Financial Report

Five-year overview

		2020	2019	2018	2017	2016
Sales	EUR million	**617.7**	644.4	601.8	582.4	538.9
Change from prior year	%	– 4.1	7.1	3.3	8.1	1.1
EBITDA [1]	EUR million	**74.8**	64.9	53.2	45.7	70.3
Change from prior year	%	15.2	22.1	16.5	– 35.0	164.9
	% of sales	12.1	10.1	8.8	7.8	13.0
EBIT before one-off effects [1/2]	EUR million	**50.5**	42.1	31.1	23.5	15.1
Change from prior year	%	20.1	35.4	32.1	56.4	187.1
	% of sales	8.2	6.5	5.2	4.0	2.8
EBIT	EUR million	**50.5**	42.1	31.1	23.5	43.4
Change from prior year	%	20.1	35.4	32.1	– 45.7	726.7
	% of sales	8.2	6.5	5.2	4.0	8.0
Net profit [3]	EUR million	**39.9**	31.9	24.5	16.5	28.1
Change from prior year	%	24.9	30.6	48.3	– 41.3	–
	% of sales	6.5	5.0	4.1	2.8	5.2
Cash flow from operating activities	EUR million	**95.3**	43.1	30.5	18.5	17.5
Change from prior year	%	121.0	41.2	65.5	5.3	– 44.9
	% of sales	15.4	6.7	5.1	3.2	3.3
Investments in property, plant and equipment & intangible assets	EUR million	**16.7**	26.0	24.4	26.8	28.2
Depreciation & amortisation	EUR million	**– 24.3**	– 22.8	– 22.1	– 22.1	– 26.9
Total assets	EUR million	**498.6**	470.5	440.9	419.8	450.5
Non-current assets	EUR million	**198.9**	211.8	207.8	206.5	210.1
Net liquidity/(net debt) [1]	EUR million	**96.4**	25.5	21.3	27.5	54.1
Shareholders' equity [3]	EUR million	**326.9**	303.0	283.1	271.2	280.2
	% of total assets	65.6	64.4	64.2	64.6	62.2
Employees	Ø full-time equivalents	**3,340**	3,413	3,412	3,383	3,247
Market closing price registered share A	CHF	**59.10**	45.60	33.35	39.95	32.15
Dividends [4]	CHF million	**14.7**	8.2	9.4	5.9	11.1
Payout ratio	%	**35**	24	35	34	50
Market capitalisation [5]	CHF million	**576.6**	444.9	325.4	389.8	313.7
Total market capitalisation [6]	CHF million	**693.6**	535.2	391.4	468.9	377.3

1 See Alternative performance measures in the consolidated financial statements in this Financial Report.

2 One-off effects in 2016 are related to 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) and restructuring costs of EUR 12.0 million.

3 Including minority interests

4 For 2020 as proposed by the Board of Directors

5 Market value of all listed registered shares A at year end; excluding value of unlisted registered shares B

6 Registered shares A and B; registered shares B recognised at one fifth of the price of the registered share A at year end

Data per share[1]

			2020	2019	2018	2017	2016
Shares outstanding							
Registered shares A	in thousands	units	9,756	9,756	9,756	9,756	9,756
	each with a par value of	CHF	0.05	0.05	0.05	0.05	0.05
Registered shares B (not listed)	in thousands	units	9,900	9,900	9,900	9,900	9,900
	each with a par value of	CHF	0.01	0.01	0.01	0.01	0.01
Number of voting rights or shares	in thousands	units	19,656	19,656	19,656	19,656	19,656
Notional number of shares	in thousands	units	11,736	11,736	11,736	11,736	11,736
	each with a par value of	CHF	0.05	0.05	0.05	0.05	0.05
Market prices (January–December)							
Registered share A	high	CHF	59.20	45.90	46.00	40.95	44.20
Registered share A	low	CHF	30.85	31.20	29.15	31.30	30.50
Registered share A	at year end	CHF	59.10	45.60	33.35	39.95	32.15
Consolidated net profit							
Per registered share A		EUR	3.34	2.64	1.98	1.34	1.74
Consolidated equity[2]							
Per registered share A		EUR	26.77	24.81	23.21	22.42	22.55
Dividend (gross)							
Dividend per registered share A[3]		CHF	1.25	0.70	0.80	0.50	0.95
Payout ratio	% of net profit per share		35	24	35	34	50

1 All data excluding minority interests; all data on the basis of total shares outstanding at year end, less the average of the shares held by Zehnder Group AG as own shares

2 Before appropriation of earnings

3 For 2020 as proposed by the Board of Directors

Consolidated balance sheet

PwC Switzerland

EUR million	Notes	31 December 2020	31 December 2019	Change from prior year %
Assets				
Liquid assets	1	106.3	48.9	
Trade accounts receivable	2	111.0	124.2	
Other receivables	2	17.1	17.9	
Inventories	3	60.6	61.6	
Prepayments		1.3	2.7	
Accrued income		3.4	3.5	
Current assets		**299.7**	**258.6**	**15.9**
Property, plant and equipment	4	182.9	197.2	
Financial assets	4	13.0	11.3	
Intangible assets	4	3.0	3.3	
Non-current assets		**198.9**	**211.8**	**– 6.1**
Total assets		**498.6**	**470.5**	**6.0**
Liabilities & shareholders' equity				
Short-term loans	5	3.1	15.4	
Trade accounts payable		35.1	31.6	
Other short-term liabilities		29.6	23.5	
Short-term provisions	6	10.9	6.5	
Accruals and deferred income		57.9	57.7	
Current liabilities		**136.7**	**134.7**	**1.5**
Long-term loans	5	6.8	8.0	
Other long-term liabilities		1.2	0.4	
Long-term provisions	6	27.0	24.4	
Non-current liabilities		**35.0**	**32.7**	**6.8**
Total liabilities		**171.7**	**167.4**	**2.5**
Share capital		0.4	0.4	
Capital reserves		33.6	33.6	
Own shares		– 4.1	– 4.2	
Retained earnings		293.6	261.8	
Accumulated FX differences		– 11.2	– 3.2	
Minority interests		14.7	14.8	
Equity	7	**326.9**	**303.0**	**7.9**
Total liabilities & shareholders' equity		**498.6**	**470.5**	**6.0**

Consolidated income statement

PwC Switzerland

EUR million	Notes	2020	2019	Change from prior year %
Sales	16	**617.7**	**644.4**	**– 4.1**
Changes in inventories		3.5	0.8	
Own work capitalised		0.9	1.5	
Other operating income	17	3.0	4.0	
Cost of materials		– 229.5	– 242.2	
Personnel costs		– 197.8	– 208.2	
Depreciation of property, plant and equipment	4	– 23.7	– 22.2	
Amortisation of intangible assets	4	– 0.5	– 0.6	
Other operating expenses	18	– 123.0	– 135.4	
Operating result (EBIT)		**50.5**	**42.1**	**20.1**
Financial result	19	– 3.3	– 1.2	
Earnings before taxes		**47.2**	**40.9**	**15.5**
Income taxes	20	– 7.3	– 9.0	
Net profit		**39.9**	**31.9**	**24.9**
Minority interests		1.0	1.3	
Net profit excluding minority interests		38.9	30.6	
Non-diluted net profit excluding minority interests per registered share A (EUR)	21	3.34	2.64	26.6
Diluted net profit excluding minority interests per registered share A (EUR)	21	3.34	2.64	26.6
Non-diluted net profit excluding minority interests per registered share B (EUR)	21	0.67	0.53	26.6
Diluted net profit excluding minority interests per registered share B (EUR)	21	0.67	0.53	26.6

Consolidated cash flow statement

PwC Switzerland

EUR million	Notes	2020	2019
Net profit		39.9	31.9
Depreciation and amortisation of property, plant and equipment	4	23.7	22.2
Depreciation and amortisation of intangible assets	4	0.5	0.6
Other non-cash changes		4.0	3.6
(Gain)/loss on disposals of non-current assets		– 0.2	– 0.5
(Increase)/decrease of trade accounts receivable		9.7	– 20.3
(Increase)/decrease of other receivables, prepayments and accrued income		1.7	2.4
(Increase)/decrease of inventories		– 2.6	– 0.3
Increase/(decrease) of trade accounts payable		5.3	– 1.1
Increase/(decrease) of other short-term liabilities, accruals and deferred income		7.6	5.3
Increase/(decrease) of provisions	6	7.4	– 0.2
(Increase)/decrease of deferred tax assets	4	– 1.9	– 0.5
Cash flow from operating activities		**95.3**	**43.1**
Investments in property, plant and equipment	4	– 16.4	– 25.6
Investments in intangible assets		– 0.3	– 0.4
Investments in subsidiaries	23	–	– 6.1
Divestment of property, plant and equipment		0.7	1.6
Cash flow from investing activities		**– 16.0**	**– 30.5**
Dividends paid to shareholders		– 7.7	– 8.2
Dividends paid to minority shareholders		– 0.7	– 1.7
(Purchase)/sale of own shares		– 0.3	1.0
Increase/(decrease) of short-term loans	5	– 12.3	– 0.9
Increase/(decrease) of long-term loans	5	0.9	2.4
Cash flow from financing activities		**– 20.2**	**– 7.5**
Currency effects		– 1.7	1.1
Increase/(decrease) of liquid assets		**57.4**	**6.2**
Liquid assets at 1.1.		48.9	42.7
Liquid assets at 31.12.		106.3	48.9
Increase/(decrease)		**57.4**	**6.2**

Consolidated statement of changes in equity

PwC Switzerland

EUR million	Share capital	Capital reserves	Own shares	Goodwill offset	Retained earnings	Accumulated FX differences	**Total excluding minority interests**	Minority interests	**Total including minority interests**
Equity at 1.1.2020	**0.4**	**33.6**	**– 4.2**	**– 131.2**	**393.0**	**– 3.2**	**288.2**	**14.8**	**303.0**
Purchase of own shares	–	–	– 2.0	–	–	–	– 2.0	–	– 2.0
Sale of own shares	–	–	2.2	–	0.1	–	2.3	–	2.3
Share-based compensation									
– Granted	–	–	–	–	0.3	–	0.3	–	0.3
Net profit	–	–	–	–	38.9	–	38.9	1.0	39.9
Netted goodwill	–	–	–	0.1	–	–	0.1	–	0.1
Change in minority interests	–	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	– 7.7	–	– 7.7	– 0.7	– 8.4
Currency effects	–	–	–	–	–	– 8.0	– 8.0	– 0.4	– 8.3
Equity at 31.12.2020	**0.4**	**33.6**	**– 4.1**	**– 131.1**	**424.7**	**– 11.2**	**312.2**	**14.7**	**326.9**
Equity at 1.1.2019	0.4	33.6	– 6.3	– 125.0	370.8	– 5.1	268.4	14.7	283.1
Purchase of own shares	–	–	–	–	–	–	–	–	–
Sale of own shares	–	–	2.1	–	– 0.4	–	1.7	–	1.7
Share-based compensation									
– Granted	–	–	–	–	0.1	–	0.1	–	0.1
Net profit	–	–	–	–	30.6	–	30.6	1.3	31.9
Netted goodwill	–	–	–	– 6.3	–	–	– 6.3	–	– 6.3
Change in minority interests	–	–	–	–	–	–	–	0.4	0.4
Dividends	–	–	–	–	– 8.2	–	– 8.2	– 1.7	– 9.9
Currency effects	–	–	–	–	–	1.9	1.9	0.1	2.0
Equity at 31.12.2019	0.4	33.6	– 4.2	– 131.2	393.0	– 3.2	288.2	14.8	303.0

Consolidation scope and principles

✓ PwC Switzerland

Consolidation scope

The consolidated financial statements are presented in euros and include all domestic and foreign companies which Zehnder Group AG controls directly or indirectly by either holding more than 50% of the voting rights or by otherwise having the power to control their operating and financial policies. Assets and liabilities as well as revenues and expenses are included to 100% in accordance with the full consolidation method. Minority interests in equity and in net profit of fully consolidated companies are recognised separately.

Holdings with a voting interest of between 20 and 49% (associated companies) are included in accordance with the equity method. Consolidated equity and the financial result for the period are accounted for proportionately.

The following changes were made in the consolidation scope compared to the previous year:

- Liquidation of Zehnder Group Finance Ltd. as per 21 February 2020 in Guernsey;
- Founding of Zehnder Climate Ceiling Solutions SAS as per 23 December 2020 in France;
- Liquidation of Shanghai Zehnder Comfosystems Co., Ltd. as per 25 December 2020 in China.

Consolidation principles

General

Zehnder Group prepares its accounts in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations).

The consolidated balance sheet and income statement are based on the financial statements of the companies included in the consolidation scope for the year ended 31 December.

The data presented in the consolidated financial statements are based on uniform accounting and valuation principles which apply to all Group companies.

Intergroup receivables and payables as well as revenues and expenses are eliminated in the consolidated statements. Intermediate profits in inventories are eliminated as well.

Foreign currency translation

For the year under review, the financial statements of subsidiaries which report in currencies other than the euro were translated into euro (EUR) as follows:

- Balance sheet figures at year-end rates;
- Income statement figures at average-for-the-year rates;
- Cash flow statement figures at average-for-the-year rates.

Differences arising from applying these disparate exchange rates as well as foreign exchange differences on long-term loans of an equity nature to Group companies were booked to the cumulative translation differences of the consolidated equity capital. Foreign currency differences arising from repayments of long-term loans of an equity nature are also booked to consolidated equity capital and are not transferred to the income statement until such time as a disposal takes place.

The most important exchange rates used for consolidation are shown in the table below.

	CHF 1	CNY 100	GBP 1	PLN 100	SEK 100	TRY 100	USD 1
Year-end rates							
2020	**0.9240**	**12.49**	**1.1131**	**21.90**	**9.95**	**11.01**	**0.8154**
2019	0.9214	12.80	1.1758	23.51	9.55	15.00	0.8917
Average-for-the-year rates							
2020	**0.9355**	**12.73**	**1.1276**	**22.55**	**9.52**	**12.85**	**0.8827**
2019	0.8977	12.95	1.1374	23.27	9.45	15.79	0.8927

Capital consolidation

Capital is consolidated to show equity capital as if the Group were one single company. To do this, it is necessary to offset the net worth of consolidated companies against the capital allotted to them.

Capital consolidation is based on the purchase method, whereby the acquisition cost of a Group company is eliminated at the time of acquisition against the fair value of net assets acquired with the remainder recorded as goodwill that is subsequently offset within equity of the Group.

When a gradual acquisition, where the investment in shares in an associated company is increased so that takeover of control occurs, the values of participations held to date are initially posted as an outflow, taking any goodwill into account. The fair value of this outflow is determined by the terms of acquisition at the time of takeover of control. Any resulting profit or loss is reflected in the result from associated companies. A revaluation of the entire shareholding in accordance with the terms of acquisition at the time of takeover of control is subsequently carried out as if it were a new acquisition.

Accounting and valuation principles

✓ PwC Switzerland

The balance sheets of all subsidiaries of Zehnder Group AG have been valued according to uniform valuation principles in accordance with the Swiss accounting and reporting recommendations (Swiss GAAP FER). The financial reporting gives a true and fair view of the financial position, the results of operations, and the cash flows. The consolidated financial statements have been prepared in accordance with the historical cost method with the exception of marketable securities and participations under 20%, which are measured at fair value. The consolidation principles as well as the accounting and valuation principles applied remained unchanged year on year.

1. Liquid assets

Cash and cash equivalents, postal checking account, and bank balances are shown at nominal values.

2. Trade accounts receivable

Accounts receivable are stated at nominal value. Value adjustments for doubtful accounts are established based on maturity structure and identifiable solvency risks. Besides individual value adjustments with respect to specific known risks, other value adjustments are recognised based on experience.

3. Inventories

Inventories are valued on the lower of cost or market principle. Purchased products are valued at acquisition cost and manufactured goods at production cost. Production costs comprise variable manufacturing costs and manufacturing overheads. Valuation adjustments are undertaken for risks arising from time in storage or reduced marketability. Unrealised profits in inventories from intergroup deliveries are eliminated. Any supplier discounts are netted with the cost of materials.

4. Property, plant and equipment

Property, plant and equipment are shown in the consolidated balance sheet at acquisition or manufacturing cost (for self-constructed assets) less depreciation and valuation adjustments. The following terms of useful life are applicable for the main items contained in property, plant and equipment:

Buildings	35 to 50 years
Installations	10 to 20 years
Machines and equipment	5 to 15 years
Furniture	5 to 10 years
Computer hardware	3 to 5 years
Vehicles	3 to 5 years

The straight-line method of depreciation is applied for all property, plant and equipment. In general, depreciation commences from the time the asset is put into operation. Plant under construction is not depreciated.

Minor assets to a value of up to EUR 3000 are charged directly as expenses to the income statement. Investments financed through long-term leases are shown on the balance sheet. Expenses for operating leasing are charged appropriate to the period directly to the income statement.

Costs for maintenance, repairs and minor renovations are charged as expenses to the income statement when they occur. Major renovations and investments are capitalised if they result in appreciation of value and depreciated at most over the remaining useful life of the corresponding asset.

5. Financial assets

Holdings with a voting interest of less than 20% and loans are valued at nominal or acquisition cost less the necessary valuation adjustments. For the accounting principles of the employer contribution reserves and the active deferred taxes, please refer to the following items “10. Pension funds” and “14. Income taxes” of these accounting and valuation principles.

6. Intangible assets

Acquired intangible assets are recognised at acquisition cost. Computer software is written down on a straight-line basis over three to five years, land use rights on the basis of the contract term or over 50 years as a maximum, and other intangible assets over three to ten years. Internally generated intangible assets are fully charged to the income statement in the year in which they are incurred.

7. Impairment of assets

The carrying amounts of assets are reviewed for impairment at each balance sheet date or if there are indications that an asset may be impaired. If an indication of potential impairment exists, the recoverable amount of the respective asset is determined. If the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. Impairment losses are recognised in the income statement. The recoverable amount is the higher of the estimated asset’s net selling price and its value in use. The net selling price is the amount recoverable from the sale of an asset in an arm’s-length transaction between independent parties less the cost of disposal. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

8. Trade accounts payable and other liabilities

Trade accounts payable and other liabilities are shown at nominal value. They include short-term tax liabilities, shown in the balance sheet on the basis of the results for the reporting year. This item also includes taxes on the proposed distribution of profits by subsidiaries.

9. Provisions

Provisions are set up for actual and legal obligations arising from events in the past and for potential risks and losses from existing agreements when an outflow of funds is likely and can be measured in a reliable way.

The provisions are for the purpose of personnel pensions and to cover identifiable risks, including guarantee, procedural and country risks, as well as restructuring measures implemented. Provisions for deferred tax liabilities and for set-off risks in respect of tax audits are also included.

Provisions are broken down according to their maturity, i.e. a distinction is made between short-term provisions with an expected cash outflow within the next twelve months and long-term provisions with an expected cash outflow of funds after a period greater than one year.

The provisions are recalculated annually and adjusted accordingly. It is assumed that there is a high probability of these provisions being utilised.

10. Pension funds

Employees of the Swiss Group companies are registered with a legally independent collective foundation that provides benefits in addition to state pensions. The collective foundation is funded through investment income and premiums paid by both employers and employees. The contributions payable are set out in the regulations.

The economic effects of pension plans on the company are presented as follows: although the capitalisation of economic benefit would be admissible, it is not undertaken because the company does not intend to use this to lower employer contributions. Any benefit resulting from freely disposable employer contribution reserves is recognised as an asset. An economic liability is recognised if the conditions for forming a provision are met. The employer contributions to the pension fund for the reporting period are recognised in the income statement.

In most countries abroad, pension and retirement plans are state-organised. They are generally financed through employer and employee contributions. Two of our German companies have a pension plan in addition to the state scheme. The corresponding obligations are specified in part under provisions. In addition, one obligation amounting to EUR 5.0 million was transferred to a pension trust (Contractual Trust Arrangement) and no longer specified on the balance sheet. Any financial income from the outsourced obligation is posted in personnel expenses.

11. Derivative financial instruments

Derivative financial instruments are sometimes used to hedge against currency, interest rate and commodity risks. Valuation is undertaken at current value or according to the same valuation principles as for the hedged underlying transaction (current values or according to lower of cost or market principle). The changes in value since the previous valuation are reported in the financial result for the period.

Instruments used to hedge future cash flows are not recognised in the balance sheet, but are reported in the notes until the future cash flow is realised.

12. Sales

Sales comprised the sale of products and services after deducting value-added taxes, rebates and other price discounts. Sales are posted if the relevant risks and opportunities that are associated with the services rendered or the ownership of the sold products have been transferred to the customer, the income and costs can be reliably determined and the recoverability of the resulting receivables is adequately assured.

13. Long-term contracts

If the applicable criteria are met, the revenue from sales of long-term projects is recognised according to the percentage of completion on the balance sheet date. Long-term contracts are defined as individual projects with a contract volume of more than a million euros and a term of more than nine months.

The percentage of completion is determined for each individual contract on the basis of the units of delivery method. It is calculated using the number of installed units as a percentage of the total delivery quantity that is contractually agreed. There are justified cases in which acceptance by the customer is delayed purely due to administrative or organisational issues, and all significant performance obligations have otherwise been fulfilled. In these cases, the company management evaluates the financial situation and recognises the revenue before customer acceptance if necessary. A unit is normally invoiced in full when it is accepted (to be offset against any advance payments that have been received or as trade accounts receivable for the amount exceeding the advance payments).

The contract costs are made up of the costs of materials and external services, material overheads (procurement and logistics) and production costs. For loss-free valuation purposes, a single valuation of contracts in progress is made. As soon as a loss becomes apparent, an adjustment is made to account for the full loss amount that is expected. If the adjustment exceeds the value of the asset for the contract, a provision for the excess amount is recognised.

Contracts in progress are projects in which the cumulative performance exceeds the advance payments that have already been received. If the advance payments received are higher than the cumulative performance, this is recognised under liabilities from contracts in progress.

Advance payments received are recognised directly in equity. They are offset against the contracts or compensation claims for which the advance payments have been made.

14. Income taxes

Income taxes are comprised of current and deferred income taxes.

The current income taxes are calculated with the current tax rates on the basis of the commercial code/anticipated annual tax results, in accordance with the respective taxable profit calculation regulations. The current income tax liabilities are recognised under accruals and deferred income.

The deferred taxes are comprised of deviations between the Group-wide and tax valuation in the company financial statements. These deviations can lead to postponements in the actual taxation of the profits. Deferred taxes are based on the income tax rates per country. Whether an actual tax expense or an actual tax reduction will also arise in the foreseeable future has not been taken into account. Deferred tax assets are posted in the balance sheet under financial assets, and deferred tax liabilities under provisions. Deferred tax assets and deferred tax liabilities are offset provided that they apply to the same taxable entity and are levied by the same tax authority. Deferred tax assets with respect to timing differences will only then be capitalised once it becomes likely that they can be offset by future taxable profits.

Several companies have tax loss carry-forwards. Deferred tax assets have not been capitalised from tax loss carry-forwards.

15. Transactions with related parties

Associated companies, boards of directors, executive board members, employee benefits plans and companies controlled by major shareholders are considered to be related parties.

Notes to the consolidated financial statements

✓ PwC Switzerland

1. Liquid assets

Liquid assets amounted to EUR 106.3 million (2019: EUR 48.9 million) whereas interest-bearing financial liabilities reached EUR 9.9 million (2019: EUR 23.4 million). Thus, at year end, net liquidity[1] amounted to EUR 96.4 million (2019: EUR 25.5million).

[1] See Alternative performance measures in the consolidated financial statements in this Financial Report.

2. Trade accounts receivable and other receivables

EUR million	**31.12.2020**	31.12.2019
Trade accounts receivable gross *	118.0	131.1
Value adjustments on trade accounts receivable	– 7.0	– 6.9
Trade accounts receivable net	**111.0**	**124.2**
Other receivables gross	17.1	17.9
Other receivables net	**17.1**	**17.9**
Total trade accounts receivable and other receivables	**128.1**	**142.0**
* Of which more than 12 months overdue gross	3.3	3.8

As well as bad debt operating allowances for receivable risks that are specifically identifiable, additional general allowances are made for the following overdue periods:

1–30 days	0%
31–60 days	10%
61–90 days	10%
91–180 days	25%
181–360 days	50%
More than 360 days	100%

3. Inventories

EUR million	31.12.2020	31.12.2019
Raw materials	35.0	35.4
Semi-finished products and goods in process	8.7	6.7
Finished products	30.7	32.6
Valuation adjustments	– 13.7	– 13.1
Total inventories	**60.6**	**61.6**

4. Development of non-current assets

Property, plant and equipment

EUR million	Land/ buildings/ installations in buildings	Machinery/ plant	Other fixed assets	Plant under construction	Total
Net book value at 1.1.2020	**124.2**	**50.1**	**9.0**	**13.9**	**197.2**
Acquisition cost					
Status 1.1.2020	213.4	249.2	30.0	13.9	506.4
Investments	1.7	5.9	3.4	5.5	16.6
Disposals	– 0.3	– 8.8	– 3.2	–	– 12.4
Changes in consolidation scope	–	–	–	–	–
Reclassifications	7.2	3.3	0.3	– 10.8	–
Currency effects	– 4.9	– 4.6	– 0.4	– 0.1	– 10.0
Status 31.12.2020	217.1	245.0	30.0	8.5	500.5
Accumulated valuation adjustments					
Status 1.1.2020	– 89.1	– 199.1	– 21.0	–	– 309.2
Ordinary depreciation	– 6.0	– 13.0	– 3.2	–	– 22.2
Extraordinary depreciation	–	– 1.5	–	–	– 1.5
Disposals	0.3	8.1	2.9	–	11.2
Reclassifications	– 0.3	0.2	–	–	–
Currency effects	1.1	2.5	0.3	–	3.9
Status 31.12.2020	– 93.9	– 202.7	– 21.0	–	– 317.7
Net book value at 31.12.2020	**123.1**	**42.2**	**9.0**	**8.5**	**182.9**
Net book value at 1.1.2019	**128.3**	**52.0**	**9.0**	**4.2**	**193.6**
Acquisition cost					
Status 1.1.2019	211.9	242.8	30.3	4.2	489.2
Investments	1.2	8.0	3.2	13.4	25.8
Disposals	– 2.3	– 6.9	– 4.2	– 0.6	– 14.1
Changes in consolidation scope	–	0.4	0.3	–	0.7
Reclassifications	0.4	2.7	0.1	– 3.1	–
Currency effects	2.1	2.3	0.3	–	4.7
Status 31.12.2019	213.4	249.2	30.0	13.9	506.4
Accumulated valuation adjustments					
Status 1.1.2019	– 83.7	– 190.7	– 21.2	–	– 295.7
Ordinary depreciation	– 5.8	– 12.4	– 3.4	–	– 21.6
Extraordinary depreciation	–	–	–	– 0.6	– 0.6
Disposals	1.7	6.0	4.0	0.6	12.3
Reclassifications	–	–	–	–	–
Currency effects	– 1.3	– 2.0	– 0.3	–	– 3.6
Status 31.12.2019	– 89.1	– 199.1	– 21.0	–	– 309.2
Net book value at 31.12.2019	**124.2**	**50.1**	**9.0**	**13.9**	**197.2**

Financial assets

EUR million	Loans	Reserves for employer contributions	Deferred tax assets	**Total**
Net book value at 1.1.2020	**0.2**	**2.7**	**8.3**	**11.3**
Acquisition or current book value				
Status 1.1.2020	0.4	2.7	8.3	11.4
Increases	–	–	2.0	2.0
Decreases	–	–	– 0.1	– 0.1
Currency effects	–	–	– 0.1	– 0.1
Status 31.12.2020	0.4	2.7	10.1	13.2
Accumulated valuation adjustments				
Status 1.1.2020	– 0.2	–	–	– 0.2
Status 31.12.2020	– 0.2	–	–	– 0.2
Net book value at 31.12.2020	**0.2**	**2.7**	**10.1**	**13.0**
Net book value at 1.1.2019	**0.2**	**2.6**	**7.8**	**10.7**
Acquisition or current book value				
Status 1.1.2019	0.4	2.6	7.8	10.8
Increases	–	–	1.0	1.0
Decreases	–	–	– 0.5	– 0.5
Currency effects	–	0.1	–	0.1
Status 31.12.2019	0.4	2.7	8.3	11.4
Accumulated valuation adjustments				
Status 1.1.2019	– 0.2	–	–	– 0.2
Status 31.12.2019	– 0.2	–	–	– 0.2
Net book value at 31.12.2019	**0.2**	**2.7**	**8.3**	**11.3**

For further details on reserves for employer contribution, please refer to item 14. Employer contribution reserves and pension fund liabilities in these notes to the consolidated financial statements.

Intangible assets

EUR million	2020	2019
Net book value at 1.1.	**3.3**	3.5
Acquisition cost		
Status 1.1.	14.8	14.3
Investments	0.3	0.4
Disposals	– 0.6	– 0.2
Currency effects	–	0.3
Status 31.12.	14.4	14.8
Accumulated valuation adjustments		
Status 1.1.	– 11.5	– 10.7
Ordinary amortisation	– 0.5	– 0.6
Disposals	0.6	0.2
Currency effects	–	– 0.2
Status 31.12.	– 11.4	– 11.5
Net book value at 31.12.	**3.0**	3.3

Intangible assets include software licences amounting to EUR 0.8 million (2019: EUR 1.0 million), patents amounting to EUR 0.1 million (2019: EUR 0.1 million) and land use rights amounting to EUR 2.1 million (2019: EUR 2.2 million).

5. Loans

EUR million	2020	2019
Split by maturity		
Less than 12 months	3.1	15.4
12 months to 60 months	6.2	6.9
More than 60 months	0.6	1.1
Total	**9.9**	23.4
Split by currency		
CAD	3.5	5.1
CNY	3.9	13.9
EUR	–	1.3
USD	2.5	3.2
Total	**9.9**	23.4

Short-term loans show an interest rate of 0 to 2% (2019: 0 to 4%). Long-term loans show an interest rate of 0 to 5% (2019: 0 to 6%), the majority of which consists of mortgage loans.

6. Provisions

EUR million	Tax provisions	Pension commitments	Restructuring provisions	Other provisions	**Total**
Book value at 1.1.2020	**7.1**	**6.9**	**1.3**	**15.6**	**30.9**
New provisions	1.4	0.3	4.2	7.6	13.5
Use	–	– 0.3	– 2.0	– 2.8	– 5.1
Reversals	0.1	– 0.6	– 0.2	– 0.4	– 1.1
Currency effects	– 0.1	–	–	– 0.1	– 0.3
Book value at 31.12.2020	**8.4**	**6.4**	**3.2**	**19.9**	**38.0**
Of which short-term	–	0.4	3.2	7.3	10.9
Book value at 1.1.2019	**7.5**	**5.8**	**2.5**	**14.9**	**30.8**
New provisions	–	1.6	0.7	4.9	7.2
Use	– 0.4	– 0.5	– 1.8	– 2.8	– 5.4
Reversals	– 0.1	– 0.1	– 0.2	– 1.5	– 1.9
Currency effects	0.1	–	0.1	0.2	0.3
Book value at 31.12.2019	**7.1**	**6.9**	**1.3**	**15.6**	**30.9**
Of which short-term	–	0.4	1.3	4.9	6.5

The tax provisions include deferred as well as other tax provisions in accordance with item “9. Provisions” of the Accounting and valuation principles in the consolidated financial statements in this Financial Report.

The discount rate for German pension obligations was 1.0% (1.0% in the previous year).

The other provisions include provisions for warranties, earn-out for acquisitions made, pending legal cases as well as personnel-related provisions.

7. Equity capital

At the balance sheet date, the equity ratio was 66% (2019: 64%). The factors that contributed to changes in consolidated equity are presented in the consolidated statement of changes in equity.

As in 2019, the share capital totalled CHF 0.6 million, corresponding to EUR 0.4 million at the exchange rate of 1 January 2003. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

The statutory and legal reserves and those not available for distribution amounted to EUR 4.2 million (2019: EUR 4.3 million).

	Registered shares A units 2020	Value per unit EUR 2020	Value thousand EUR 2020	Registered shares A units 2019	Value per unit EUR 2019	Value thousand EUR 2019
Own shares at 1.1.	**110,524**	**38.38**	**4,242**	**164,069**	**38.48**	**6,314**
Transfer at market price	– 56,095	40.88	– 2,293	– 53,545	31.48	– 1,686
Gain/(loss) from sale			131			– 386
Purchase at acquisition price	50,000	40.91	2,046	–	–	–
Own shares at 31.12.	**104,429**	**39.51**	**4,126**	**110,524**	**38.38**	**4,242**

Shares were sold at a discount of 30% to management staff participating in a stock ownership plan and issued to members of the Board of Directors as part of their fee (see item 22. Shares granted in these notes to the consolidated financial statements).

8. Contingent liabilities

At year end, there were guarantee obligations vis-à-vis third parties totalling EUR 1.9 million (2019: EUR 3.1 million).

With regard to Group financing, Group guarantees for subsidiaries were at the maximum level of EUR 43.7 million (2019: EUR 69.9 million).

9. Pledged assets

Of the Group's total assets, EUR 20.3 million served as collateral (2019: EUR 22.2 million). The pledged assets were exclusively land and buildings.

10. Liabilities to pension funds

At 31 December 2020, there were liabilities to pension funds in the amount of EUR 0.6 million (2019: EUR 0.5 million) and are included in other short-term liabilities.

11. Transactions with related parties

In the reporting year, as was the case in the previous year, no products were sold to companies that were not fully consolidated and there were no receivables with regard to companies that were not fully consolidated.

In the year under review, as per the previous year, Zehnder Group did not complete any major transactions with shareholders and there were no receivables or obligations.

As per the previous year, Zehnder Group completed no major transactions with minority shareholders of subsidiaries. At the end of the reporting year, as in the previous year, there were neither receivables nor obligations with regard to minority shareholders.

During the reporting year, one member of the Board of Directors (Jörg Walther) was compensated for additional services, such as legal advice in specific projects and extraordinary expenses associated with ad hoc Board of Directors committees, with EUR 0.2 million (2019: EUR 0.2 million). Please refer to item 5.1 Remuneration to the Board of Directors in the 2020 financial year in the Compensation Report.

12. Derivative financial instruments

EUR million	Active value 31.12.2020	Passive value 31.12.2020	Active value 31.12.2019	Passive value 31.12.2019	Purpose
Foreign exchange	–	–	–	0.1	Hedging
Total	**–**	**–**	–	0.1	

13. Operating leasing not recognised in the balance sheet

Current operating leasing contracts expire as follows:

EUR million	31.12.2020	31.12.2019
Within 12 months	3.8	3.9
In 13–60 months	7.0	6.4
In more than 60 months	0.1	–
Total	**10.9**	10.3

14. Employer contribution reserves and pension fund liabilities

Employer contribution reserve (ECR)

EUR thousands	Nominal value 31.12.2020	Balance sheet 31.12.2020	Currency gain (+)/ loss (–) on ECR 2020	Balance sheet 31.12.2019	Expense (–)/ income (+) in terms of personnel expense 2020	Expense (–)/ income (+) in terms of personnel expense 2019
Pension trust fund	2,730	2,730	8	2,722	–	–
Total	**2,730**	**2,730**	**8**	**2,722**	**–**	–

No interest was paid on the employer contribution reserve in either year.

Economic benefits/economic liabilities and pension expenses

EUR thousands	Excess/ (inad- equate) cover 31.12.2020[1]	Economic share of organisation 31.12.2020	Economic share of organisation 31.12.2019	Capitalised in business year 2020	Contri- butions accrued 2020	Pension expenses in personnel expenses 2020	Pension expenses in personnel expenses 2019
Pension trust fund	1,493	–	–	–	–	–	–
Personnel pension fund collective fund	5,814	–	–	–	2,189	2,189	1,996
Pension plans abroad	–	–	–	–	7,806	7,806	10,104
Total	**7,307**	**–**	–	**–**	**9,995**	**9,995**	12,100

1 The 2020 financial statements of the pension trust fund and the collective fund are not yet available as of the date of publication of this Annual Report. The details regarding the excess coverage in 2020 correspond to the value as at 31 December 2019.

Please refer to item “10. Pension funds” of the Accounting and valuation principles in the consolidated financial statements and to the pension commitments in item 6. Provisions in these notes to the consolidated financial statements.

15. 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. Each of them only account for 8% (previous year: 9%) of total sales.

The Europe segment comprises a total of 42 production, sales and management companies in 17 European countries. The largest locations are in Germany, France, the United Kingdom, Switzerland and the Netherlands.

The China & North America segment is comprised of a total of 11 production, sales and management companies in China and North America. These sites are located in China, the US and in Canada.

		Europe	China & North America	Elimina-tions	**Total**
2020					
Sales third	EUR million	517.2	100.5	–	617.7
Sales intercompany	EUR million	4.1	2.6	– 6.7	–
Sales	EUR million	**521.3**	**103.0**	**– 6.7**	**617.7**
EBIT	EUR million	**41.6**	**8.9**	**–**	**50.5**
	% of sales	8.0	8.6		8.2
Investments in property, plant and equipment & intangible assets	EUR million	**13.3**	**3.4**	**–**	**16.7**
Property, plant and equipment	EUR million	**144.6**	**38.3**	**–**	**182.9**
Number of employees	Ø full-time equivalents	**2,607**	**733**	**–**	**3,340**
2019					
Sales third	EUR million	531.1	113.3	–	644.4
Sales intercompany	EUR million	3.8	3.4	– 7.2	–
Sales	EUR million	534.9	116.6	– 7.2	644.4
EBIT	EUR million	31.7	10.4	–	42.1
	% of sales	5.9	8.9		6.5
Investments in property, plant and equipment & intangible assets	EUR million	17.8	8.2	–	26.0
Property, plant and equipment	EUR million	154.6	42.7	–	197.2
Number of employees	Ø full-time equivalents	2,650	763	–	3,413

16. Sales

At EUR 617.7 million consolidated sales in 2020 were 4.1% lower than in 2019 (2019: EUR 644.4 million). Organically[1], sales revenues decreased by 3.9%.

In revenue terms, EUR 1.4 million (2019: EUR 0.0 million) from long-term contracts are recognised.

Sales by region and business area are classified as follows:

		2020	%	2019	%
Sales by region and business area					
Ventilation Europe	EUR million	269.4	43.6	259.0	40.2
Change from prior year	%	4.0		11.8	
Ventilation North America	EUR million	14.4	2.3	11.8	1.8
Change from prior year	%	22.2		39.1	
Ventilation China	EUR million	40.2	6.5	45.2	7.0
Change from prior year	%	– 11.0		16.9	
Total business area ventilation	EUR million	**324.0**	**52.5**	**316.0**	**49.0**
Change from prior year	%	2.5		13.3	
Radiators Europe	EUR million	247.8	40.1	272.1	42.2
Change from prior year	%	– 8.9		– 1.0	
Radiators North America	EUR million	37.7	6.1	44.0	6.8
Change from prior year	%	– 14.4		20.6	
Radiators China	EUR million	8.1	1.3	12.2	1.9
Change from prior year	%	– 33.5		5.3	
Total business area radiators	EUR million	**293.6**	**47.5**	**328.3**	**51.0**
Change from prior year	%	– 10.6		1.7	
Total Europe	EUR million	517.2	83.7	531.1	82.4
Change from prior year	%	– 2.6		4.8	
Total North America	EUR million	52.1	8.4	55.8	8.7
Change from prior year	%	– 6.7		24.1	
Total China	EUR million	48.3	7.8	57.4	8.9
Change from prior year	%	– 15.8		14.2	
Total	EUR million	**617.7**	**100.0**	**644.4**	**100.0**
Change from prior year	%	– 4.1		7.1	

For sales by segment, please refer to the preceding item 15. Segment reporting.

[1] See Alternative performance measures in the consolidated financial statements in this Financial Report.

17. Other operating income

Other income is as follows:

EUR million	2020	2019
Licence income	0.2	0.1
Gain on disposal of fixed assets	0.2	0.5
Miscellaneous operating income	2.6	3.4
Total	**3.0**	**4.0**

The main sources of miscellaneous operating income are income generated by scrap materials, rental income from third parties and payments from insurance claims.

18. Other operating expense

The other operating expenses break down as follows:

EUR million	2020	2019
Operating expenses	– 44.0	– 45.1
Marketing and distribution expenses	– 55.8	– 65.1
Administration and IT expenses	– 23.2	– 25.2
Total	**– 123.0**	**– 135.4**

19. Financial result

EUR million	2020	2019
Financial expenses	– 1.4	– 1.2
Financial earnings	0.1	0.2
Exchange gains/(losses)	– 2.0	– 0.2
Total financial result	**– 3.3**	**– 1.2**

The exchange losses of EUR 2.0 million (2019: EUR 0.2 million) is primarily the result of currency losses associated with the Turkish lira.

20. Income taxes

The tax ratio (= taxes in per cent of earnings before taxes) was 16% (2019: 22%).

EUR million	2020	2019
Current taxes	– 9.1	– 9.9
Deferred taxes	1.8	0.9
Total taxes	**– 7.3**	**– 9.0**

The Zehnder Group anticipates that tax loss carry-forwards amounting to EUR 34.8 million (2019: EUR 56.9 million) may be applied in the future. The deferred tax assets on this carried forward items would amount to EUR 5.7 million (2019: EUR 8.6 million).

The differences between the expected income tax expense, based on the expected income tax rate and the effective income tax expense shown in the income statement, has been influenced by the following factors. The expected income tax rate of the Group is based on the profit/loss before taxes and the applicable tax rate in the tax year for the Group companies.

EUR million	2020	2019
Earnings before taxes	47.2	40.9
Expected tax rate in %	22.5	24.6
Expected tax expense	**– 10.6**	**– 10.0**
Effect of tax incentives	2.1	0.8
Effect of non-deductible expenses	– 0.1	– 0.3
Effect of non-recognition of tax loss carry forwards	– 0.2	– 0.7
Effect of use of unrecognised tax loss carry forwards	4.3	1.8
Other effects	– 2.7	– 0.4
Effective tax expense	**– 7.3**	**– 9.0**
Effective tax rate in %	15.5	21.9

The effect of tax incentives includes a deferred tax asset that was recorded in the tax balance sheet as a result of the tax reform measures introduced in Switzerland and the resulting step-up.

The other effects can be largely attributed to changes resulting from tax provisions.

21. Net profit per registered share

The undiluted net profit per registered share A is calculated by dividing the net profit excluding minority shares by the total nominal value adjusted shares, less the average number of own shares held by Zehnder Group AG.

For the calculation of the diluted net profit per registered share A, for the outstanding options, whose strike price on the balance sheet date is below the market price (in-the-money) on the balance sheet date, the number of additional registered shares A are calculated and these are added to the total outstanding nominal value adjusted shares.

No dilution effect occurred for the reporting year or the previous year.

		2020	2019
Net profit excluding minority interests	EUR million	38.9	30.6
Notional number of shares	units	11,736,000	11,736,000
Average number of own shares	units	73,837	119,203
Non-diluted net profit excluding minority interests per registered share A	**EUR**	**3.34**	**2.64**
Additional shares from outstanding options (in-the-money)	units	–	–
Diluted net profit excluding minority interests per registered share A	**EUR**	**3.34**	**2.64**

The undiluted/diluted net profit excluding minority interests per registered share B amounts to one fifth of the undiluted/diluted net profit excluding minority interests per registered share A.

22. Shares granted

The Zehnder Group introduced an employee investment plan in 2001. This plan allows operating unit managers and members of Group management to acquire registered shares A. The registered shares A issued also include the Board of Directors' shares. Half of the fee that the members of the Board of Directors receive is made up of registered shares A. The shares are issued at a discount to the persons entitled to receive them.

In 2019, Zehnder Group introduced a long-term, variable compensation element (long-term incentive or LTI). This is granted as part of a long-term investment plan in which rights to shares are awarded under certain conditions. The general contractual basis and exercise conditions are explained under item 4.3 Variable long-term compensation element (long-term incentive, LTI) in the Compensation Report.

The value of shares issued at the time of allocation is equal to the current value. The current value is determined as the closing rate on the day of allocation.

The difference between the current value at the time of allocation and the issue price is recognised in personnel costs.

Shares granted

		2020	2019
Shares granted for the employee investment plan and the compensation of the Board of Directors	units	56,095	53,545
Current value on the day of allocation	CHF	44.00	35.10
Personnel costs	CHF	**760,000**	**530,000**
Shares granted for the variable long-term compensation element for the Group Executive Committee (with 100% achievement of objectives)	units	11,144	11,287
Current value on the day of allocation	CHF	45.60	33.35
Personnel costs	CHF	**360,000**	**165,000**

23. Acquisitions

No acquisitions were made in the year under review.

The following acquisition was made in the previous year:

- On 7 March 2019, the Zehnder Group acquired the full complement of shares in the Dutch ventilation company Recair for EUR 7.4 million. 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.

24. Goodwill

In accordance with the consolidation principles, Zehnder Group directly nets acquired goodwill with equity at the time of first consolidation.

If the parts of the acquired goodwill that could be capitalised had been capitalised and written down over a period of five years, the following figures would have resulted:

Impact of theoretical capitalisation of goodwill on balance sheet

		31.12.2020	31.12.2019
Disclosed equity inclusive minority interests	EUR million	**326.9**	**303.0**
Equity ratio	%	65.6	64.4
Acquisition value of goodwill			
Status at beginning of business year	EUR million	131.2	125.0
Additions[1]	EUR million	–	6.3
Disposals	EUR million	– 0.1	–
Status at end of business year	EUR million	131.1	131.2
Accumulated amortisation			
Status at beginning of business year	EUR million	– 117.7	– 111.4
Amortisation in current year	EUR million	– 5.8	– 6.3
Status at end of business year	EUR million	– 123.5	– 117.7
Theoretical net book value of goodwill	EUR million	**7.7**	**13.6**
Theoretical equity inclusive minority interests and net book value of goodwill	EUR million	**334.6**	**316.6**
Theoretical equity ratio	%	66.1	65.4

1 EUR 6.3 million from the acquisition of Recair, Netherlands (2019)

Impact of theoretical capitalisation of goodwill on results

		31.12.2020	31.12.2019
Disclosed net profit	EUR million	**39.9**	**31.9**
Theoretical amortisation of goodwill	EUR million	– 5.8	– 6.3
Net profit after amortisation of goodwill	EUR million	**34.1**	**25.7**

25. Disclosure of compensation paid to the Board of Directors and the Group Executive Committee

The total compensation for the Board of Directors and Group Executive Committee is shown in the table below.

EUR thousands	2020	2019
Fixed cash compensation	2,027	2,112
Variable compensation (short-term and long-term)	1,138	853
Employer social security and pension contributions	578	562
Share-based payments	934	759
Compensation for additional services	251	327
Total compensation paid to the members of the Board of Directors and the Group Executive Committee	**4,928**	**4,613**

Please also refer to the items 5.1 Compensation to the Board of Directors in the business year 2020 and 5.2 Compensation for the Group Executive Committee in the business year 2020 in the Compensation Report.

26. COVID-19 impacts

With regard to the potential impact of COVID-19, the following balance sheet items were analysed in detail: receivables, inventories, non-current assets, provisions and goodwill offset against equity. With the exception of the increased short-term provisions for targeted staffing measures – see item 6. Provisions in these notes to the consolidated financial statements – no major adjustments were required.

To a similar extent as restructuring provisions were recognised in the reporting year, government contributions were received largely in the form of short-time work compensation. These are recorded in personnel costs with a cost-reducing effect.

27. Events after the balance sheet date

Following on from the 3 November 2020 announcement of the takeover of Zhongshan Fortuneway Environmental Technology Co., Ltd, headquartered in Zhongshan (Guangdong province, China), the effective transfer of control (closing) is likely to take place in the first half of 2021.

Apart from this, there were no extraordinary pending transactions, risks or further events after the balance sheet date which ought to be disclosed in these consolidated financial statements.

The 2020 financial statements were approved by the Board of Directors on 19 February 2021.

Overview of companies

✓ PwC Switzerland

As at 31 December 2020, the consolidation scope of the Zehnder Group comprised the following companies.

Unless otherwise stated, the capital stock is shown in the relevant local currency.

		Activity	Capital stock	Capital share in %	Consolidated
Austria					
Vienna	Zehnder Österreich GmbH	S	5,000	100	Fully
Belgium					
Mechelen	Zehnder Group Belgium nv/sa	S	800,010	100	Fully
Canada					
Vancouver	Core Energy Recovery Solutions Inc.	S/P	18,766,213	100	Fully
China					
Dachang	Dachang Zehnder Indoor Climate Co., Ltd.	P	200,000,000	73	Fully
Beijing	Eric & Bason Building Environment Technologies Co., Ltd.	S	8,400,000	36	At equity
Beijing	Zehnder (China) Indoor Climate Co., Ltd.	S	228,250,000	73	Fully
Pinghu	Nather Ventilation System Co., Ltd.	S/P	60,000,000	76	Fully
Pinghu	Zhejiang Nather Water Treatment Technology Co., Ltd.	S	5,000,000	39	Fully
Shanghai	Shanghai Nather Air Technology Co., Ltd.	S	3,200,000	76	Fully
Shanghai	Zehnder Group Enterprise Management (Shanghai) Co., Ltd.	S	100,000	100	Fully
Czech Republic					
Prague	Zehnder Group Czech Republic s.r.o.	S	200,000	100	Fully
Estonia					
Tallinn	Zehnder Baltics OÜ	S	2,556	100	Fully
Finland					
Porvoo	Enervent Zehnder OY	S/P	250,000	100	Fully
France					
Évry	Zehnder Group France	S	7,225,230	100	Fully
Évry	Zehnder Group Participations SAS	O	7,744,000	100	Fully
Évry	Zehnder Climate Ceiling Solutions SAS	S	2,000	100	Fully
Saint-Quentin	HET Transport & Logistique SAS	O	687,000	100	Fully
Vaux-Andigny	Zehnder Group Vaux Andigny SAS	P	4,200,000	100	Fully
Germany					
Lahr	Zehnder Group Deutschland GmbH	S	2,000,000	100	Fully
Lahr	Zehnder GmbH	P	25,000,000	100	Fully
Lahr	Zehnder Group Deutschland Holding GmbH	O	2,100,000	100	Fully
Lahr	Zehnder Group Grundstücksverwaltungs-GmbH	O	1,100,000	100	Fully
Lahr	Zehnder Logistik GmbH	O	250,000	100	Fully
Kleve	Recair GmbH	S	25,000	100	Fully
Reinsdorf	Paul dPoint Technologies GmbH	S	25,000	100	Fully
Reinsdorf	Paul Wärmerückgewinnung GmbH	P	2,100,000	100	Fully

Italy					
Campogalliano	Zehnder Group Italia S.r.l.	S	80,000	100	Fully
Netherlands					
Zwolle	Zehnder Group Zwolle B.V.	P	908,000	100	Fully
Zwolle	Zehnder Group Nederland B.V.	S	18,000	100	Fully
Waalwijk	Recair B.V.	S/P	114,000	100	Fully
Waalwijk	Metis B.V.	S	18,000	100	Fully
Norway					
Bekkestua	Exvent AS	S	300,000	100	Fully
Poland					
Bolesławiec	Zehnder Group Bolesławiec Sp. z o.o.	P	51,280,000	100	Fully
Wrocław	Zehnder Polska Sp. z o.o.	S	4,000,000	100	Fully
Russia					
Moscow	OOO «Zehnder GmbH», Russia	S	1,866,410	100	Fully
Spain					
Cerdanyola del Vallès	Zehnder Group Iberica Indoor Climate, S.A.	S	300,500	100	Fully
Sweden					
Motala	Zehnder Group Nordic AB	S	6,400,000	100	Fully
Motala	Zehnder Group Motala AB	P	120,000	100	Fully
Täby	Ventener AB	S	50,000	100	Fully
Switzerland					
Gränichen	Zehnder Group AG	O	586,800		Fully
Gränichen	Zehnder Group Produktion Gränichen AG	P	2,900,000	100	Fully
Gränichen	Zehnder Group International Ltd	O	1,000,000	100	Fully
Gränichen	Zehnder Group Schweiz AG	S	500,000	100	Fully
Gränichen	Zehnder Group Swiss Property AG	O	2,000,000	100	Fully
Turkey					
Manisa	Hotpan Isitma Sistemleri Pazarlama ve Ticaret Aş	S	50,004	100	Fully
Manisa	Sanpan Isitma Sistemleri Sanayi ve Ticaret Aş	S/P	74,481,674	100	Fully
Istanbul	Zehnder Group Iç Mekan Iklimlendirme Sanayi Ticaret Ltd Şti	S	3,525,000	100	Fully
United Kingdom					
Camberley	Zehnder Group UK Ltd	S	3,500,002	100	Fully
Camberley	Zehnder Group UK Holdings Ltd	O	20,000,000	100	Fully
Lenham	Zehnder Group Lenham Ltd	P	3,400,002	100	Fully
USA					
Buffalo NY	Hydro-Air Components, Inc. (Zehnder Rittling)	S/P	55,950	100	Fully
Hampton NH	Zehnder America, Inc.	S	10	100	Fully
Ward Hill MA	Runtal North America, Inc.	S/P	193,522	100	Fully
Ward Hill MA	Zehnder Group US Holdings, Inc.	O	30	100	Fully

P: production, S: sales, O: other functions

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zehnder Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes ('consolidation scope and principles' and 'notes to the consolidated financial statements' and 'overview of companies') to the consolidated financial statements, including a summary of significant accounting and valuation principles.

In our opinion, the accompanying consolidated financial statements (pages 65 to 94) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 4'500'000

We concluded full scope audit work at 17 Group companies in 9 countries. These Group companies contributed 72% of the Group's sales.

An audit of specific account balances was performed at one additional Group company, which addressed a further 8% of the Group's sales. A further 4% of audit coverage on the Group's sales was obtained by specified procedures performed centrally by us.

As key audit matter the following area of focus has been identified:

Valuation of trade accounts receivable

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 4'500'000
How we determined it	0.75% of sales, rounded
Rationale for the materiality benchmark applied	We chose sales as the benchmark because, in our view, it is one of the benchmarks against which the performance of a group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises two business divisions and it is active in two regions, Europe, and China and North America. The Group financial statements are a consolidation of 53 reporting units, comprising the Group's operating businesses and centralised service and corporate functions.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor as well as by the component auditors in the PwC network and third parties. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor was based on audit instructions and structured reporting. It included telephone conferences with the component auditors, an investigation of the risk analysis and on-site visits to discuss the audit with selected component auditors.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of trade accounts receivable

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, Zehnder Group AG disclosed trade accounts receivable in the amount of EUR 111.0 million (prior year: 124.2 EUR million). Trade accounts receivable are recognised at their nominal value. Allowances are determined on the basis of the maturity structure and identifiable credit and solvency risks. In applying this approach, Group management and the Board of Directors make assumptions regarding the underlying valuation and the recoverability of the out-standing receivables. We consider the valuation of trade accounts receivable as a key audit matter because the actual cash inflows from the outstanding receivables are subject to a material estimation uncertainty. Please refer to page 71 of the annual report for information on the accounting and valuation principles and to page 76 for the notes on the trade accounts receivable.	We tested the appropriateness of the Group's financial reporting in relation to the valuation of trade accounts receivable, including the accounting policies for the determination of specific and general allowances for bad and doubtful debts. Based on audit procedures listed we tested how Group Management and the Board of Directors made the accounting estimate in terms accounts receivable valuation: • Critical examination of Group management's methods, assumptions and assessments relating to the impairment testing of the trade accounts receivable. • Examination whether internal and external indicators of credit, solvency and default risks had been appropriately considered (specific allowances). • Analysis whether the assumptions were consistent and based on acceptable historical experience and whether the calculation was performed in a mathematically correct manner based on the maturity structure (general allowances). We consider the methods applied to be an appropriate basis for the valuation of trade accounts receivable. The results of our audit support the assumptions and data used and the assessments made by Group management and the Board of Directors.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger	Korbinian Petzi
Audit expert Auditor in charge	Audit expert

Luzern, 23 February 2021

Alternative performance measures

In this Annual 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)	2020	2019
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.	**Sales**	**617.7**	**644.4**
		Currency effects	1.4	– 4.9
		Acquisition effects	–	– 14.5
		Organic sales	**619.0**	**625.0**
		Organic sales growth in %	**– 3.9**	**3.8**
EBITDA	Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a key figure used to measure the performance of the Group.	**Operating result (EBIT)**	**50.5**	**42.1**
		Depreciation of property, plant and equipment	23.7	22.2
		Amortisation of intangible assets	0.5	0.6
		EBITDA	**74.8**	**64.9**
EBIT before one-off effects	Earnings before interest and taxes (EBIT) adjusted for significant one-off effects is a key figure used to measure the performance of the Group. One-off effects include, for example, material restructuring costs or the sale of properties.	**Operating result (EBIT)**	**50.5**	**42.1**
		One-off effects	–	–
		EBIT before one-off effects	**50.5**	**42.1**
ROCE	The return on capital employed (ROCE) measures the profitability and efficiency of the Group's capital utilisation. The net operating profit after tax (NOPAT) is compared with the capital employed (CE).	Trade accounts receivable	111.0	124.2
		Other receivables	17.1	17.9
		Inventories	60.6	61.6
		Prepayments	1.3	2.7
		Accrued income	3.4	3.5
		Trade accounts payable	– 35.1	– 31.6
		Other short-term liabilities	– 29.6	– 23.5
		Accruals and deferred income	– 57.9	– 57.7
		Short-term provisions	– 10.9	– 6.5
		Long-term provisions	– 27.0	– 24.4
		Other long-term liabilities	– 1.2	– 0.4
		Non-current assets	198.9	211.8
		Capital employed (CE)	**230.5**	**277.5**
		Operating result (EBIT)	**50.5**	**42.1**
		Expected income taxes	– 11.4	– 10.3
		Net operating profit after tax (NOPAT)	**39.1**	**31.7**
		ROCE in %	**17.0**	**11.4**
Net liquidity/(net debt)	Net liquidity or debt is a key figure used to measure the Group's financial liquidity or debt.	**Liquid assets**	**106.3**	**48.9**
		Short-term loans	– 3.1	– 15.4
		Long-term loans	– 6.8	– 8.0
		Net liquidity/(net debt)	**96.4**	**25.5**

Balance sheet of Zehnder Group AG

PwC Switzerland

CHF million	Notes	31 December 2020	31 December 2019
Assets			
Liquid assets		11.7	3.8
Other short-term receivables	1	3.5	2.7
Current assets		**15.3**	**6.5**
Financial assets	2	100.9	107.8
Participations	3	294.4	288.6
Non-current assets		**395.2**	**396.4**
Total assets		**410.6**	**402.9**
Liabilities & shareholders' equity			
Short-term interest-bearing liabilities	4	10.4	5.1
Other short-term liabilities	5	0.1	0.1
Accruals and deferred income		1.0	1.0
Current liabilities		**11.6**	**6.2**
Provisions		0.2	0.3
Non-current liabilities		**0.2**	**0.3**
Share capital	6	0.6	0.6
Legal retained earnings		46.5	46.5
Voluntary retained earnings			
• Voluntary retained earnings		4.2	4.2
• Available earnings			
– Profit carried forward		341.4	338.6
– Net profit for the year		10.5	11.0
Own shares	7	– 4.4	– 4.6
Shareholders' equity		**398.8**	**396.3**
Total liabilities and shareholders' equity		**410.6**	**402.9**

✓ PwC Switzerland

Income statement of Zehnder Group AG

CHF million	Notes	2020	2019
Dividend income		16.0	19.1
Other operating income		1.8	2.4
Operating income		**17.8**	**21.5**
Personnel expenses		– 0.9	– 1.0
Other operating expenses		– 3.6	– 2.5
Impairment losses on loans and participations		–	– 9.1
Operating profit		**13.3**	**8.9**
Financial income		3.1	5.1
Financial expenses		– 5.6	– 2.8
Direct taxes		– 0.2	– 0.2
Net profit for the year		**10.5**	**11.0**

Accounting and valuation principles

✓ PwC Switzerland

These annual accounts have been prepared in accordance with the provisions of the Swiss Accounting Law (title 32 OR [Swiss Code of Obligations]). The main valuation principles applied that are not prescribed by law are described below. It should be noted that the option of forming and releasing hidden reserves was exercised in order to safeguard the company's long-term best interests.

1. Income from participations

The income from participations corresponds to the dividend earnings of the company. These are generally stated before the deduction of withholding tax.

2. Own shares

Own shares are recognised under shareholders' equity in the balance sheet as a deduction at cost at the time of acquisition. If they are later resold, the profit or loss is recognised as financial income or expense on the income statement.

3. Share-based compensation

If own shares are used for share-based compensation for Board of Director members, then the difference between the current value at the time of allocation and the allocated share payment to the Board members is assigned as a personnel expense.

4. Participations

Participations are valued at acquisition cost less impairments.

5. Receivables and liabilities

Receivables and liabilities to third parties and Group companies are recognised at nominal values, less any operating allowance for bad debts.

Notes to the financial statements of Zehnder Group AG

✓ PwC Switzerland

General comments

As Zehnder Group AG has a pure holding company function, the point must be made that the income development of this company in no way reflects the present or future profitability of Zehnder Group. Hence the development of the Group as set out in the consolidated financial statements – and not the individual financial statements of Zehnder Group AG – is decisive for the Board of Directors for their dividend proposal. The aim of the dividend policy laid down by the Board of Directors is to pay out some 30 to 50% of the consolidated net profit of Zehnder Group to its shareholders.

1. Other short-term receivables

CHF million	**31.12.2020**	31.12.2019
Accounts receivable from Group companies	3.5	2.7
Total	**3.5**	**2.7**

2. Financial assets

CHF million	**31.12.2020**	31.12.2019
Loans to third parties	–	0.2
Loans to Group companies	100.9	107.6
Total	**100.9**	**107.8**

3. Participations

The directly or indirectly held majority interests which are material are included in the Overview of companies table set out in the consolidated financial statements in this Financial Report.

4. Short-term interest-bearing liabilities

CHF million	**31.12.2020**	31.12.2019
Loans from Group companies	10.4	5.1
Total	**10.4**	**5.1**

5. Other short-term liabilities

CHF million	**31.12.2020**	31.12.2019
Other short-term liabilities to third parties	0.1	0.1
Total	**0.1**	**0.1**

6. Share capital

	Registered shares A units **2020**	Registered shares B units **2020**	Value CHF **2020**	Registered shares A units **2019**	Registered shares B units **2019**	Value CHF **2019**
Total registered shares A as of 1.1.	9,756,000		487,800	9,756,000		487,800
Total registered shares B as of 1.1.		9,900,000	99,000		9,900,000	99,000
Total at 31.12.	**9,756,000**	**9,900,000**	**586,800**	**9,756,000**	**9,900,000**	**586,800**

As in 2019, total share capital amounted to CHF 0.6 million, corresponding to EUR 0.4 million at the exchange rate of 1 January 2003. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

The unlisted registered shares B (CHF 0.01 nominal value) are all directly or indirectly held by members of the Zehnder family or by persons closely associated with the family. The great majority of the registered shares B is owned by Graneco AG (Switzerland). On the balance sheet date, Graneco AG and its shareholders held 51.7% of the company’s restricted shares and voting rights.

7. Own shares

The development of this item can be seen in the table below.

	Registered shares A units 2020	Value per share CHF 2020	Value CHF 2020	Registered shares A units 2019	Value per share CHF 2019	Value CHF 2019
Own shares at 1.1., trading portfolio	**110,524**	**41.34**	**4,568,660**	**157,509**	**41.39**	**6,518,538**
Shares sold	– 56,095	44.00	– 2,468,180	– 53,545	35.10	– 1,879,430
Gain/(loss) from sale			140,238			– 430,164
Shares bought	50,000	43.85	2,192,493	–	–	–
Reclassifications	–	–	–	6,560	54.83	359,716
Own shares at 31.12., trading portfolio	**104,429**	**42.45**	**4,433,210**	**110,524**	**41.34**	**4,568,660**
Own shares at 1.1., long-term stock option plan	**–**	**–**	**–**	**6,560**	**54.83**	**359,716**
Shares sold	–	–	–	–	–	–
Gain/(loss) from sale			–			–
Shares bought	–	–	–	–	–	–
Reclassifications	–	–	–	– 6,560	54.83	– 359,716
Own shares at 31.12., long-term stock option plan	**–**	**–**	**–**	**–**	**–**	**–**
Total securities at 1.1.	110,524		4,568,660	164,069		6,878,254
Total securities at 31.12.	104,429		4,433,210	110,524		4,568,660

The own shares allocated to the Board of Director members are shown in item 5.1 Compensation to the Board of Directors in the business year 2020 in the Compensation Report.

8. Number of full-time positions

The holding company has no employees.

9. Pledged assets and guarantees

The company has guarantee obligations and pledged assets in favour of subsidiaries in the amount of CHF 48.8 million (2019: CHF 77.3 million).

The company belongs to a VAT group which comprises all the Swiss companies in Zehnder Group and is thus jointly and severally liable vis-à-vis the Swiss Federal Tax Administration for any VAT debts of this VAT group.

10. Disclosure of ownership structure

According to the information available to the Board of Directors, the following shareholders held more than 3% of the share capital of Zehnder Group AG as at the balance sheet date:

- Graneco AG, Gränichen (Switzerland): 15,720 registered shares A and 9,775,600 registered shares B, corresponding to 49.8% of the votes (2019: 49.8%); together with the other registered shares of the company held by the shareholders of Graneco AG, this group holds 51.7% of the voting rights;
- Credit Suisse Funds AG, Zurich (Switzerland): 773,354 registered shares A, corresponding to 3.9% of the votes (2019: 4.5%).

For notification of disclosure of significant shareholdings, please refer to the website of SIX Swiss Exchange: www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?companyId=ZEHNDER.

As at the balance sheet date, the members of the Board of Directors and of the Group Executive Committee, including persons closely associated with them, owned the following shares and options:

Board of Directors and Group Executive Committee	Registered shares A units[1] 2020	Registered shares A units[1] 2019	Registered shares B units[2] 2020	Registered shares B units[2] 2019
Hans-Peter Zehnder[4]	210,846	203,878	20,000	20,000
Chairman of the Board	1.1%[3]	1.0%[3]	0.1%[3]	0.1%[3]
Thomas Benz	37,301	35,331	–	–
Vice Chairman of the Board up to 2 April 2020	0.2%[3]	0.2%[3]		
Jörg Walther	8,335	6,530	–	–
Vice Chairman of the Board since 2 April 2020				
Urs Buchmann	18,962	16,993	–	–
Member of the Board	0.1%[3]	0.1%[3]		
Riet Cadonau	10,065	8,260	–	–
Member of the Board	0.1%[3]			
Daniel Frutig	1,313	–	–	–
Member of the Board from 28 March 2019 up to 2 April 2020				
Ivo Wechsler	1,641	–	–	–
Member of the Board since 28 March 2019				
Milva Zehnder	6,062	4,749	–	–
Member of the Board				
Matthias Huenerwadel	10,726	5,800	–	–
Chairman of the Group Executive Committee, CEO	0.1%[3]			
René Grieder	17,850	14,780	–	–
CFO	0.1%[3]	0.1%[3]		
Johannes Bollmann	2,610	1,160	–	–
Competence Center Comfosystems since 4 April 2019				
Tomasz Juda	2,800	2,800	–	–
Competence Center Radiators up to 31 May 2020				
Jörg Metzger	–	–	–	–
Competence Center Radiators since 11 May 2020				
Cyril Peysson	45,557	42,792	–	–
Sales Europe/Middle East/Africa (EMEA)	0.2%[3]	0.2%[3]		
Olaf Schulte	–	475	–	–
Competence Center Comfosystems up to 3 April 2019				

1 Provided they were acquired under the employee share ownership programme, some of these shares may be subject to a restriction period (see Compensation Report).

2 The registered shares B are not listed.

3 Share of total votes in % (only if ≥ 0.1%)

4 Excluding Graneco AG, in which Hans-Peter Zehnder holds a 58.4% stake.

11. Net release of hidden reserves

The total net release of hidden reserves amounts to CHF 15.0 million (2019: CHF 0.0 million).

12. Events after the balance sheet date

Following on from the 3 November 2020 announcement of the takeover of Zhongshan Fortuneway Environmental Technology Co., Ltd, headquartered in Zhongshan (Guangdong province, China), the effective transfer of control (closing) is likely to take place in the first half of 2021.

Apart from this, there were no extraordinary pending transactions, risks or further events after the balance sheet date which should be set out in the financial statements.

Proposal on the appropriation of earnings

	CHF
The balance sheet profit available for distribution comprises	
Retained earnings from previous year	341,420,259
Net gain for 2020 according to the income statement	10,527,796
Balance sheet profit	**351,948,055**
The Board of Directors proposes the following appropriation of earnings:	
Payment of a dividend	14,670,000
To be carried forward to new account	337,278,055
Total appropriation of earnings	**351,948,055**

As retained earnings have reached the statutory requirement of 20% of share capital, any corresponding allocation can be waived.

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zehnder Group AG, which comprise the balance sheet as at 31 December 2020, income statement for the year then ended and notes to the financial statements, including a summary of significant accounting and valuation principles.

In our opinion, the accompanying financial statements (pages 100 to 108) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 4,000,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Valuation of investments in subsidiaries

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 4,000,000
How we determined it	1% of total assets (rounded)
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which a holding company can be assessed, and it is a generally accepted benchmark for materiality considerations.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
The Company as at 31 December 2020 had direct and indirect investments in subsidiaries in the amount of CHF 294.4 million (prior year: CHF 288.6 million). The value of these investments is assessed using a capitalised earnings model. In this process, wide-ranging qualitative and quantitative factors are taken into account. The model applies various assumptions that have a significant influence on the calculated value of the investment. We consider the impairment testing of investments in subsidiaries as a key audit matter owing to their significance on the balance sheet and the corresponding estimation uncertainty.	In order to test the appropriateness of the valuation procedures undertaken by Group management and the Board of Directors, we performed the following audit procedures: • Assessment whether a methodologically correct valuation process had been chosen and whether the calculations were mathematically correct. • Reconciliation of the budget figures with the current business plans of Group management that had been approved by the Board of Directors. • Critical assessment of the key assumptions, including the expected future earnings, the growth

Please refer to page 102 of the annual report for information on the accounting and valuation principles and to page 103 for the notes on the investments.

rate and the capitalisation rates used, by comparison with other available internal and external information and by performing sensitivity analyses.

We conducted on the basis of the available documentation a critical assessment of the wider-ranging qualitative and quantitative factors considered in the valuation by Group management.

Additionally, we compared the net assets of the Company with the market capitalisation of the Group.

We consider the valuation procedures to be an appropriate and adequate basis for the impairment testing of the equity investments. The results of our audit support the assumptions of Group management and the Board of Directors.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is available on the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger	Korbinian Petzi
Audit expert Auditor in charge	Audit expert

Lucerne, 23 February 2021