

zehnder

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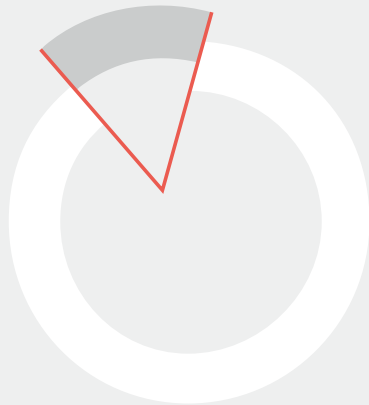
2019

SIX-MONTH REPORT

Sales by segment

EUR million

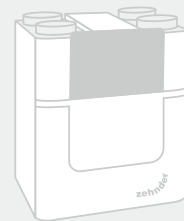
54.2 (17.3%)
China & North America



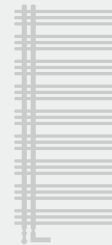
259.4 (82.7%)
Europe

Sales by business area

EUR million



158.2 (50.4%)
Ventilation



155.5 (49.6%)
Radiators

Ventilation business grows by 14% in the first half of 2019 and accounts for 50% of total sales for the first time.

Step-up programme to increase profitability makes progress – particularly in North America.

Investments in new products and digitisation are drivers for future growth.

Key Figures

		1st half-year 2019	1st half-year 2018	Change from prior year %
Sales	EUR million	313.6	290.6	7.9
EBITDA	EUR million	28.9	25.1	15.1
	% of sales	9.2	8.6	
EBIT	EUR million	17.1	14.1	21.4
	% of sales	5.5	4.9	
Net profit ¹	EUR million	13.2	10.6	25.0
	% of sales	4.2	3.6	
Cash flow from operating activities	EUR million	0.9	-6.0	114.6
Investments in property, plant and equipment & intangible assets	EUR million	10.0	17.0	-41.0
Depreciation & amortisation	EUR million	11.8	11.0	7.0
Total assets	EUR million	454.2	453.1	0.2
Non-current assets	EUR million	206.2	209.9	-1.8
Net liquidity / (net debt)	EUR million	-1.4	-1.3	
Shareholders' equity ¹	EUR million	282.4	274.4	2.9
	% of total assets	62.2	60.6	
Number of employees	Ø full-time equivalents	3,434	3,384	1.5
Market closing price registered share A	CHF	35.55	41.10	-13.5
Registered shares A (CHF 0.05 par value)	Units	9,756,000	9,756,000	-
Own shares	Ø Units	128,075	182,612	-29.9
Registered shares B (not listed; CHF 0.01 par value)	Units	9,900,000	9,900,000	-
Net profit per registered share A ²	EUR	1.08	0.88	22.6
Shareholders' equity per registered share A ²	EUR	23.1	22.6	2.3

¹ Including minority interests

² Excluding minority interests

Sales and profitability record further growth

In the first half of 2019, the Zehnder Group increased its sales by 8% to EUR 313.6 million, with the operating result (EBIT) rising from EUR 14.1 million over the same period last year to EUR 17.1 million (+21%). Net profit improved by 25% to EUR 13.2 million.

Ventilation business accounts for 50% of total sales for the first time

In the first half of 2019, the Zehnder Group increased its sales by 8% (+4% organically) to EUR 313.6 million. This growth is primarily attributable to the ventilation business, which recorded significant growth of 14% (+6% organically), meaning that it accounts for half of total sales for the first time. In addition, sales in the radiator business area grew by 3% (+1% organically).

In the Europe segment, sales revenues rose by 5% (+1% organically) to EUR 259.4 million, with EUR 131.4 million coming from the ventilation business area. This equates to growth of 12% compared with the same period last year. The Finnish ventilation company Enervent and the Dutch company Recair, which were acquired in September 2018 and March 2019 respectively, contributed a combined total of 8 percentage points to this growth in the ventilation business area in Europe. Clean Air Solutions business also continued to grow. In the first six months of 2019, sales in the radiator business area decreased by a further 2% (also -2% organically) and totalled EUR 128.0 million.

Sales in the Dutch, Italian, Belgian and Polish markets demonstrated clear positive growth on account of the ventilation business. In Germany – the largest market – a slight increase in sales was achieved, with both business areas – radiators and ventilation – contributing to this. In the United Kingdom, growth in the ventilation business offset the decline in the radiator area, allowing a slight increase in sales to be achieved compared with the same period last year. In Switzerland, sales in euros remained at the previous year's level. However, a decline was recorded in the local currency. Revenues in France – a key market for the Zehnder Group, primarily for the sale of radiators – also experienced decline. The negative trend in the French radiator market continued in the first half of 2019.

In the China & North America segment, sales rose significantly by 27% (+22% organically) to EUR 54.2 million. In China, the strong growth in the ventilation business continued during the first half of 2019, and the radiator business was also able to record an increase in sales as a result of the successful completion of a major project. Overall, sales in China rose by 23% (+21% organically). In North America, revenues for the first half of 2019 were 32% above the previous year (+23% organically). Sales in the radiator business area, which in North America still account for around 80% of total sales, rose significantly. The cooling solutions business, which was acquired from NuClimate Air Systems, Inc. at the start of 2018, made a significant contribution to this increase. The ventilation business area also experienced growth.

Cost reductions and efficiency increases combined with investment in growth and innovation

The operating result (EBIT) improved by 21% to EUR 17.1 million in the first six months of 2019. The EBIT margin rose from 4.9% for the same period last year to 5.5%.

In the Europe segment, the EBIT totalled EUR 12.9 million (previous year: EUR 13.7 million). Further progress was made as part of the Step-up programme which was launched at the end of 2017 and aims to increase profitability. Measures included setting up a central purchasing organisation, increasing reliability of supply, streamlining the product range and boosting efficiency in the administrative area. The positive financial effect of relocating radiator production for the British market from the plant in Gränichen (Switzerland) to Vaux-Andigny (France) was, however, offset by the negative market development for radiators in France and the United Kingdom. Furthermore, improvements in the heating and cooling ceiling system area remained below expectations. Development of the new Zehnder ZFP flexible radiant ceiling panel is, however, almost complete and is set for market launch in the second half of the year. With regard to future growth, research and development expenditure for new products and digitisation were increased. For example, a new customer relationship management solution has been rolled out in Switzerland, Germany, the United Kingdom and Poland. A B2B webshop project is also underway. In addition, integration work was required for the recent acquisitions in Estonia, Finland and the Netherlands. Market development in the Nordic and Baltic states was also boosted accordingly.

In the China & North America segment, the operating result increased from EUR 0.4 million to EUR 4.2 million. In China, profitability also rose on account of the growth in sales. In North America, measures for achieving the turnaround aimed for at the plant in Buffalo NY (USA) led to a considerable improvement in the EBIT.

The Zehnder Group's net profit rose by 25% from EUR 10.6 million during the same period in the previous year to EUR 13.2 million in the first half of 2019.

Solid financial foundations

With an equity level of EUR 282.4 million at the end of June 2019 (June 2018: EUR 274.4 million), the Zehnder Group continues to have a high equity ratio of 62% (compared to 61% in June 2018). Cash flow from operating activities amounted to EUR 0.9 million in the reporting period (compared to EUR –6.0 million over the same period last year). In China, trade accounts receivable increased by around EUR 10 million due to the extended payment terms in place for key accounts. At the end of June 2019, there was a net debt amount of EUR 1.4 million (compared with net debt of EUR 1.3 million in June 2018).

Investment in production efficiency and the ventilation business

In the first half of 2019, the Zehnder Group invested EUR 10.0 million (compared with EUR 17.0 million in the previous year) in property, plant and equipment and intangible assets. In Europe, further efforts were made to increase production efficiency, for example by investing in an additional production facility for heat exchangers in Reinsdorf (Germany), in the automation of radiator and radiant ceiling panel production in Lahr (Germany) and in the replacement of the painting line for radiators in Vaux-Andigny (France). In China, work started in the spring on the construction of the new factory for ventilation units in the city of Pinghu, around 100 km south-west of Shanghai. The new production site is expected to be up and running in the spring of 2020.

In order to boost its heat exchanger business, the Zehnder Group took over the Dutch company Recair, which is based in Waalwijk (Netherlands), in March 2019. Founded in 2000, the company develops, produces and sells energy-efficient heat exchangers that are chiefly designed for use in residential ventilation units. Its highly efficient production methods, product expertise and strength in innovation make Recair an outstanding addition to the Zehnder Group. All of its around 30 employees retained their posts and the two company founders will continue to provide assistance. This acquisition has enabled the Zehnder Group to increase its market share in heat exchangers for residential buildings in Europe.

Strategic course remains unchanged

The Zehnder Group remains on the same strategic course. In the ventilation business area, the Group is aiming to enhance its strong market position by making further investments in market and product development. Its focus is on boosting organic growth. Opportunities to make further acquisitions to complete the product portfolio or increase market or geographical presence are investigated as they arise. The megatrends of health, climate change, digitisation and urbanisation also support the growth strategy for ventilation. For the radiator business area, which is generally following a downward trend, the Zehnder Group is pursuing a harvest strategy. In doing so, it is focusing on continuously optimising operating procedures and uses its strong market position – for example in the towel radiator and multicolumn radiator areas – in order to gain market share.

Achieving its medium-term objectives – average sales growth of 5% and an EBIT margin of 8% – continues to be the Zehnder Group's top priority. The Step-up measures, which were introduced at the end of 2017 and aim to increase profitability, are being continued across the board. The Group's focus on innovation and digitisation is also being sharpened.

Growth in sales and improved results expected for the year 2019 as a whole

In the past, sales in the second half of the year tended to be stronger than in the first six months due to the seasonality of the radiator business, where sales figures in the months of September, October and November in particular play a crucial role. In markets such as Germany, the Netherlands, Belgium and Poland, prospects for further growth remain good for the second half of 2019. However, the market conditions in other core markets remain challenging, particularly in the United Kingdom due to the uncertainty surrounding Brexit, in France owing to the decline in the radiator business, in China as a result of trade disputes, and in Switzerland where there is a high proportion of empty property.

Taking these prospects for the key markets into account, for 2019 as a whole, the Zehnder Group is striving to increase sales and improve its operating result compared with the previous year.

Consolidated Balance Sheet

EUR million	30 June 2019	31 December 2018	30 June 2018
Assets			
Liquid assets	33.4	42.7	38.1
Trade accounts receivable	122.4	104.6	112.2
Other receivables	17.9	19.5	19.3
Inventories	66.8	59.7	66.4
Prepayments	3.0	2.6	3.5
Accrued income	4.4	4.0	3.7
Current assets	247.9	233.1	243.2
Property, plant and equipment	194.3	195.8	199.5
Financial assets	10.7	10.7	9.0
Intangible assets	1.3	1.3	1.4
Non-current assets	206.2	207.8	209.9
Total assets	454.2	440.9	453.1
Liabilities & shareholders' equity			
Loans	29.6	15.5	33.5
Trade accounts payable	37.3	31.5	36.5
Other liabilities	18.3	23.7	21.6
Provisions	7.0	8.6	9.9
Accruals and deferred income	52.0	49.6	47.6
Current liabilities	144.2	128.9	149.2
Loans	5.2	5.9	5.8
Other liabilities	0.8	0.8	1.2
Provisions	21.5	22.2	22.5
Long-term liabilities	27.6	28.9	29.5
Total liabilities	171.8	157.8	178.7
Share capital	0.4	0.4	0.4
Capital reserves	33.6	33.6	33.6
Own shares	-4.2	-6.3	-6.3
Retained earnings	243.5	245.9	238.6
Accumulated FX differences	-5.4	-5.1	-5.6
Minority interests	14.5	14.7	13.8
Equity	282.4	283.1	274.4
Total liabilities & shareholders' equity	454.2	440.9	453.1

Consolidated Income Statement

EUR million	1st half-year 2019	1st half-year 2018	Change from prior year %
Sales	313.6	290.6	7.9
Changes in inventories	1.6	1.3	
Internal additions to plant and equipment	0.8	–	
Other income	1.4	2.2	
Cost of materials	– 117.9	– 108.8	
Personnel costs	– 103.5	– 98.3	
Depreciation of property, plant and equipment	– 11.5	– 10.7	
Amortisation of intangible assets	– 0.3	– 0.3	
Other operating expenses	– 67.1	– 61.9	
Earnings before interest and taxes (EBIT)	17.1	14.1	21.4
Financial result	– 0.1	– 0.7	
Earnings before taxes	17.0	13.4	27.3
Income taxes	– 3.8	– 2.8	
Net profit	13.2	10.6	25.0
Minority interests	0.7	0.4	
Net profit excluding minority interests	12.5	10.2	
Non-diluted net profit excluding minority interests per registered share A (EUR)	1.08	0.88	22.6
Diluted net profit excluding minority interests per registered share A (EUR)	1.08	0.88	22.6
Non-diluted net profit excluding minority interests per registered share B (EUR)	0.22	0.18	22.6
Diluted net profit excluding minority interests per registered share B (EUR)	0.22	0.18	22.6

Consolidated Cash Flow Statement

EUR million	1st half-year 2019	1st half-year 2018
Net profit	13.2	10.6
Depreciation and amortisation of property, plant and equipment	11.5	10.7
Depreciation and amortisation of intangible assets	0.3	0.3
Non-cash change in valuation adjustments on receivables and inventories	0.7	1.9
(Gain)/loss on disposals of non-current assets	–	–0.3
(Increase)/decrease of trade accounts receivable	–17.4	–18.8
(Increase)/decrease of other receivables, prepayments and accrued income	1.1	–5.3
(Increase)/decrease of inventories	–6.4	–9.8
Increase/(decrease) of trade accounts payable	5.4	5.1
Increase/(decrease) of other short-term liabilities, accruals and deferred income	–5.0	–0.2
Increase/(decrease) of provisions	–2.4	–0.4
Cash flow from operating activities	0.9	–6.0
Investments in property, plant and equipment	–9.8	–16.7
Investments in intangible assets	–0.2	–0.3
Investments in subsidiaries	–6.1	–2.3
Divestment of property, plant and equipment	0.2	0.5
Cash flow from investing activities	–15.9	–18.9
Dividends paid to shareholders	–8.2	–5.0
Dividends paid to minority shareholders	–1.2	–
(Purchase)/sale of own shares	1.7	2.0
Increase/(decrease) of short-term loans	13.2	25.7
Increase/(decrease) of long-term loans	–0.4	–0.6
Cash flow from financing activities	5.3	22.1
Currency effects	0.5	–0.4
Increase/(decrease) of liquid assets	–9.2	–3.2
Liquid assets at 1.1.	42.7	41.3
Liquid assets at 30.6.	33.4	38.1
Increase/(decrease)	–9.2	–3.2

Consolidated Statement of Changes in Equity

EUR million	Share capital	Capital reserves	Own shares	Retained earnings	Accumulated FX differences	Total excluding minority interests	Minority interests	Total including minority interests
Equity at 1.1.2019	0.4	33.6	-6.3	245.9	-5.1	268.4	14.7	283.1
Sale of own shares	-	-	2.1	-0.4	-	1.7	-	1.7
Net profit	-	-	-	12.5	-	12.5	0.7	13.2
Netted goodwill	-	-	-	-6.3	-	-6.3	-	-6.3
Additions minority interests	-	-	-	-	-	-	0.4	0.4
Currency effects	-	-	-	-	-0.3	-0.3	-	-0.3
Dividends	-	-	-	-8.2	-	-8.2	-1.2	-9.5
Equity at 30.6.2019	0.4	33.6	-4.2	243.5	-5.4	267.8	14.5	282.4
Equity at 1.1.2018	0.4	33.6	-8.4	235.6	-3.3	257.9	13.3	271.2
Sale of own shares	-	-	2.1	-0.1	-	2.0	-	2.0
Net profit	-	-	-	10.2	-	10.2	0.4	10.6
Netted goodwill	-	-	-	-2.1	-	-2.1	-	-2.1
Additions minority interests	-	-	-	-	-	-	-	-
Currency effects	-	-	-	-	-2.3	-2.3	0.1	-2.2
Dividends	-	-	-	-5.0	-	-5.0	-	-5.0
Equity at 30.6.2018	0.4	33.6	-6.3	238.5	-5.6	260.5	13.8	274.4

Segment Reporting

		Europe	China & North America	Eliminations	Total
1st half-year 2019					
Sales third	EUR million	259.4	54.2	–	313.6
Sales intercompany	EUR million	1.6	1.6	–3.2	–
Sales	EUR million	261.0	55.9	–3.2	313.6
EBIT	EUR million	12.9	4.2	–	17.1
	% of sales	5.0	7.5		5.5
Investments in property, plant and equipment & intangible assets	EUR million	8.0	2.0	–	10.0
Property, plant and equipment	EUR million	153.3	41.0	–	194.3
Number of employees	Ø full-time equivalents	2,649	785	–	3,434
1st half-year 2018					
Sales third	EUR million	248.0	42.6	–	290.6
Sales intercompany	EUR million	1.3	0.8	–2.1	–
Sales	EUR million	249.2	43.4	–2.1	290.6
EBIT	EUR million	13.7	0.4	–	14.1
	% of sales	5.5	0.9		4.9
Investments in property, plant and equipment & intangible assets	EUR million	15.1	1.9	–	17.0
Property, plant and equipment	EUR million	158.1	41.4	–	199.5
Number of employees	Ø full-time equivalents	2,602	782	–	3,384

Sales by Region and Business Area

		1st half-year 2019	1st half-year 2019 %	1st half-year 2018	1st half-year 2018 %
Radiators Europe	EUR million	128.0	40.8	130.8	45.0
Change from prior year	%	-2.2		-3.2	
Radiators North America	EUR million	21.6	6.9	16.6	5.7
Change from prior year	%	30.2		-7.4	
Radiators China	EUR million	5.9	1.9	4.1	1.4
Change from prior year	%	42.3		-	
Total business area radiators	EUR million	155.5	49.6	151.5	52.1
Change from prior year	%	2.6		-3.6	
Ventilation Europe	EUR million	131.4	41.9	117.1	40.3
Change from prior year	%	12.2		9.7	
Ventilation North America	EUR million	5.9	1.9	4.3	1.5
Change from prior year	%	36.9		-18.6	
Ventilation China	EUR million	20.9	6.7	17.6	6.1
Change from prior year	%	18.5		54.1	
Total business area ventilation	EUR million	158.2	50.4	139.1	47.9
Change from prior year	%	13.8		12.6	
Total Europe	EUR million	259.4	82.7	248.0	85.3
Change from prior year	%	4.6		2.5	
Total North America	EUR million	27.5	8.8	20.9	7.2
Change from prior year	%	31.6		-9.9	
Total China	EUR million	26.8	8.5	21.7	7.5
Change from prior year	%	23.0		39.8	
Total	EUR million	313.6	100.0	290.6	100.0
Change from prior year	%	7.9		3.6	

Notes to the Six-month Report

Consolidation and valuation principles

The unaudited consolidated interim report for the first six months of 2019 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 2018 annual report. The consolidation and valuation principles published in the 2018 annual report have been applied consistently in preparing this interim report.

Consolidation matrix

The consolidation matrix was changed in the first half of 2019 as follows:

On 7 March 2019, the Zehnder Group acquired the full complement of shares in Dutch ventilation company Recair. As a result, the Group acquired net assets amounting to EUR 1.1 million. These included liquid assets of EUR 1.3 million, other current assets of EUR 1.4 million, non-current assets of EUR 0.7 million and liabilities of EUR 2.3 million. Net outflow of liquid assets resulting from the acquisition totalled EUR 6.1 million. The resulting goodwill amounted to EUR 6.3 million and was offset against equity. During the reporting period, Recair contributed EUR 3.5 million to Group sales.

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.

Further Information for Investors

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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

Six-month report 2019	26.7.2019
End of business year	31.12.2019
Announcement of sales for 2019	17.1.2020
Financial statements 2019 and press/analysts' conference	26.2.2020
General meeting of shareholders	2.4.2020
Six-month report 2020	29.7.2020

Information and reports, as well as this six-month report, are available in German and English. The German version is binding.

Company profile

Operating worldwide, the Zehnder Group improves quality of life by providing outstanding indoor climate solutions. It develops and manufactures its products in 16 of its own factories, five 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, Core, Enervent and Recair, 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 3,500 people worldwide and achieved sales of EUR 602 million in 2018. 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.