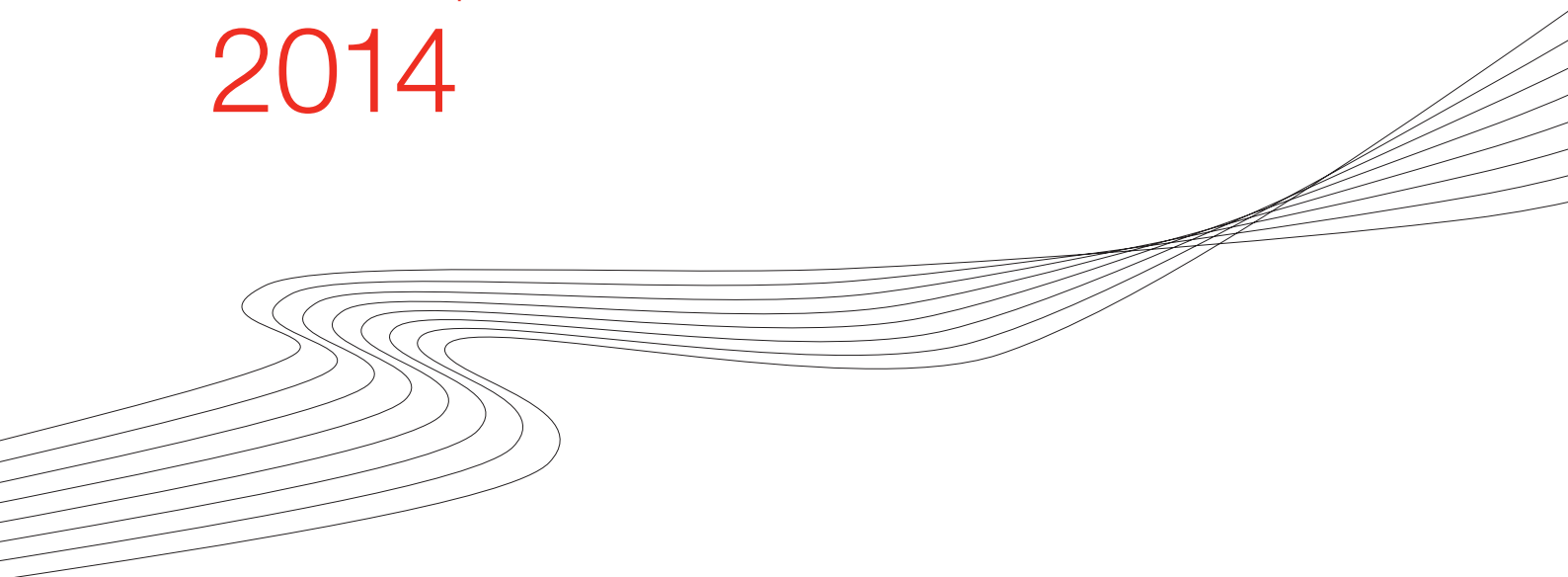


Six-month Report

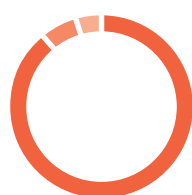
2014



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Sales by region

EUR million



■ Europe: 224.3 (89.7 %)
 ■ North America: 15.1 (6.0 %)
 ■ China: 10.7 (4.3 %)

Sales by segment

EUR million



■ Radiators: 154.0 (61.6 %)
 ■ Ventilation: 96.1 (38.4 %)

Key figures

		2014 1 Jan. – 30 June	2013 1 Jan. – 30 June	%
Net sales	EUR million	250.1	242.1	3.3
EBIT	EUR million	13.0	6.0	117.0
	% of sales	5.2	2.5	
Net income^[1]	EUR million	9.5	0.1	–
	% of sales	3.8	–	
Net income before depreciation & amortization^[1]	EUR million	20.2	10.0	102.3
	% of sales	8.1	4.1	
Investments in property, plant & equipment	EUR million	15.3	17.6	–13.4
Depreciation & amortization	EUR million	10.7	9.9	7.8
Total assets	EUR million	417.6	425.1	–1.8
Total fixed assets	EUR million	188.7	183.9	2.6
Shareholders' equity^[1]	EUR million	260.8	239.8	8.8
	% of total assets	62.5	56.4	
Number of employees	30 June	3,295	3,233	1.9
Zehnder Group AG				
Share capital	CHF million	0.6	0.6	–
Bearer shares (CHF 0.05 par value)	Number	9,756,000	9,756,000	–
Registered shares (not listed; CHF 0.01 par value)	Number	9,900,000	9,900,000	–

[1] including minority interests

Higher sales and a clear improvement in results

In the first six months of 2014, Zehnder Group, which operates internationally in the indoor climate sector (radiators and ventilation), increased sales slightly to EUR 250.1 million (an increase of 3 % on the first half of 2013) and raised net income significantly to EUR 9.5 million (first half of 2013: EUR 0.1 million). Zehnder Group expects full-year sales on a par with those of 2013 and a slight improvement in operating profit.

Modest sales growth

Group-wide sales in the first half of 2014 amounted to EUR 250.1 million, an increase of 3 % (adjusted for currency effects +3 %) on the first half of 2013 (EUR 242.1 million). In Europe, sales revenues in the radiator segment fell by 1 % (adjusted for currency effects –1 %), while the ventilation segment improved turnover by 10 % (adjusted for currency effects +10 %).

Zehnder Group increased sales in the important European markets of France, Germany and the United Kingdom, contrasting with continued decreases in the Netherlands, Italy and Spain, which still suffer from a persistently weak construction and investment activity. Switzerland likewise recorded a slight dip in sales, as growth in the ventilation segment was not able to fully offset the decrease in the radiator segment.

North America enjoyed sales growth of 4 % (+9 % adjusted for currency effects). As in the first half of 2013, private residential construction was a clear growth driver, with commercial construction providing a more modest impetus. Infrastructure-related demand from the public sector remained slack. The Group recorded higher sales revenues in China, too, despite the Chinese government's continued endeavours to slow residential construction activity. Sales grew by 7 % (+10 % adjusted for currency effects).

Overall, Zehnder Group continued to increase the share of sales generated by the ventilation segment to more than 38 % (compared with 35 % in the first half of 2013).

Operating margin doubled

The increase in costs over the past few years was halted as planned, without any compromises in terms of the further expansion of sales and infrastructures. Ongoing improvements in processes as part of the Kaizen programme also continued. The first results of these measures are already visible. The operating result (EBIT) increased significantly in the first six months of 2014 to EUR 13.0 million from EUR 6.0 million in the first half of 2013. This resulted in an EBIT margin of 5.2 % compared with 2.5 % in the first half of 2013.

Investments in tangible assets during the reporting period decreased by 13 % to EUR 15.3 million (first half of 2013: EUR 17.6 million). A significant part of these investments flowed into the new training and office centre in France and new office premises in Beijing (China).

As in the first half of 2013, Zehnder Group invested EUR 6.3 million in research and development in order to reinforce and expand its market position. In addition, to strengthen its position in a new and promising ventilation technology, Zehnder Group increased its share in Canadian company dPoint Technologies Inc., from a holding of 31 % previously to 33 %.

Clear improvement in earnings – financial situation remains very solid

Net income increased markedly from EUR 0.1 million in the first half of 2013 to EUR 9.5 million. Alongside significantly higher EBIT, currency gains and a lower tax rate factored in this result.

Cash flow from operating activities increased during the period under review to EUR 21.9 million (from EUR 0.8 million in the first half of 2013). At the same time, the net cash position increased from EUR 32.2 million at the end of 2013 to EUR 33.5 million.

Zehnder Group's financial situation continues to be very solid. At the end of June 2014, equity including minority interests amounted to EUR 260.8 million (compared with EUR 255.5 million at the end of December 2013). At 62 %, the equity ratio remained unchanged versus the end of 2013.

Workforce stable

The workforce remained stable compared with the end of 2013 as a result of the hiring freeze introduced in mid-2013 to improve profitability. The share of temporary staff increased, for seasonal reasons. On a full-time-equivalent basis, Zehnder Group employed 3,295 employees on 30 June 2014.

Outlook

Continued economic uncertainty in many key markets is weighing on expectations for the second half of 2014. For full-year 2014, the Group Executive Committee is anticipating a slight decrease in sales in radiators and moderate growth in ventilation for Europe.

For North America and China, Zehnder Group expects growth in the mid-range single digits.

The full effect of the measures aimed at increasing efficiency and reducing costs as well as of the productivity gains resulting from the Group-wide roll-out of the SAP IT platform will only be felt over the medium term. For full-year 2014, the Group Executive Committee is anticipating a slight improvement in operating profit compared with 2013 (not including the one-time effect from the disposal of the property in China in 2013).

Consolidated Balance Sheet

EUR million	2014 30 June	2013 31 December	2013 30 June
Assets			
Liquid assets	63.1	61.8	55.0
Trade accounts receivable	87.1	89.3	91.6
Other receivables	10.5	12.9	10.7
Inventories	60.8	57.8	72.9
Prepayments	2.9	2.9	6.2
Accrued income	4.5	4.0	5.0
Total current assets	228.9	228.7	241.3
Fixed assets	182.4	177.2	176.8
Financial assets	3.4	3.7	3.9
Intangible assets	2.8	2.9	3.1
Total fixed assets	188.7	183.8	183.9
Total assets	417.6	412.6	425.1
Liabilities & shareholders' equity			
Loans	21.2	17.0	28.5
Trade accounts payable	27.8	25.4	31.2
Other liabilities	29.2	34.7	44.9
Provisions	6.4	5.6	5.2
Accruals and deferred income	36.1	32.9	32.9
Current liabilities	120.7	115.6	142.7
Loans	8.4	12.6	13.2
Other liabilities	–	–	0.3
Provisions	27.6	28.8	29.1
Long-term liabilities	36.1	41.4	42.6
Total liabilities	156.7	157.0	185.4
Share capital	0.4	0.4	0.4
Capital reserves	33.6	33.6	33.6
Own shares	–1.0	–2.2	–1.3
Retained earnings	222.5	218.9	202.4
Accumulated FX differences	–6.0	–6.4	–5.1
Minority interests	11.4	11.2	9.8
Total equity	260.8	255.5	239.8
Total liabilities & shareholders' equity	417.6	412.6	425.1

Consolidated Income Statement

EUR million	2014 1 Jan. – 30 June	2013 1 Jan. – 30 June	%
Net sales	250.1	242.1	3.3
Changes in inventories	1.5	1.4	
Internal additions to plant and equipment	–	0.1	
Other income	2.5	2.3	
Total income	254.1	246.0	3.3
Cost of materials	–86.7	–84.4	
Personnel costs	–86.1	–85.4	
Depreciation of fixed assets	–10.1	–9.4	
Amortization of intangible assets	–0.5	–0.5	
Other operating expenses	–57.7	–60.3	
Earnings before interest and taxes (EBIT)	13.0	6.0	117.0
Result from associated companies	–0.2	–0.1	
Financial result	0.5	–1.8	
Earnings before taxes	13.3	4.1	221.8
Income taxes	–3.8	–4.0	
Net income	9.5	0.1	–
Minority interests	0.1	–0.2	
Net income excluding minority interests	9.4	0.3	

Consolidated Cash Flow Statement

EUR million	2014 1 Jan. – 30 June	2013 1 Jan. – 30 June
Net income	9.5	0.1
Depreciation and amortization of tangible fixed assets	10.1	9.4
Depreciation and amortization of intangible assets	0.5	0.5
Net income before depreciation and amortization	20.2	10.0
Non-cash change in valuation adjustments on receivables and inventories	0.4	1.2
Loss/(gain) on disposals of tangible fixed assets	0.2	-0.1
Increase/(decrease) of provisions	-0.4	-0.6
Result from associated companies	0.2	0.1
Increase/(decrease) of trade accounts payable	2.3	3.4
Increase/(decrease) of other short-term liabilities, accruals and deferred income	-2.6	-1.4
(Increase)/decrease of trade accounts receivable	2.6	-5.1
(Increase)/decrease of inventories	-2.8	-5.9
(Increase)/decrease of other receivables, prepayments and accrued income	2.0	-0.8
Cash flows from operating activities	21.9	0.8
Investments in tangible fixed assets	-15.3	-17.6
Investments in financial assets ^[1]	-0.6	-1.1
Investments in intangible assets	-0.4	-0.3
Divestment of tangible fixed assets ^[2]	0.4	11.1
Divestment of financial assets	-	0.1
Cash flows from investing activities	-15.8	-7.9
Dividends paid to shareholders	-5.3	-8.6
(Purchase)/sale of own shares	1.1	1.3
Increase/(decrease) of short-term loans	4.1	14.7
Increase/(decrease) of long-term loans	-4.3	-
Cash flows from financing activities	-4.4	7.4
Currency effects	-0.4	1.2
Increase/(decrease) of cash and cash equivalents	1.3	1.6
Cash and cash equivalents at 1.1.	61.8	53.5
Cash and cash equivalents at 30.6.	63.1	55.0
Increase/(decrease)	1.3	1.6

[1] increase of the participation in dPoint Technologies Inc. by two percentage points to 33 % (2014), respectively by five percentage points to 31 % (2013)

[2] includes a second prepayment for the sale of a property in China to the amount of EUR 9.7 million (2013)

Sales

by region and segment

		2014	2014	2013	2013
		1 Jan. – 30 June	1 Jan. – 30 June	1 Jan. – 30 June	1 Jan. – 30 June
			%		%
Radiators Europe	EUR million	134.6	53.8	136.2	56.2
change from prior year	%	– 1.2		– 4.9	
Radiators North America	EUR million	13.2	5.3	13.5	5.6
change from prior year	%	– 1.9		6.5	
Radiators China	EUR million	6.2	2.5	7.1	3.0
change from prior year	%	– 13.8		– 1.7	
Total radiators	EUR million	154.0	61.6	156.8	64.8
change from prior year	%	– 1.8		– 3.9	
Ventilation Europe	EUR million	89.7	35.9	81.5	33.7
change from prior year	%	10.0		– 1.8	
Ventilation North America	EUR million	1.9	0.8	1.1	0.4
change from prior year	%	81.4		– 15.9	
Ventilation China	EUR million	4.5	1.8	2.8	1.1
change from prior year	%	62.6		– 7.0	
Total ventilation	EUR million	96.1	38.4	85.3	35.2
change from prior year	%	12.6		– 2.2	
Total Europe	EUR million	224.3	89.7	217.7	89.9
change from prior year	%	3.0		– 3.8	
Total North America	EUR million	15.1	6.0	14.5	6.0
change from prior year	%	4.1		4.5	
Total China	EUR million	10.7	4.3	9.9	4.1
change from prior year	%	7.5		– 3.3	
Total	EUR million	250.1	100.0	242.1	100.0
change from prior year	%	3.3		– 3.3	

Notes

to the Six-month Report

Consolidation and valuation principles

The unaudited consolidated interim report for the first six months of 2014 was drawn up in line with the provisions of Swiss GAAP FER 12. The consolidation and valuation principles applied remained unchanged from the previous year.

Consolidation matrix

The consolidation matrix was changed in the first half of 2014 as follows:

→ The stake in dPoint Technologies Inc. was increased by two percentage points to 33% as of 31 March 2014.

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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www.zehndergroup.com
Press releases [\[1\]](#)

Bearer shares

Security number	13 255 733
SIX	ZEH
Bloomberg	ZEH SW
Reuters	ZEH.S

In accordance with Art. 8 of the articles of association, the opting out clause applies.

Registered shares (unlisted)

Security number 13 312 654

Company calendar

Six-month report	11.8.2014
End of business year	31.12.2014
Announcement of sales for 2014	16.1.2015
Financial statements 2014 and press/analysts' conference	6.3.2015
General meeting of shareholders	15.4.2015

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

[\[1\] → www.zehndergroup.com/en/news-events](http://www.zehndergroup.com/en/news-events)

Company profile

Zehnder Group focuses on providing a healthy indoor climate.

Zehnder Group develops, manufactures and sells radiators and ventilation systems. The products are marketed under various well-established brands. Zehnder Group figures among the market leaders in the sectors in which it is active.

Its main sales area is Europe. Additionally, Zehnder Group has operations in China and North America. Its products are manufactured in modern facilities in Europe and overseas. Zehnder Group has some 3,300 employees worldwide.

Its bearer shares (valor 13 255 733) are listed on the SIX Swiss Exchange. The unlisted registered shares are held by members of the Zehnder family and persons closely associated with them.

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