
Financial Report

69 Consolidated financial statements

69	Five-year overview
70	Data per share
71	Consolidated balance sheet
72	Consolidated income statement
73	Consolidated cash flow statement
74	Consolidated statement of changes in equity
75	Consolidation scope and principles
77	Accounting and valuation principles
82	Notes to the consolidated financial statements
100	Overview of companies
102	Report of the statutory auditor
106	Alternative performance measures

107 Financial statements of Zehnder Group AG

107	Balance sheet of Zehnder Group AG
108	Income statement of Zehnder Group AG
109	Accounting and valuation principles
110	Notes to the financial statements of Zehnder Group AG
115	Proposal on the appropriation of earnings
116	Report of the statutory auditor

Five-year overview

		2021	2020	2019	2018	2017
Sales	EUR million	697.1	617.7	644.4	601.8	582.4
Change from prior year	%	12.9	-4.1	7.1	3.3	8.1
EBITDA¹	EUR million	92.1	74.8	64.9	53.2	45.7
Change from prior year	%	23.1	15.2	22.1	16.5	-35.0
	% of sales	13.2	12.1	10.1	8.8	7.8
EBIT	EUR million	69.1	50.5	42.1	31.1	23.5
Change from prior year	%	36.8	20.1	35.4	32.1	-45.7
	% of sales	9.9	8.2	6.5	5.2	4.0
Net profit²	EUR million	60.3	39.9	31.9	24.5	16.5
Change from prior year	%	51.2	24.9	30.6	48.3	-41.3
	% of sales	8.6	6.5	5.0	4.1	2.8
Cash flow from operating activities	EUR million	79.9	95.3	43.1	30.5	18.5
Change from prior year	%	-16.2	121.0	41.2	65.5	5.3
	% of sales	11.5	15.4	6.7	5.1	3.2
Investments in property, plant and equipment & intangible assets	EUR million	21.9	16.7	26.0	24.4	26.8
Depreciation & amortisation	EUR million	-22.9	-24.3	-22.8	-22.1	-22.1
Total assets	EUR million	552.6	498.6	470.5	440.9	419.8
Non-current assets	EUR million	207.9	198.9	211.8	207.8	206.5
Net liquidity/(net debt)¹	EUR million	123.2	96.4	25.5	21.3	27.5
Shareholders' equity²	EUR million	362.4	326.9	303.0	283.1	271.2
	% of total assets	65.6	65.6	64.4	64.2	64.6
Employees	Ø full-time equivalents	3,554	3,340	3,413	3,412	3,383
Market closing price registered share A	CHF	93.10	59.10	45.60	33.35	39.95
Dividends³	CHF million	21.1	14.7	8.2	9.4	5.9
Payout ratio	%	33	35	24	35	34
Market capitalisation⁴	CHF million	908.3	576.6	444.9	325.4	389.8
Total market capitalisation⁵	CHF million	1,092.6	693.6	535.2	391.4	468.9

¹ See [Alternative performance measures](#) in the consolidated financial statements in the Financial Report.

² Including minority interests

³ For 2021 as proposed by the Board of Directors

⁴ Market value of all listed registered shares A at year end; excluding value of unlisted registered shares B

⁵ 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

			2021	2020	2019	2018	2017
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	106.40	59.20	45.90	46.00	40.95
Registered share A	low	CHF	60.90	30.85	31.20	29.15	31.30
Registered share A	at year end	CHF	93.10	59.10	45.60	33.35	39.95
Consolidated net profit¹							
Per registered share A		EUR	5.13	3.34	2.64	1.98	1.34
Consolidated equity^{1,2}							
Per registered share A		EUR	29.58	26.77	24.81	23.21	22.42
Dividend (gross)							
Dividend per registered share A ³		CHF	1.80	1.25	0.70	0.80	0.50
Payout ratio	% of net profit per share		33	35	24	35	34

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 2021 as proposed by the Board of Directors

Consolidated balance sheet



EUR million	Notes	31 December 2021	31 December 2020	Change from prior year %
Assets				
Liquid assets	1	136.4	106.3	
Trade accounts receivable	2	109.3	111.0	
Other receivables	2	18.9	17.1	
Inventories	3	75.4	60.6	
Prepayments		1.2	1.3	
Accrued income		3.5	3.4	
Current assets		344.7	299.7	15.0
Property, plant and equipment	4	187.7	182.9	
Financial assets	4	17.2	13.0	
Intangible assets	4	3.0	3.0	
Non-current assets		207.9	198.9	4.5
Total assets		552.6	498.6	10.8
Liabilities & shareholders' equity				
Short-term financial liabilities	5	3.4	3.1	
Trade accounts payable		41.5	35.1	
Other short-term liabilities		29.0	29.6	
Short-term provisions	6	12.0	10.9	
Accruals and deferred income		66.0	57.9	
Current liabilities		151.9	136.7	11.1
Long-term financial liabilities	5	9.8	6.8	
Other long-term liabilities		0.7	1.2	
Long-term provisions	6	27.8	27.0	
Non-current liabilities		38.3	35.0	9.6
Total liabilities		190.2	171.7	10.8
Share capital		0.4	0.4	
Capital reserves		33.6	33.6	
Own shares		-7.5	-4.1	
Retained earnings		321.8	293.6	
Accumulated FX differences		-4.4	-11.2	
Minority interests		18.4	14.7	
Equity	7	362.4	326.9	10.9
Total liabilities & shareholders' equity		552.6	498.6	10.8

Consolidated income statement



EUR million	Notes	2021	2020	Change from prior year %
Sales	16	697.1	617.7	12.9
Changes in inventories		2.5	3.5	
Own work capitalised		1.7	0.9	
Other operating income	17	6.2	3.0	
Cost of materials		-261.4	-229.5	
Personnel costs		-213.5	-197.8	
Depreciation of property, plant and equipment	4	-22.4	-23.7	
Amortisation of intangible assets	4	-0.5	-0.5	
Other operating expenses	18	-140.4	-123.0	
Operating result (EBIT)		69.1	50.5	36.8
Result from associated companies		0.1	-	
Financial result	19	-0.8	-3.3	
Earnings before taxes		68.4	47.2	45.0
Income taxes	20	-8.2	-7.3	
Net profit		60.3	39.9	51.2
Minority interests		0.6	1.0	
Net profit excluding minority interests		59.7	38.9	
Non-diluted net profit excluding minority interests per registered share A (EUR)	21	5.13	3.34	53.8
Diluted net profit excluding minority interests per registered share A (EUR)	21	5.12	3.34	53.5
Non-diluted net profit excluding minority interests per registered share B (EUR)	21	1.03	0.67	53.8
Diluted net profit excluding minority interests per registered share B (EUR)	21	1.02	0.67	53.5

Consolidated cash flow statement



EUR million	Notes	2021	2020
Net profit		60.3	39.9
Depreciation and amortisation of property, plant and equipment	4	22.4	23.7
Depreciation and amortisation of intangible assets	4	0.5	0.5
Other non-cash changes		11.9	4.0
(Gain)/loss on disposals of non-current assets		-	-0.2
(Increase)/decrease in trade accounts receivable		-2.3	9.7
(Increase)/decrease in other receivables, prepayments and accrued income		-0.1	1.7
(Increase)/decrease in inventories		-12.2	-2.6
Increase/(decrease) in trade accounts payable		1.0	5.3
Increase/(decrease) in other short-term liabilities, accruals and deferred income		3.3	7.6
Increase/(decrease) in provisions	6	-2.4	7.4
(Increase)/decrease in deferred tax assets	4	-2.7	-1.9
Cash flow from operating activities		79.9	95.3
Investments in property, plant and equipment	4	-21.9	-16.4
Investments in intangible assets		0.1	-0.3
Investments in subsidiaries	23	-15.6	-
Divestment of property, plant and equipment		0.5	0.7
Divestment of financial assets		0.1	-
Cash flow from investing activities		-36.8	-16.0
Dividends paid to shareholders		-13.3	-7.7
Dividends paid to minority shareholders		-	-0.7
Purchase of own shares		-5.6	-2.1
Sale of own shares		3.1	1.8
Increase/(decrease) in short-term financial liabilities	5	-1.5	-12.3
Increase/(decrease) in long-term financial liabilities	5	-2.0	0.9
Increase/(decrease) in other liabilities		-0.3	-
Cash flow from financing activities		-19.5	-20.2
Currency effects		6.4	-1.7
Increase/(decrease) in liquid assets		30.1	57.4
Liquid assets at 1.1.		106.3	48.9
Liquid assets at 31.12.		136.4	106.3
Increase/(decrease)		30.1	57.4

Consolidated statement of changes in equity



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 1.1.2021	0.4	33.6	-4.1	-131.1	424.7	-11.2	312.2	14.7	326.9
Purchase of own shares	-	-	-5.6	-	-	-	-5.6	-	-5.6
Sale of own shares	-	-	2.2	-	1.4	-	3.6	-	3.6
Share-based compensation									
– Granted	-	-	-	-	0.9	-	0.9	-	0.9
Net profit	-	-	-	-	59.7	-	59.7	0.6	60.3
Netted goodwill	-	-	-	-20.3	-	-	-20.3	-	-20.3
Change in minority interests	-	-	-	-	-	-	-	1.4	1.4
Dividends	-	-	-	-	-13.3	-	-13.3	-	-13.3
Currency effects	-	-	-	-	-	6.8	6.8	1.7	8.6
Equity at 31.12.2021	0.4	33.6	-7.5	-151.5	473.3	-4.4	344.0	18.4	362.4
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

Consolidation scope and principles



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 at 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:

- Founding of Zehnder Hungary Kft. on 26 February 2021 in Hungary;
- Founding of Zehnder Climate Ceiling Solutions GmbH on 8 March 2021 in Germany;
- Completion of the acquisition of the 51% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. on 28 April 2021 in China;
- Sale by Zehnder (China) Indoor Climate Co., Ltd. of the 49% stake in Eric & Bason Building Environment Technologies Co., Ltd. on 28 April 2021 in China;
- Founding of Zehnder Clean Air Solutions NA, LLC on 11 June 2021 in the USA;
- Merger of Zehnder Group İç Mekan İklimlendirme Sanayi Ticaret Ltd Şti with Sanpan Isıtma Sistemleri Sanayi ve Ticaret AŞ on 2 August 2021 in Turkey;
- Liquidation of Recair GmbH on 16 August 2021 in Germany;
- Purchase of a majority share of 75% in Caladair International SAS and of 100% of Calihce SCI on 28 October 2021 in France.

Consolidation principles

General

Zehnder Group prepares its financial statements in accordance with the 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 as defined 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 euros (EUR) as follows:

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

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 principal rates of exchange 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 exchange rates							
2021	0.9659	13.87	1.1914	21.80	9.75	6.68	0.8817
2020	0.9240	12.49	1.1131	21.90	9.95	11.01	0.8154
Average exchange rates for the year							
2021	0.9220	13.04	1.1620	21.95	9.87	10.09	0.8421
2020	0.9355	12.73	1.1276	22.55	9.52	12.85	0.8827

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 against equity of the Group.

In 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



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

Liquid assets include cash and cash equivalents, postal checking account, and bank balances and 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 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. In 2021, the useful lifetimes were reviewed and adjusted for the following asset classes: buildings, installations and furniture. The new useful lives apply to assets acquired on or after 1 January 2021.

The following useful lives are applicable for the main items contained in property, plant and equipment:

	Assets capitalised up to 31.12.2020	Assets capitalised as of 1.1.2021
Buildings	35 to 50 years	20 to 40 years
Installations	10 to 20 years	5 to 15 years
Machines and equipment	5 to 15 years	5 to 15 years
Furniture	5 to 10 years	3 to 5 years
Computer hardware	3 to 5 years	3 to 5 years
Vehicles	3 to 5 years	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.

Assets valued at less than EUR 3,000 are considered to be minor and are charged directly as an expense to the income statement. Investments financed through long-term leases are included in the balance sheet. Expenses for operating leasing are charged directly to the income statement in the period that they were incurred.

Investment properties that have been assessed as finance leases and financed via long-term leasing contracts are reported in the balance sheet at the lower of the present value of the minimum lease payments or the market value. The corresponding finance lease obligations are shown on the liabilities side. With regard to finance leases, please refer to item **5. Financial liabilities**.

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 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 initially 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 book values 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 book 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 recognised for actual and legal obligations arising from past events 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 is 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 comprises 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 EUR 1 million 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).

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.

Current income taxes are calculated by applying the current tax rates to the profit calculated in accordance with commercial law/anticipated profit for tax purposes, in accordance with the respective taxable profit calculation regulations. The current income tax liabilities are recognised under accruals and deferred income.

Deferred taxes are comprised of deviations between the Group-wide and tax valuation in the company financial statements. These deviations can lead to timing differences in the 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 recognised in the balance sheet within financial assets, and deferred tax liabilities within 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



1. Liquid assets

Liquid assets amounted to EUR 136.4 million (previous year: EUR 106.3 million), whereas interest-bearing financial liabilities reached EUR 13.2 million (previous year: EUR 9.9 million). At year end, net liquidity¹ amounted to EUR 123.2 million (previous year: EUR 96.4 million).

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

2. Trade accounts receivable and other receivables

EUR million	31.12.2021	31.12.2020
Trade accounts receivable gross *	126.2	118.0
Value adjustments on trade accounts receivable	-16.9	-7.0
Trade accounts receivable net	109.3	111.0
Other receivables gross	18.9	17.1
Other receivables net	18.9	17.1
Total trade accounts receivable and other receivables	128.2	128.1
* Of which more than 12 months overdue gross	3.5	3.3

Due to the housing crisis in China and the resulting decline in the credit ratings of various Chinese construction groups, the value adjustments on trade receivables were increased to EUR 14.5 million (previous year: EUR 4.9 million).

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	31.12.2021	31.12.2020
Raw materials	42.8	35.0
Semi-finished products and goods in process	14.6	8.7
Finished products	33.5	30.7
Valuation adjustments	-15.4	-13.7
Total inventories	75.4	60.6

4. Development of non-current assets

Property, plant and equipment

EUR million	Land/ buildings/ installations in buildings ¹	Machinery/ plant	Other fixed assets	Plant under con- struction	Total
Net book value at 1.1.2021	123.1	42.2	9.0	8.5	182.9
Acquisition cost					
Status 1.1.2021	217.1	245.0	30.0	8.5	500.5
Investments	1.7	8.7	2.8	9.0	22.2
Disposals	-0.4	-8.8	-2.5	-	-11.7
Changes in consolidation scope	2.3	2.8	0.4	-	5.6
Reclassifications	1.4	4.0	0.1	-5.5	-
Currency effects	4.5	3.9	0.6	0.1	9.0
Status 31.12.2021	226.5	255.7	31.4	12.1	525.6
Accumulated valuation adjustments					
Status 1.1.2021	-93.9	-202.7	-21.0	-	-317.7
Ordinary depreciation	-6.8	-11.3	-3.9	-	-22.1
Extraordinary depreciation	-	-0.3	-	-	-0.3
Disposals	0.4	8.2	2.2	-	10.8
Changes in consolidation scope	-	-1.3	-0.3	-	-1.6
Reclassifications	-0.1	-	0.1	-	-
Currency effects	-2.6	-4.0	-0.5	-	-7.0
Status 31.12.2021	-103.1	-211.5	-23.4	-	-337.9
Net book value at 31.12.2021	123.4	44.2	8.0	12.1	187.7
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
Changes in consolidation scope	-	-	-	-	-
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

¹ Includes EUR 2.0 million (previous year: EUR 0 million) capitalised from finance leases.

Financial assets

EUR million	Financial assets	Loans	Reserves for employer contributions	Deferred tax assets	Total
Net book value at 1.1.2021	-	0.2	2.7	10.1	13.0
Acquisition or current book value					
Status 1.1.2021	-	0.4	2.7	10.1	13.2
Increases	-	-	-	2.9	3.0
Decreases	-	-	-	-0.3	-0.3
Changes in consolidation scope	0.1	0.1	-	0.5	0.7
Currency effects	-	-	0.1	0.6	0.7
Status 31.12.2021	0.1	0.5	2.9	13.9	17.4
Accumulated valuation adjustments					
Status 1.1.2021	-	-0.2	-	-	-0.2
Status 31.12.2021	-	-0.2	-	-	-0.2
Net book value at 31.12.2021	0.1	0.3	2.9	13.9	17.2
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
Changes in consolidation scope	-	-	-	-	-
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

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	2021	2020
Net book value at 1.1.	3.0	3.3
Acquisition cost		
Status 1.1.	14.4	14.8
Investments	-0.1	0.3
Disposals	-0.7	-0.6
Changes in consolidation scope	0.7	-
Currency effects	0.6	-
Status 31.12.	14.9	14.4
Accumulated valuation adjustments		
Status 1.1.	-11.4	-11.5
Ordinary amortisation	-0.5	-0.5
Disposals	0.7	0.6
Changes in consolidation scope	-0.3	-
Currency effects	-0.4	-
Status 31.12.	-11.9	-11.4
Net book value at 31.12.	3.0	3.0

Intangible assets include software licences amounting to EUR 1.2 million (previous year: EUR 0.8 million), patents amounting to EUR 0.1 million (previous year: EUR 0.1 million) and land use rights amounting to EUR 1.7 million (previous year: EUR 2.1 million).

5. Financial liabilities

Financial liabilities consists of:

EUR million	2021	2020
Bank loans	6.6	3.0
Other loans	0.5	0.5
Mortgages	4.0	6.4
Financial lease liabilities	2.0	-
Total	13.2	9.9

Financial lease liabilities have the following maturity structure:

EUR million	2021	2020
Less than 12 months	0.5	–
12 months to 60 months	1.6	–
Total	2.0	–

Total financial liabilities have the following maturities and currencies:

EUR million	2021	2020
Split by maturity		
Less than 12 months	3.4	3.1
12 months to 60 months	9.8	6.2
More than 60 months	–	0.6
Total	13.2	9.9
Split by currency		
CAD	2.6	3.5
CNY	5.0	3.9
EUR	5.6	–
USD	–	2.5
Total	13.2	9.9

Short-term loans are at average interest rates of 2.0% (previous year: 2.3%). Long-term loans are at average interest rates of 3.2% (previous year: 3.3%).

6. Provisions

EUR million	Tax provisions	Pension commitments	Restructuring provisions	Other provisions	Total
Book value at 1.1.2021	8.4	6.4	3.2	19.9	38.0
New provisions	1.3	0.5	0.3	9.3	11.4
Use	-0.9	-0.4	-1.9	-3.8	-6.9
Reversals	-0.2	-0.8	-0.9	-1.3	-3.2
Changes in consolidation scope	-	0.1	-	-	0.1
Currency effects	0.2	-	-	0.3	0.6
Book value at 31.12.2021	8.9	5.7	0.7	24.5	39.8
Of which short-term	-	0.4	0.7	10.9	12.0
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
Changes in consolidation scope	-	-	-	-	-
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

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 1.3% (previous year: 1.0%).

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% (previous year: 66%). The factors that contributed to changes in consolidated equity are presented in the consolidated statement of changes in equity.

As in the previous year, 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.

Statutory and legal reserves and those not available for distribution amounted to EUR 8.0 million (previous year: EUR 4.2 million).

	Registered shares A units 2021	Value per unit EUR 2021	Value thousand EUR 2021	Registered shares A units 2020	Value per unit EUR 2020	Value thousand EUR 2020
Own shares at 1.1.	104,429	39.51	4,126	110,524	38.38	4,242
Transfer at market price	-57,453	62.67	-3,601	-56,095	40.88	-2,293
Gain/(loss) from sale			1,372			131
Purchase at acquisition price	79,300	70.14	5,562	50,000	40.91	2,046
Own shares at 31.12.	126,276	59.07	7,460	104,429	39.51	4,126

The transferred 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).

Of the total shares acquired, 79,300 shares were repurchased via the second trading line on the SIX Swiss Exchange as part of the share buyback programme started on 24 March 2021.

8. Contingent liabilities

At year end, there were guarantee obligations and contingent liabilities vis-à-vis third parties totalling EUR 18.3 million (previous year: EUR 1.9 million).

The following contingent liabilities exist in connection with the acquisitions of Zhongshan Fortuneway Environmental Technology Co., Ltd. and Caladair International SAS:

- The Zehnder Group owns 51% of Zhongshan Fortuneway Environmental Technology Co., Ltd. The Zehnder Group has agreed on the conditions of the potential transfer of the additional 25% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. with the current owner. On the one hand, the Zehnder Group has received call options on the remaining 49% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. On the other hand, the Zehnder Group has issued put options on 25% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd.
- The Zehnder Group owns 75% of Caladair International SAS. Zehnder Group has agreed on the conditions of the potential transfer of the remaining 25% stake of Caladair International SAS with the current owner. On the one hand, the Zehnder Group has received call options on the remaining 25% stake of Caladair International SAS. On the other hand, the Zehnder Group has issued put options on 25% stake Caladair International SAS.

Both options rights are currently not exercisable. As the options do not meet the recognition criteria for an asset or a liability, they are not recognised in the balance sheet.

9. Pledged assets

Of the Group's total assets, EUR 8.0 million served as collateral (previous year: EUR 20.3 million). The pledged assets were exclusively land and buildings.

10. Liabilities to pension funds

At 31 December 2021, there were liabilities to pension funds of EUR 0.6 million (previous year: EUR 0.6 million). These 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 due from companies that were not fully consolidated.

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

The Zehnder Group completed no major transactions with minority shareholders of subsidiaries in either the current or prior year and there were no receivables or obligations at the balance sheet date with minority shareholders.

12. Derivative financial instruments

EUR million	Positive fair values 31.12.2021	Negative fair values 31.12.2021	Positive fair values 31.12.2020	Negative fair values 31.12.2020	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	31.12.2021	31.12.2020
Within 12 months	4.6	3.8
In 13–60 months	8.7	7.0
In more than 60 months	0.1	0.1
Total	13.4	10.9

14. Employer contribution reserves and pension fund liabilities

Employer contribution reserve (ECR)

EUR thousands	Nominal value 31.12.2021	Balance sheet 31.12.2021	Currency gain (+)/ loss (-) on ECR 2021	Balance sheet 31.12.2020	Expense (-)/ income (+) in personnel expenses 2021	Expense (-)/ income (+) in personnel expenses 2020
Pension trust fund	2,854	2,854	124	2,730	-	-
Total	2,854	2,854	124	2,730	-	-

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

Economic benefits/economic liabilities and pension expenses

EUR thousands	Excess/ (inad- equated) cover 31.12.2021 ¹	Economic share of organisation 31.12.2021	Economic share of organisation 31.12.2020	Capitalised in business year 2021	Contri- butions accrued 2021	Pension expenses in personnel expenses 2021	Pension expenses in personnel expenses 2020
Pension trust fund	1,718	-	-	-	-	-	-
Personnel pension fund collective fund	5,938	-	-	-	2,269	2,269	2,189
Pension plans abroad	-	-	-	-	9,020	9,020	7,806
Total	7,656	-	-	-	11,289	11,289	9,995

¹ The 2021 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 2021 correspond to the value as at 31 December 2020.

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 by the 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 accounts for 8% (previous year: 8%) of total sales.

The Europe segment comprises a total of 44 production, sales and management companies in 18 European countries. The largest locations are in Germany, France, the UK, Switzerland and the Netherlands.

The China & North America segment is comprised of a total of 13 production, sales and management companies in China and North America. These sites are located in China, the US and Canada.

		Europe	China & North America	Eliminations	Total
2021					
Sales third	EUR million	586.8	110.3	–	697.1
Sales intercompany	EUR million	3.1	4.3	-7.4	–
Sales	EUR million	589.9	114.6	-7.4	697.1
EBIT	EUR million	63.6	5.5	–	69.1
	% of sales	10.8	4.8		9.9
Investments in property, plant and equipment & intangible assets	EUR million	20.2	1.7	–	21.9
Property, plant and equipment	EUR million	146.6	41.1	–	187.7
Number of employees	Ø full-time equivalents	2,693	861	–	3,554
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

16. Sales

Consolidated sales were EUR 697.1 million (previous year: EUR 617.7 million), an increase of 12.9%. Organically¹ sales increased by 11.6%.

Sales include EUR 2.6 million (previous year: EUR 1.4 million) recognised on long-term contracts.

Sales by region and business area are classified as follows:

		2021	%	2020	%
Sales by region and business area					
Ventilation Europe	EUR million	290.0	41.6	269.4	43.6
Change from prior year	%	7.7		4.0	
Ventilation North America	EUR million	18.7	2.7	14.4	2.3
Change from prior year	%	29.5		22.2	
Ventilation China	EUR million	44.0	6.3	40.2	6.5
Change from prior year	%	9.3		-11.0	
Total business area ventilation	EUR million	352.6	50.6	324.0	52.5
Change from prior year	%	8.8		2.5	
Radiators Europe	EUR million	296.8	42.6	247.8	40.1
Change from prior year	%	19.8		-8.9	
Radiators North America	EUR million	36.0	5.2	37.7	6.1
Change from prior year	%	-4.3		-14.4	
Radiators China	EUR million	11.6	1.7	8.1	1.3
Change from prior year	%	42.8		-33.5	
Total business area radiators	EUR million	344.5	49.4	293.6	47.5
Change from prior year	%	17.3		-10.6	
Total Europe	EUR million	586.8	84.2	517.2	83.7
Change from prior year	%	13.5		-2.6	
Total North America	EUR million	54.7	7.9	52.1	8.4
Change from prior year	%	5.0		-6.7	
Total China	EUR million	55.6	8.0	48.3	7.8
Change from prior year	%	14.9		-15.8	
Total	EUR million	697.1	100.0	617.7	100.0
Change from prior year	%	12.9		-4.1	

For sales by segment, please refer to the 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 classified as follows:

EUR million	2021	2020
Licence income	0.2	0.2
Gain on disposal of fixed assets	–	0.2
Income from hedging activities	1.4	–
Miscellaneous operating income	4.6	2.6
Total	6.2	3.0

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

18. Other operating expense

Other operating expenses are classified as follows:

EUR million	2021	2020
Operating expenses	–47.2	–44.0
Marketing and distribution expenses	–69.0	–55.8
Administration and IT expenses	–24.2	–23.2
Total	–140.4	–123.0

19. Financial result

EUR million	2021	2020
Financial expenses	–1.1	–1.4
Financial earnings	0.2	0.1
Exchange gains/(losses)	0.1	–2.0
Total financial result	–0.8	–3.3

20. Income taxes

The tax ratio (=taxes as a percentage of earnings before taxes) was 12% (previous year: 16%).

EUR million	2021	2020
Current taxes	-10.7	-9.1
Deferred taxes	2.5	1.8
Total taxes	-8.2	-7.3

The Zehnder Group anticipates that losses of EUR 10.9 million (previous year: EUR 34.8 million) can be utilised against future taxable profits. The deferred tax assets on these losses amount to EUR 2.4 million (previous year: EUR 5.7 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, is explained 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	2021	2020
Earnings before taxes	68.4	47.2
Expected tax rate in %	21.8	22.5
Expected tax expense	-14.9	-10.6
Effect of tax incentives	1.6	2.1
Effect of non-deductible expenses	-0.2	-0.1
Effect of non-recognition of tax loss carry-forwards	0.2	-0.2
Effect of use of unrecognised tax loss carry-forwards	5.9	4.3
Other effects	-0.8	-2.7
Effective tax expense	-8.2	-7.3
Effective tax rate in %	12.0	15.5

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.

The shares eligible for the share-based compensation plan (LTI) are also held as own shares. The shares allocated will be included proportionately, resulting in a dilution of the net profit per registered share A.

		2021	2020
Net profit excluding minority interests	EUR million	59.7	38.9
Notional number of shares	units	11,736,000	11,736,000
Average number of own shares	units	109,204	73,837
Notional number of shares excl. own shares	units	11,626,796	11,662,163
Non-diluted net profit excluding minority interests per registered share A	EUR	5.13	3.34
Notional number of shares excl. own shares	units	11,626,796	11,662,163
Eligible shares for share-based compensation plan (LTI)	units	23,587	11,239
Number of shares for calculating diluted net profit per share	units	11,650,383	11,673,402
Diluted net profit excluding minority interests per registered share A	EUR	5.12	3.34

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 shares are issued at a discount to the persons entitled to receive them. 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.

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 expenses.

Shares granted

		2021	2020
Shares granted for the employee investment plan and the compensation of the Board of Directors	units	57,453	56,095
Current value on the day of allocation	CHF	67.10	44.00
Personnel expenses	CHF	2,106,000	760,000
Shares granted for the variable long-term compensation element for the Group Executive Committee (with 100% achievement of objectives)	units	14,611	11,144
Current value on the day of allocation	CHF	59.10	45.60
Personnel expenses	CHF	956,000	360,000

23. Acquisitions

The following acquisitions were made in the year under review:

- Completion of the acquisition of the 51% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. on 28 April 2021 in China. The purchase price is dependent on future profitability. At the end of 2021, EUR 2.6 million was paid. The remaining price will be settled by means of an earn-out within the next 12 months. As a result of the purchase, the Zehnder Group has acquired net assets of EUR 1.1 million. The goodwill recognised amounted to EUR 5.2 million. The transaction resulted in an increase in minority interests in equity of EUR 1.0 million. In the reporting period, Zhongshan Fortuneway Environmental Technology Co., Ltd. contributed EUR 7.3 million to the Group's sales.
- As of 28 October 2021, the Zehnder Group acquired a majority share of 75% in French companies Caladair International SAS and 100% of the shares in Calihce SCI for EUR 16.3 million. As a result, the Group acquired net assets amounting to EUR 1.0 million. These included liquid assets of EUR 2.8 million, other current assets of EUR 3.3 million, non-current assets of EUR 4.0 million and liabilities of EUR 8.7 million. Net outflow of liquid assets resulting from the acquisition was EUR 13.2 million in 2021, and another EUR 0.3 million was accrued for the final payment in 2022. The resulting goodwill amounted to EUR 6.3 million and was offset against equity. The transaction resulted in an increase in minority interests in equity of EUR 0.4 million. During the reporting period, Caladair Group contributed EUR 1.5 million to the Group's sales.

No acquisitions were made in the previous year.

24. Goodwill

In accordance with the consolidation principles, the Zehnder Group directly nets acquired goodwill against 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

		31.12.2021	31.12.2020
Disclosed equity including minority interests	EUR million	362.4	326.9
Equity ratio	%	65.6	65.6
Acquisition value of goodwill			
Status at beginning of business year	EUR million	131.1	131.2
Additions ¹	EUR million	20.5	–
Disposals	EUR million	–0.1	–0.1
Status at end of business year	EUR million	151.5	131.1
Accumulated amortisation			
Status at beginning of business year	EUR million	–123.5	–117.7
Amortisation in current year	EUR million	–4.1	–5.8
Status at end of business year	EUR million	–127.6	–123.5
Theoretical net book value of goodwill	EUR million	24.0	7.7
Theoretical equity including minority interests and net book value of goodwill	EUR million	386.4	334.6
Theoretical equity ratio	%	67.0	66.1

¹ EUR 15.3 million from the acquisition of Caladair, France (2021) and EUR 5.2 million from the acquisition of Zhongshan Fortuneway Environmental Technology Co., Ltd., China (2021)

Impact of theoretical capitalisation of goodwill on results

		31.12.2021	31.12.2020
Disclosed net profit	EUR million	60.3	39.9
Theoretical amortisation of goodwill	EUR million	–4.1	–5.8
Net profit after amortisation of goodwill	EUR million	56.2	34.1

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	2021	2020
Fixed cash compensation	2,378	2,027
Variable compensation (short-term and long-term)	2,120	1,138
Employer social security and pension contributions	788	578
Share-based payments	806	934
Compensation for additional services	120	251
Total compensation paid to the members of the Board of Directors and the Group Executive Committee	6,212	4,928

Please also refer to the items [5.1 Compensation to the Board of Directors in the business year 2021](#) and [5.2 Compensation of the Group Executive Committee in the business year 2021](#) in the Compensation Report.

26. Events after the balance sheet date

On 18 February 2022, the Zehnder Group announced the acquisition of the ventilation company Airia Brands Inc. in Canada. The company has approximately 150 employees, and in 2021, it generated revenue of around CAD 55 million (EUR 38 million).

The 2021 financial statements were approved by the Board of Directors on 18 February 2022.

Overview of companies



As at 31 December 2021, 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	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.	O	3,200,000	76	Fully
Shanghai	Zehnder Group Enterprise Management (Shanghai) Co., Ltd.	O	2,516,000	100	Fully
Zhongshan	Zhongshan Fortuneway Environmental Technology Co., Ltd.	S/P	11,111,000	51	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
Mâcon	Caladair International SAS	S/P	1,000,000	75	Fully
Mâcon	Calihce SCI	O	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 Climate Ceiling Solutions GmbH	S	100,000	100	Fully
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

Reinsdorf	Paul dPoint Technologies GmbH	S	25,000	100	Fully
Reinsdorf	Paul Wärmerückgewinnung GmbH	P	2,100,000	100	Fully
Hungary					
Budapest	Zehnder Hungary Kft.	S	3,000,000	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	ООО «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
UK					
Camberley	Zehnder Group UK Ltd	S/P	3,500,002	100	Fully
Camberley	Zehnder Group UK Holdings Ltd	O	20,000,000	100	Fully
Lenham	Zehnder Group Lenham Ltd	P	1	100	Fully
USA					
Buffalo NY	Hydro-Air Components, Inc. (Zehnder Rittling)	S/P	55,950	100	Fully
Buffalo NY	Zehnder Clean Air Solutions NA, LLC	S	n/a	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 2021 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 71 to 101) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 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 5'000'000



We concluded full scope audit work at 18 Group companies in 9 countries. These Group companies contributed 70% of the Group's sales.

An audit of specific account balances was performed at one additional Group company, which addressed a further 10% 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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PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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 5'000'000
How we determined it	Sales
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.

We agreed with the Audit Committee that we would report to them misstatements above CHF 300'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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 57 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

As at 31 December 2021, Zehnder Group AG disclosed trade accounts receivable in the amount of EUR 109.3 million (prior year: 111.0 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 77 of the annual report for information on the accounting and valuation principles and to page 82 for the notes on the trade accounts receivable.

How our audit addressed the key audit matter

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
Audit expert
Auditor in charge

Korbinian Petzi
Audit expert

Luzern, 18 February 2022



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 EUR million	2021	2020
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	697.1	617.7
		Currency effects	0.8	1.4
		Acquisition effects	-8.8	-
		Organic sales	689.1	619.0
		Organic sales growth in %	11.6	-3.9
EBITDA	Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a key figure used to measure the performance of the Group.	Operating result (EBIT)	69.1	50.5
		Depreciation of property, plant and equipment	22.4	23.7
		Amortisation of intangible assets	0.5	0.5
		EBITDA	92.1	74.8
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	109.3	111.0
		Other receivables	18.9	17.1
		Inventories	75.4	60.6
		Prepayments	1.2	1.3
		Accrued income	3.5	3.4
		Trade accounts payable	-41.5	-35.1
		Other short-term liabilities	-29.0	-29.6
		Accruals and deferred income	-66.0	-57.9
		Short-term provisions	-12.0	-10.9
		Long-term provisions	-27.8	-27.0
		Other long-term liabilities	-0.7	-1.2
		Non-current assets	207.9	198.9
		Capital employed (CE)	239.2	230.5
		Operating result (EBIT)	69.1	50.5
		Expected income taxes	-15.1	-11.4
Net operating profit after tax (NOPAT)	54.0	39.1		
ROCE in %	22.6	17.0		
Net liquidity/(net debt)	Net liquidity or debt is a key figure used to measure the Group's financial liquidity or debt.	Liquid assets	136.4	106.3
		Short-term financial liabilities	-3.4	-3.1
		Long-term financial liabilities	-9.8	-6.8
		Net liquidity/(net debt)	123.2	96.4

Balance sheet of Zehnder Group AG



CHF million	Notes	31 December 2021	31 December 2020
Assets			
Liquid assets		16.4	11.7
Other short-term receivables	1	2.5	3.5
Current assets		18.9	15.3
Financial assets	2	102.6	100.9
Participations	3	303.3	294.4
Non-current assets		405.9	395.2
Total assets		424.9	410.6
Liabilities & shareholders' equity			
Short-term interest-bearing liabilities	4	18.9	10.4
Other short-term liabilities	5	0.1	0.1
Accruals and deferred income		1.4	0.9
Short-term provisions		4.2	0.1
Current liabilities		24.5	11.6
Provisions		0.1	0.2
Non-current liabilities		0.1	0.2
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		337.3	341.4
– Net profit for the year		19.8	10.5
Own shares	7	–8.1	–4.4
Shareholders' equity		400.3	398.8
Total liabilities and shareholders' equity		424.9	410.6

Income statement of Zehnder Group AG



CHF million	Notes	2021	2020
Dividend income		17.2	16.0
Other operating income		3.5	1.8
Operating income		20.7	17.8
Personnel expenses		-1.0	-0.9
Other operating expenses		-4.1	-3.6
Operating profit		15.6	13.3
Financial income		6.0	3.1
Financial expenses		-2.0	-5.6
Direct taxes		0.2	-0.2
Net profit for the year		19.8	10.5

Accounting and valuation principles



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



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 the 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 30–50% of the consolidated net profit of the Zehnder Group to its shareholders.

1. Other short-term receivables

CHF million	31.12.2021	31.12.2020
Accounts receivable from third parties	0.4	–
Accounts receivable from Group companies	2.1	3.5
Total	2.5	3.5

2. Financial assets

CHF million	31.12.2021	31.12.2020
Loans to Group companies	102.6	100.9
Total	102.6	100.9

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	31.12.2021	31.12.2020
Loans from Group companies	18.9	10.4
Total	18.9	10.4

5. Other short-term liabilities

CHF million	31.12.2021	31.12.2020
Other short-term liabilities to third parties	0.1	0.1
Total	0.1	0.1

6. Share capital

	Registered shares A units 2021	Registered shares B units 2021	Value CHF 2021	Registered shares A units 2020	Registered shares B units 2020	Value CHF 2020
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 the previous year, 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 are owned by Graneco AG (CH). On the balance sheet date, Graneco AG and its shareholders held 51.7% of the company's registered shares and voting rights.

7. Own shares

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

	Registered shares A units 2021	Value per share CHF 2021	Value CHF 2021	Registered shares A units 2020	Value per share CHF 2020	Value CHF 2020
Own shares at 1.1., trading portfolio	104,429	42.45	4,433,210	110,524	41.34	4,568,660
Shares sold	-57,453	67.10	-3,855,096	-56,095	44.00	-2,468,180
Gain/(loss) from sale			1,488,309			140,238
Shares bought	79,300	76.65	6,078,670	50,000	43.85	2,192,493
Own shares at 31.12., trading portfolio	126,276	64.50	8,145,093	104,429	42.45	4,433,210

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 2021](#) in the Compensation Report.

8. Number of full-time positions

The holding company has no employees.

9. Contingent liabilities

The company has guarantee obligations and pledged assets in favour of subsidiaries in the amount of CHF 60.0 million (previous year: CHF 48.8 million).

In connection with the acquisition of the 51% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. there is a contingent liability due to the granting of a put option on a further 25% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd.

The company belongs to a VAT group which comprises all the Swiss companies in the 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 (CH): 15,720 registered shares A and 9,775,600 registered shares B, corresponding to 49.8% of the votes (previous year: 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.

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	Registered shares A units ¹	Registered shares B units ²	Registered shares B units ²
	2021	2020	2021	2020
Dr Hans-Peter Zehnder⁴	215,692	210,846	20,000	20,000
Chairman of the Board	1.1% ³	1.1% ³	0.1% ³	0.1% ³
Thomas Benz	-	37,301	-	-
Vice Chairman of the Board up to 2 April 2020		0.2% ³		
Jörg Walther	10,134	8,335	-	-
Vice Chairman of the Board since 2 April 2020	0.1% ³			
Dr Urs Buchmann	20,621	18,962	-	-
Member of the Board	0.1% ³	0.1% ³		
Riet Cadonau	11,587	10,065	-	-
Member of the Board	0.1% ³	0.1% ³		
Daniel Frutig	-	1,313	-	-
Member of the Board up to 2 April 2020				
Ivo Wechsler	3,024	1,641	-	-
Member of the Board				
Milva Zehnder	7,445	6,062	-	-
Member of the Board				
Matthias Huenerwadel	15,099	10,726	-	-
Chairman of the Group Executive Committee, CEO	0.1% ³	0.1% ³		
René Grieder	20,664	17,850	-	-
CFO	0.1% ³	0.1% ³		
Johannes Bollmann	4,621	2,610	-	-
COO Ventilation EMEA				
Tomasz Juda	-	2,800	-	-
Competence Center Radiators up to 31 May 2020				
Jörg Metzger	1,638	-	-	-
COO Radiators EMEA since 11 May 2020				
Cyril Peysson	48,680	45,557	-	-
CCO EMEA	0.3% ³	0.2% ³		

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 Dr Hans-Peter Zehnder holds a 58.4% stake.

11. Events after the balance sheet date

There were no extraordinary pending transactions, risks or events after the balance sheet date which would require disclosure in the financial statements.

Proposal on the appropriation of earnings

CHF

The balance sheet profit available for distribution comprises

Retained earnings from previous year	337,345,400
Net profit for 2021 according to the income statement	19,816,030
Balance sheet profit	357,161,430

The Board of Directors proposes the following appropriation of earnings:

Payment of a dividend ¹	21,124,800
To be carried forward to new account	336,036,630
Total appropriation of earnings	357,161,430

¹ Corresponds to a dividend of CHF 1.80 per registered share A.

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 2021, 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 107 to 114) as at 31 December 2021 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 4,240,000



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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PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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 5'000'000
How we determined it	Sales
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.

We agreed with the Audit Committee that we would report to them misstatements above CHF 300'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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 57 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.



Please refer to page 109 of the annual report for information on the accounting and valuation principles and to page 110 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 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
Audit expert
Auditor in charge

Korbinian Petzi
Audit expert

Lucerne, 18 February 2022

