

Press Release 5/2010 – Six Month Report

Clearly improved result – sales up 5 % in the first six months and slightly higher operating margins

Gränichen, Switzerland, 20 August 2010¹ – For the first 6 months of 2010, Zehnder Group, with international operations in the indoor climate sector (radiators and ventilation), reported consolidated net income of EUR 16.4 million (first half of 2009: EUR 10.0 million). Sales were up 5 % on the prior year. Various strategic and operational measures led to an improved operating margin. Currency adjusted sales were up 4 %. Management now anticipates slightly higher sales in the second half of the year. However, sustainable recovery of the construction sector is not expected before 2011 at the earliest.

Sales up in most of the Group's markets

Sales in the first half of the year totalled EUR 217.5 million, an increase of 5 % compared to the first half of 2009 (EUR 207.0 million). Currency-adjusted this increase amounted to 4 %. Sales remained stable in the radiators Europe segment (up 1 %, currency adjusted 0 %). Sales in the ventilation Europe segment were up by a very satisfactory 11 % (currency adjusted 10 %).

Sales in North America rose by 7 % (currency adjusted 3 %) and in China by 26 % (currency adjusted 20 %).

Sales were up on the prior year's level in the Group's main markets – France, Germany, and Switzerland, whereas especially in the UK, Spain and the Netherlands sales decreased further. As announced in May 2010, the Group's sales structure in China was enhanced through the acquisition of a holding in a Chinese company, Shanghai Nather Air Tech Co. Ltd, which has a leading market position in the rapidly growing market for energy-efficient solutions for a healthy indoor climate.

The share of ventilation activities in the Group's business operations increased and now accounts for 31 % of total sales (first half of 2009: 28 %).

Changes in the consolidation matrix in the first six months of 2010 had practically no impact on sales development².

Operating margins improved further

The operating result (EBIT) rose by 23 % to EUR 19.1 million (first six months of 2009: EUR 15.5 million). The EBIT margin of 8.8 % was better than for the first six months of 2009 (7.5 %). The various measures designed to cut costs and to optimize processes and the organizational structure have taken hold.

¹ This announcement is in line with the requirements of Swiss GAAP FER 12.

² Shanghai Nather Air Tech Co. Ltd first consolidated as of 1 June 2010.

The radiator and ventilation segments are being brought more closely together in order that the Group will increasingly be perceived as a systems provider. The resulting joint marketing activities led to a temporary rise in marketing and distribution expense. The measures necessary to reach this strategic target have not yet been fully implemented.

Thanks to the Group's strong market position it was possible to increase sales prices in various markets. However, the positive effect of such measures was partially neutralized through the higher cost of raw materials.

Within the scope of the Group's "new ERP" project, its business model and processes will be harmonized in Europe and a SAP solution will be launched. First rollouts are scheduled for mid 2011.

Foreign exchange gains added EUR 1.6 million to the consolidated financial result (first half of 2009: EUR – 1.9 million). Net income for the reporting period amounted to EUR 16.4 million, rising by 64 % year on year (first half of 2009: EUR 10.0 million).

Financial situation and investments

In the first six months of 2010 investments in fixed assets totalled approximately EUR 10 million (first half of 2009: EUR 13 million). The main investment focus was on continually optimizing the Group's production facilities.

At 30 June 2010 shareholders' equity including minority interest amounted to EUR 190.6 million (at 31 December 2009: EUR 182.0 million). Net liquidity decreased from EUR 20.2 million to EUR 16.6 million. The capital ratio fell marginally to 51 % (at 31 Dec. 2009: 52 %).

Number of employees

On 30 June 2010 the Group employed 3,073 people, which is 7 % more than in the prior year and at 31 December 2009. The focus here was on temporary staff to absorb the higher production capacity. Additionally, sales capacities in the ventilation segment were enhanced.

Prospects for the second half of the year

In the past the Group's sales in the second half of the year tended to be higher than in the first half. The slight improvement in the world economy is a positive signal that this pattern will be repeated in 2010. However, the global economic situation is still uncertain. Among other things, it is difficult to estimate the effects of the high national debts incurred and the cuts in national programmes to stimulate the economy. Moreover, the short-term nature of Zehnder Group's operations makes it all the harder to provide a reliable estimate of future business development.

The various strategic and operational measures implemented in the past two years have had a positive impact, as the figures for the first half of 2010 show clearly. However, the market environment is still very demanding, so that the Group's stringent cost and liquidity controls will remain in place. Additionally, prices for raw materials are climbing steadily, which will continue to impact on the cost of materials. For the entire year management anticipates sales in the region of EUR 450 million and an EBIT margin at the prior year's level (10 %).

Sales per region and segment

	first 6 months 2010		first 6 months 2009		change in %
Radiators Europe	135.2	62%	133.5	64%	1%
Radiators North America	9.9	5%	9.7	5%	3%
Radiators China	5.9	3%	5.0	2%	18%
Total radiators	151.1	69%	148.3	72%	2%
Ventilation Europe	62.8	29%	56.3	27%	11%
Ventilation North America	2.7	1%	2.1	1%	30%
Ventilation China	0.9	0%	0.4	0%	137%
Total ventilation	66.4	31%	58.8	28%	13%
Total Europe	198.0	91%	189.8	92%	4%
Total North America	12.7	6%	11.8	6%	7%
Total China	6.8	3%	5.4	2%	26%
Total	217.5	100%	207.0	100%	5%

Consolidated key figures for the first half of 2010 (not audited)

(in EUR million)	first 6 months 2010	first 6 months 2009	change in %
Sales revenues, net	217.5	207.0	+ 5%
Total income	221.9	210.6	
Operating earnings before interest and taxes (EBIT)	19.1	15.5	+ 23%
EBIT margin	8.8%	7.5%	
Financial result	1.6	-1.9	
Income before taxes	20.7	13.6	+ 52%
Net income incl. minority interest ³	16.4	10.0	+ 64%

(in EUR million)	30 June 2010	31 Dec. 2009
Current assets	239.2	224.0
Fixed assets	136.7	128.5
Current liabilities	105.1	98.6
Long-term liabilities	80.2	71.9
Equity ³	190.6	182.0
Total assets	376.0	352.5
Equity in percent of total assets	51%	52%
Share capital Zehnder Group AG	29.3	29.3
(in CHF million)		
Number of bearer shares (CHF 100 par value)	243,900	243,900
Number of registered shares (CHF 20 par value)	247,500	247,500

³ incl. minority interest

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Next date to note:

Announcement of total sales for 2010 21 January 2011

This and other information is set out on our website www.zehndergroup.com.
This press release is available in German, French and English. The German version is binding.

Company profile

Zehnder Group provides a healthy indoor climate.

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

Its main sales area is Europe. However, Zehnder Group also has operations in China and in North America. Its products are manufactured in modern facilities in Europe and overseas. Zehnder Group has some 3,100 employees worldwide.

Its bearer shares (security number 235 293) are listed on the Swiss Exchange SIX. The unlisted registered shares are held by members of the Zehnder family and persons closely associated with them.

Zehnder Group – a synonym for a healthy and energy-efficient indoor climate®