decrease)</b>	<b>- 74.6</b>	<b>14.8</b>

## Consolidated statement of changes in equity

EUR million	Share capital	Capital reserves	Own shares	Retained earnings			Equity attributable to shareholders of Zehnder Group AG	Minority interests	Total equity
				Goodwill offset	Other retained earnings	Translation differences			
<b>Equity at 1.1.2022</b>	<b>0.4</b>	<b>33.6</b>	<b>- 7.5</b>	<b>- 151.5</b>	<b>473.3</b>	<b>- 4.4</b>	<b>344.0</b>	<b>18.4</b>	<b>362.4</b>
Purchase of own shares	-	-	- 16.0	-	-	-	- 16.0	-	- 16.0
Sale of own shares	-	-	1.8	-	0.9	-	2.7	-	2.7
Share-based compensation									
- Transfers	-	-	-	-	- 0.5	-	- 0.5	-	- 0.5
- Granted	-	-	-	-	0.4	-	0.4	-	0.4
Net profit	-	-	-	-	28.4	-	28.4	1.1	29.4
Netted goodwill	-	-	-	- 36.6	-	-	- 36.6	-	- 36.6
Change in minority interests	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	- 20.2	-	- 20.2	- 0.9	- 21.1
Currency effects	-	-	-	-	-	4.1	4.1	0.6	4.7
<b>Equity at 30.6.2022</b>	<b>0.4</b>	<b>33.6</b>	<b>- 21.6</b>	<b>- 188.0</b>	<b>482.2</b>	<b>- 0.2</b>	<b>306.3</b>	<b>19.1</b>	<b>325.4</b>
<b>Equity at 1.1.2021</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>
Purchase of own shares	-	-	- 5.6	-	-	-	- 5.6	-	- 5.6
Sale of own shares	-	-	2.2	-	1.4	-	3.6	-	3.6
Share-based compensation									
- Transfers	-	-	-	-	-	-	-	-	-
- Granted	-	-	-	-	0.3	-	0.3	-	0.3
Net profit	-	-	-	-	32.2	-	32.2	0.8	33.0
Netted goodwill	-	-	-	- 3.7	-	-	- 3.7	-	- 3.7
Change in minority interests	-	-	-	-	-	-	-	1.0	1.0
Dividends	-	-	-	-	- 13.3	-	- 13.3	-	- 13.3
Currency effects	-	-	-	-	-	0.6	0.6	0.7	1.2
<b>Equity at 30.6.2021</b>	<b>0.4</b>	<b>33.6</b>	<b>- 7.5</b>	<b>- 134.8</b>	<b>445.2</b>	<b>- 10.6</b>	<b>326.3</b>	<b>17.2</b>	<b>343.5</b>

## Segment reporting

		Ventilation	Radiators	Total
<b>1<sup>st</sup> half-year 2022</b>				
<b>Sales</b>	EUR million	<b>219.9</b>	<b>179.8</b>	<b>399.6</b>
<b>EBIT</b>	EUR million	<b>29.1</b>	<b>7.8</b>	<b>36.9</b>
	% of sales	13.2	4.4	9.2
<b>Number of employees</b>	Ø full-time equivalents	<b>1,732</b>	<b>2,040</b>	<b>3,772</b>
<b>1<sup>st</sup> half-year 2021<sup>1</sup></b>				
<b>Sales</b>	EUR million	<b>182.5</b>	<b>166.3</b>	<b>348.8</b>
<b>EBIT</b>	EUR million	<b>26.5</b>	<b>11.2</b>	<b>37.7</b>
	% of sales	14.5	6.8	10.8
<b>Number of employees</b>	Ø full-time equivalents	<b>1,461</b>	<b>2,012</b>	<b>3,473</b>

<sup>1</sup> Previous year's figures adjusted to the new segments

## Sales by region and segment

		1 <sup>st</sup> half-year 2022	1 <sup>st</sup> half-year 2022 in %	1 <sup>st</sup> half-year 2021 <sup>1</sup>	1 <sup>st</sup> half-year 2021 <sup>1</sup> in %
Ventilation EMEA	EUR million	174.8	43.7	153.5	44.0
	Change from prior year in %	13.9		14.0	
Ventilation North America	EUR million	25.3	6.3	9.1	2.6
	Change from prior year in %	179.2		34.7	
Ventilation Asia-Pacific	EUR million	19.7	4.9	19.8	5.7
	Change from prior year in %	- 0.4		13.6	
<b>Total ventilation segment</b>	EUR million	<b>219.9</b>	<b>55.0</b>	<b>182.5</b>	<b>52.3</b>
	Change from prior year in %	20.5		14.8	
Radiators EMEA	EUR million	156.5	39.2	144.5	41.4
	Change from prior year in %	8.3		38.0	
Radiators North America	EUR million	20.0	5.0	16.4	4.7
	Change from prior year in %	22.5		- 10.1	
Radiators Asia-Pacific	EUR million	3.3	0.8	5.4	1.6
	Change from prior year in %	- 39.9		160.7	
<b>Total radiator segment</b>	EUR million	<b>179.8</b>	<b>45.0</b>	<b>166.3</b>	<b>47.7</b>
	Change from prior year in %	8.1		33.1	
Total region EMEA	EUR million	331.3	82.9	298.1	85.5
	Change from prior year in %	11.1		24.5	
Total region North America	EUR million	45.4	11.4	25.4	7.3
	Change from prior year in %	78.4		2.0	
Total region Asia-Pacific	EUR million	23.0	5.8	25.2	7.2
	Change from prior year in %	- 8.9		29.4	
<b>Total</b>	EUR million	<b>399.6</b>	<b>100.0</b>	<b>348.8</b>	<b>100.0</b>
	Change from prior year in %	14.6		22.9	

<sup>1</sup> Previous year's figures adjusted to the new regions and segments

# Notes to the interim financial statements

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## Consolidation, accounting and valuation principles

The unaudited consolidated interim report for the first six months of 2022 was drawn up in line with the provisions of Swiss GAAP FER 31. This Six-month Report is intended to be read in conjunction with the 2021 Annual Report. The consolidation, accounting and valuation principles published in the 2021 Annual Report have been applied consistently in preparing this interim report.

## Consolidation scope

The consolidation scope was changed in the first half of 2022 as follows:

- As of 22 February 2022, the Zehnder Group liquidated Zehnder Group Lenham Ltd in the UK;
- As of 28 February 2022, the Zehnder Group acquired the shares in ventilation company Airia Brands Inc., Canada, for EUR 43.0 million. As a result, the Group acquired net assets amounting to EUR 18.3 million. The resulting goodwill amounted to EUR 24.7 million and was offset against equity. During the reporting period, Airia Brands Inc. contributed EUR 13.4 million to the Group's sales;
- As of 29 April 2022, the Zehnder Group acquired the shares in air filter manufacturer Filtech. In addition to its headquarters and a production facility in the Netherlands, the company also has two other production sites in France and in Switzerland. The purchase price amounted to EUR 19.9 million. The purchase price adjustment due to the definitively acquired balance sheet values is still outstanding. As a result, the Group acquired preliminary net assets amounting to EUR 8.2 million. The resulting goodwill amounted to EUR 11.2 million and was offset against equity. During the reporting period, Filtech contributed EUR 1.9 million to the Group's sales.

## Adjustment of segment reporting

In accordance with Swiss GAAP FER 31/8, **Segment reporting** used by the top management level for corporate management is disclosed. In the past, this was divided into the geographical regions of Europe, China and North America. In connection with the increased share of ventilation sales in total sales due to acquisitions and in line with the "Growth for ventilation – harvest for radiators" strategy, the Group is also reorganising itself according to business areas in North America. The segment reporting has been adjusted accordingly. The new segments – ventilation and radiators – have been reported for the first time with this 2022 Six-month Report.

The ventilation segment covers the three product lines for ventilation, heat exchangers and clean air solutions. The radiator segment contains two product lines: radiators and climate ceilings.

The **Sales by region and segment** table also provides information on the regions in which the sales were generated. Whereas in the past sales were allocated to the region in which the corresponding Zehnder Group sales company had its legal domicile, sales are now allocated to the region to which the products and systems were sold. In order to better reflect the global activities of the Zehnder Group, the regions have been

expanded accordingly to EMEA (Europe, Middle East and Africa), Asia-Pacific and North America.

The previous year's figures were adjusted to the new segments and regions for better comparability.

#### **Events after the balance sheet date**

Between the balance sheet date and the publication of this Six-month Report, no significant events requiring disclosure occurred.

## Alternative performance measures

In this Six-month 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)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year
			2022	2021
Organic sales growth	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>399.6</b>	<b>348.8</b>
		Currency effects	- 7.5	4.2
		Acquisition effects	- 25.0	- 1.5
		<b>Organic sales</b>	<b>367.1</b>	<b>351.4</b>
		<b>Organic sales growth in %</b>	<b>5.3</b>	<b>23.8</b>
EBITDA	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>36.9</b>	<b>37.7</b>
		Depreciation of property, plant and equipment	11.1	12.1
		Amortisation of intangible assets	0.3	0.3
		<b>EBITDA</b>	<b>48.3</b>	<b>50.1</b>
Net liquidity/(net debt)	Net liquidity or debt is a key figure used to measure the Group's financial liquidity or debt.	<b>Liquid assets</b>	<b>61.8</b>	<b>121.1</b>
		Short-term financial liabilities	- 27.3	- 3.5
		Long-term financial liabilities	- 11.1	- 6.9
		<b>Net liquidity/(net debt)</b>	<b>23.3</b>	<b>110.7</b>

## Further information for investors

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### Registered share A

Valor 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 share B (unlisted)

Valor number	13 312 654
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### Company calendar

End of business year	31.12.2022
Sales for 2022	20.1.2023
Annual Report 2022 and Media/Analyst Conference 2023	1.3.2023
Annual General Meeting 2023	23.3.2023
Six-month Report 2023	28.7.2023

News and reports, as well as this Six-month 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).