

Annual Report

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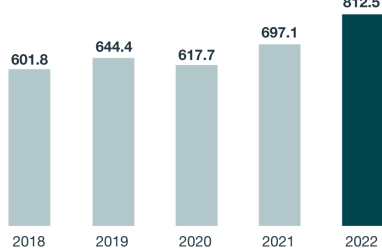
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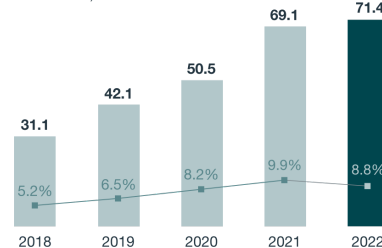
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Key figures

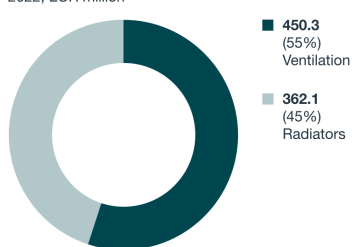
Sales
EUR million



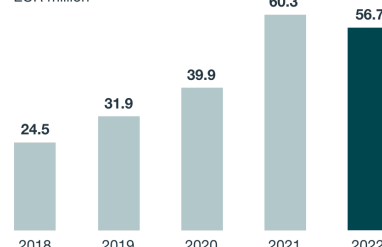
EBIT
EUR million, % of sales



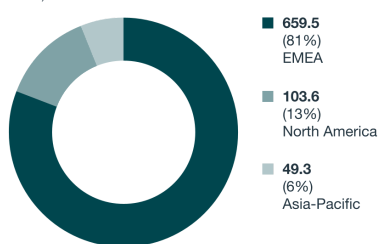
Sales by segment
2022, EUR million



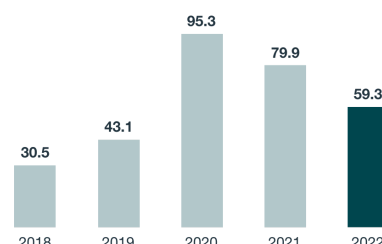
Net profit
EUR million



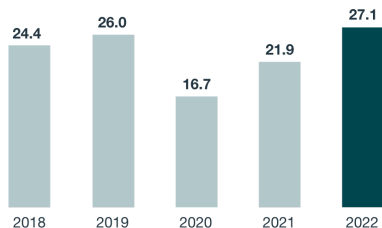
Sales by region
2022, EUR million



Cash flow from operating activities
EUR million



Investments in property, plant and equipment & intangible assets
EUR million



Share price development
1 January to 31 December 2022, %



		2022	2021	%
Sales	EUR million	812.5	697.1	16.6
EBITDA¹	EUR million	95.3	92.1	3.5
	% of sales	11.7	13.2	
EBIT	EUR million	71.4	69.1	3.2
	% of sales	8.8	9.9	
Net profit²	EUR million	56.7	60.3	-5.9
	% of sales	7.0	8.6	
Cash flow from operating activities	EUR million	59.3	79.9	-25.8
	% of sales	7.3	11.5	
Investments in property, plant and equipment & intangible assets	EUR million	27.1	21.9	23.8
Depreciation & amortisation	EUR million	-23.9	-22.9	4.2
Total assets	EUR million	532.8	553.3	-3.7
Non-current assets	EUR million	228.6	208.5	9.7
Net liquidity/(net debt)¹	EUR million	45.4	123.2	-63.1
Shareholders' equity²	EUR million	340.8	364.4	-6.5
	% of total assets	64.0	65.9	
ROCE¹	%	18.9	22.4	
Number of employees	Ø full-time equivalents	3,827	3,554	7.7
Market closing price registered share A	CHF	55.80	93.10	-40.1
Net profit per registered share A³	EUR	4.84	5.13	-5.8
Shareholders' equity per registered share A³	EUR	28.20	29.76	-5.2
Dividend per registered share A⁴	CHF	1.80	1.80	-
Payout ratio	%	37	33	

1 See [Alternative performance measures](#) in the consolidated financial statements in the Financial Report 2 Including minority interests

3 Excluding minority interests

4 For 2022 as proposed by the Board of Directors

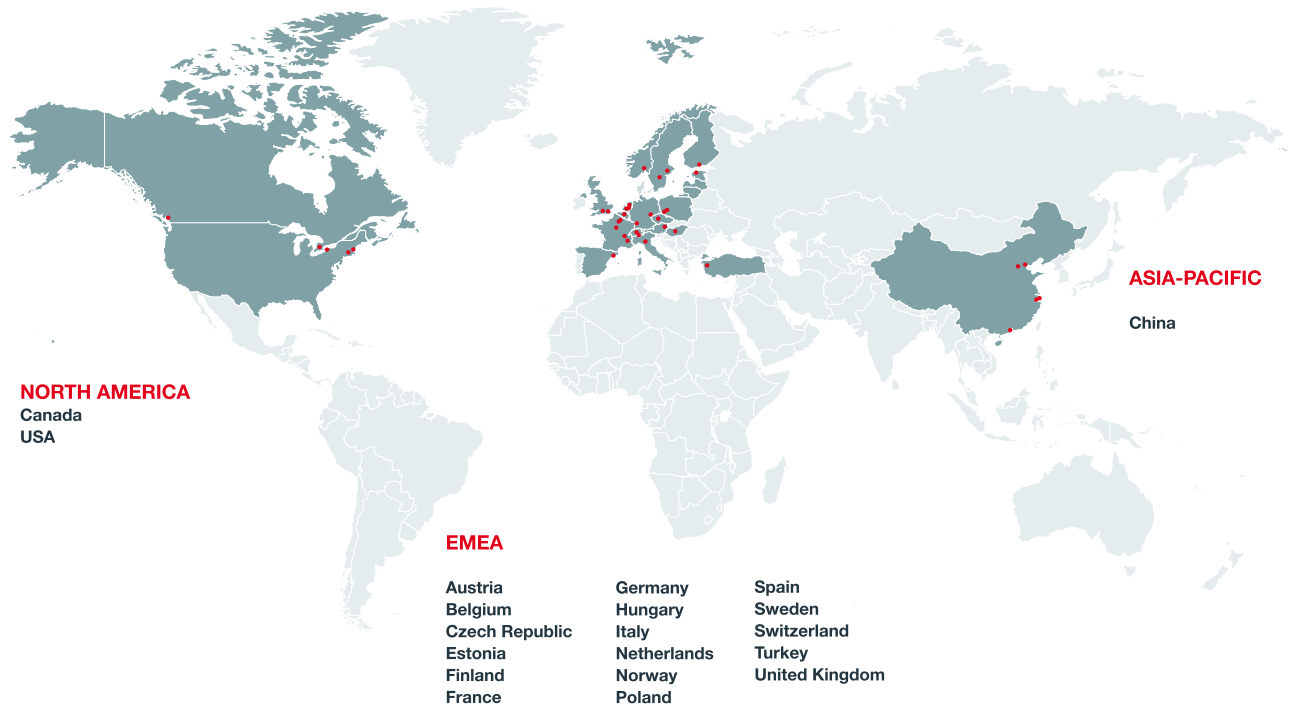
Company profile

The Zehnder Group improves quality of life with comprehensive indoor climate solutions. The globally active company develops and manufactures its products in its own plants in Europe, China, and North America. Its sales activities, spanning more than 70 countries, take place through local sales companies and representative offices.

The Group's products and systems for heating and cooling, comfortable indoor ventilation and air cleaning are characterised by outstanding design and high energy efficiency. The Group is among the market and technology leaders in its segments with brands such as Zehnder, Acova and Core.

The Zehnder Group has had its headquarters in Gränichen (CH) since 1895. It employs around 4,000 people worldwide and achieved sales of EUR 812 million in 2022. The company is listed on the SIX Swiss Exchange (valor symbol: ZEHN, valor number: 27 653 461). The unlisted registered shares B are held directly or indirectly by the Zehnder family and persons closely associated with them.

Locations



Zehnder Group achieved sales of EUR 812.5 million and an EBIT margin of 8.8%

In the financial year 2022, the Zehnder Group increased its sales by 17% to EUR 812.5 million. Its operating result (EBIT) rose slightly by 3% to EUR 71.4 million with an EBIT margin of 8.8% (previous year: 9.9%). Net profit amounted to EUR 56.7 million (previous year: EUR 60.3 million).



Dear shareholders,

We are pleased to present another set of solid results in the Annual Report 2022. The consequences of the war in Ukraine, continued supply chain disruptions and rising material, transport, energy and operating costs demanded that we show a high degree of flexibility and responsiveness. Thanks to operational performance improvements and acquisitions, we succeeded in expanding our market presence and securing our profitability. A well-filled product pipeline in the growth segment of ventilation gives us confidence looking into the future. We also made further progress in the areas of digitalisation and sustainability. We will continue to pursue our strategy of “growth for ventilation, harvest for radiators” into the future.

Above-average sales growth in the ventilation segment thanks to acquisitions

Zehnder Group increased its sales in the reporting year 2022 by 17% to EUR 812.5 million (previous year: EUR 697.1 million). The organic growth, primarily influenced by price increases, amounted to 7%¹. Acquisitions contributed 8% to sales growth. The Group, whose consolidated financial statements are reported in euros, also benefited from positive currency effects of approximately 2%. The continued limited availability of electronic components hampered

further growth in the ventilation segment. However, the strained supply situation improved towards the end of the year; hence increasing shipments were achieved against delivery backlogs.

The ventilation segment achieved sales of EUR 450.3 million in 2022, which corresponds to a growth rate of 28% (of which 10% was organic). The Airia, Caladair, Filtech and Fortuneway acquisitions contributed a total of 16% to the growth achieved in ventilation. The ventilation segment represented approximately 55% of the Group's total sales, an increase of 5 percentage points compared with the previous year. All three product lines – residential ventilation, heat exchangers, and clean air solutions – showed a positive development.

EUR 349.4 million (previous year: EUR 289.1 million) of sales were achieved in the EMEA region (Europe, Middle East and Africa). The growth mainly came from Germany, the UK, and Belgium, as well as from the Caladair and Filtech acquisitions. In Germany, the businesses with service packages for maintenance of Zehnder ventilation systems was successfully expanded. In the UK, the Group increased its sales with various product groups, including sales of ventilation units with heat recovery for passive house projects. EUR 59.4 million of the ventilation sales (previous year: EUR 19.6 million) was attributable to the North America region. Thanks to the acquisition of the Canadian company Airia in February 2022, the share of sales from ventilation in North America increased from 35% to nearly 60%, making a decisive contribution to the expansion of the ventilation business. The Asia-Pacific region generated sales of EUR 41.6 million (previous year: EUR 43.9 million). The Chinese market continued to prove a very challenging one. Due to the heat exchanger business of Fortuneway as well as favourable currency effects, the decline in sales was limited.

“Thanks to the acquisition of Airia in Canada, the share of sales from ventilation in North America increased from 35% to nearly 60%.”

The radiator segment achieved sales of EUR 362.1 million in the reporting year. This corresponded to roughly 45% of Zehnder Group's total sales. Compared with the previous year, revenue grew by 5% (of which 4% was organic) due to price increases and positive currency effects. The radiator segment showed a volume decline in 2022 compared with 2021. EUR 310.1 million (previous year: EUR 296.4 million) of sales was attributable to the EMEA region, driven by growth in Germany, Italy, and Switzerland and despite a decline in sales in the UK. In the North America region, sales of EUR 44.3 million (previous year: EUR 36.0 million) were achieved. Demand for radiators remained resilient and online sales gained momentum. The Asia-Pacific region contributed EUR 7.8 million (previous year: EUR 12.0 million) to the total sales in the radiator segment.

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

Solid operating result in challenging environment

The operating result (EBIT) rose slightly by 3% to EUR 71.4 million in 2022. This corresponds to an EBIT margin of 8.8% (previous year: 9.9%).

The consequences of the war in Ukraine and global supply chain shortages led to increases in material, transport, energy and operating costs. Due to longer

delivery times, these costs could not yet be fully compensated by higher sales prices. To ensure profitability, Zehnder Group worked on improving operating processes and operational excellence, with a focus on tasks such as digitalisation, product and market development, as well as marketing. During the reporting year, the Europe-wide ERP system was updated, the webshop was expanded, the ComfoPlan online planning tool for comfort ventilation systems was completely revised, and a new IoT (Internet of Things) cloud was created. The cloud solution enables installers to monitor and perform remote maintenance on customer end devices. In addition, new HR software is currently being introduced gradually across Europe, which will help to digitalise and harmonise personnel processes.

“We are focusing on tasks that generate profitable growth. This includes digital transformation.”

The ventilation segment achieved an EBIT of EUR 54.8 million. This corresponds to an increase of 33% compared with the same period in the previous year. The EBIT margin rose to 12.2% (previous year: 11.7%). Growth and profitability were hampered by ongoing delivery issues in the ventilation product line in EMEA and North America, as well as due to the real estate crisis in China. In contrast, the positive development of the two product lines heat exchangers and clean air solutions had a positive effect on profitability.

In the radiator segment, the EBIT figure fell by 41% to EUR 16.6 million in 2022. The EBIT margin decreased to 4.6% (previous year: 8.1%), caused by low production utilisation due to declining volumes and rising energy and labour costs. The still unprofitable climate ceilings product line, the sharp decline in sales in China and lower margins in North America negatively impacted the result. In addition, Zehnder Group recorded one-off costs of approximately EUR 1.0 million for the discontinuation of business activities in Russia during the reporting period.

The tax rate, which had been reduced in previous years due to positive extraordinary effects, rose to 20% in the reporting period (previous year: 12%). Net profit accounted for EUR 56.7 million (previous year: EUR 60.3 million).

A well-filled product pipeline

In the reporting year, expenditure on research and development amounted to EUR 24.7 million (previous year: EUR 21.4 million). In keeping with the strategy, approximately 70% of this was focused on the ventilation segment. Due to delivery issues and the challenging market situation, product launches were postponed to a certain extent or redesigns were undertaken in order to increase delivery capacity. During the reporting year, the indoor climate system solution Zehnder ComfoClima was launched in several European markets. In addition to fresh air supply, it also provides cooling in summer and heating in winter. The product combination of Zehnder ComfoClima & Thermal Shield was awarded the VSK Award 2022 in the “Health and Comfort” category at the VSK, the largest Dutch trade fair for heating, sanitary engineering and air-conditioning. Zehnder Group also presented the ComfoAir Flex, a compact ceiling unit that can be flat-mounted and is particularly suitable for multi-family houses where available space is limited. Another space-saving solution for multi-family houses is the Zehnder ComfoVar Aero residential ventilation module. During the reporting period, this was introduced for the first time in the Netherlands and Switzerland. In addition, the strategically important large units from the ventilation company Caladair, which was acquired in 2021, were integrated into the Zehnder Group portfolio.

In the clean air solutions business, the launch of the new generation of industrial air cleaning units in November 2022 was ground-breaking. The Zehnder CleanAir Max air cleaning system combines intelligent technology, a modular design and a pioneering filter system to achieve the best possible air quality in every business.

“In the Netherlands, the combination of Zehnder ComfoClima & Thermal Shield won the VSK Award in the Health and Comfort category. In Spain, Aúna Distribución named our Zehnder radiator Zenia as the product with the best design.”

In the radiator segment, the introduction of the five new colour schemes underscored Zehnder Group's high design standards. Together with renowned colour trend experts, future trends in the fields of architecture, interior design, bathrooms, living rooms, surfaces and materials were analysed with the aim of creating an attractive colour palette for customers. In the design category, the Zehnder Zenia bathroom radiator was named the product with the best design at Premios Aúna 2022 in Spain. Aúna Distribución, which awards this prize, is the largest group of independent distributors of electrical equipment, renewable energy, plumbing and heating systems in Spain.

Investments in infrastructure development

In 2022, Zehnder Group invested EUR 27.1 million in property, plant and equipment and intangible assets (previous year: EUR 21.9 million).

The largest single investment during the reporting year was the construction of the new “Center of Climate” in Lahr (DE). This centre for healthy indoor climate serves as a meeting place for customers, partners, and employees and includes training rooms and practical workshops, a showroom, meeting and conference rooms, office space and a restaurant. The move in is scheduled to take place in spring 2023. At the same time, the range of training courses for all our partners, such as architects, energy consultants, planners, installers, and caretakers was expanded. Training by professionals for professionals enjoys a prominent position in the Zehnder Group. A total of more than 20,000 customers and business partners are trained every year at various locations in the Zehnder Academies.

“Our new Center of Climate with modern training and office spaces at the Lahr site will strengthen customer loyalty in our largest sales market, Germany, and provide attractive workplaces for our employees.”

In Bolesławiec (PL), a building extension with attractive workplaces for employees, a staff restaurant and a design and development department with a modern equipped laboratory started in 2022. The new section of the building is scheduled for completion in the first quarter of 2023 and will support future growth in Poland.

Capacity for heat exchanger production was expanded in Waalwijk (NL) and Reinsdorf (DE). Zehnder Group also invested in the modernisation, automation, and optimisation of production processes at various locations.

Further company acquisitions in the ventilation sector

In 2022, Zehnder Group continued its acquisition activities in the ventilation sector, investing a total of EUR 63.9 million (previous year: EUR 15.6 million) in new subsidiaries.

In February 2022, the Group acquired the ventilation company Airia Brands Inc., which is based in London, Ontario, Canada. Airia has been involved in the development, production and distribution of heat recovery ventilation systems for more than 35 years. These systems are marketed in Canada and the USA under the established Lifebreath brand and are primarily used in new residential constructions. The company location in London and the established Lifebreath brand were retained and the approximately 200 employees, including the operational management team, were taken over.

“With the acquisition of Airia in North America and Filtech in Europe, we are expanding our market position and strengthening our technological know-how in the ventilation segment.”

In April 2022, Zehnder Group acquired Filtech, a long-standing supplier of high-quality air filters. Besides its headquarters and a production facility in the Dutch municipality of Udenhout, the company also has two additional production sites in Modane (FR) and Rancate (CH). These highly automated production facilities serve various markets with a focus on customers in the heating, ventilation, and air conditioning sectors. The Filtech brand and the three locations were also retained and the staff of approximately 70, including management, was taken over.

Solid net liquidity despite investments and share buyback

Cash flow from operating activities decreased in the financial year 2022 to EUR 59.3 million (previous year: EUR 79.9 million). Firstly, trade receivables increased due to the growth in sales. Secondly, inventories increased on the one hand due to the rise in purchase prices and on the other hand because more stock was accumulated to ensure improved delivery capacities. At the same time, investments in subsidiaries and acquisitions increased significantly. In addition, treasury shares were bought back under the share buyback programme and also outside of this scheme. As a result, net liquidity¹ decreased to EUR 45.4 million at the end of 2022 (previous year: EUR 123.2 million). Equity amounted to EUR 340.8 million (previous year: EUR 364.4 million). This corresponds to an unchanged high equity ratio of 64% (previous year: 66%).

“Despite large investments in subsidiaries and our share buyback programme, we have solid net liquidity and a continued high equity ratio.”

As part of the ongoing share buyback programme, Zehnder Group repurchased 257,632 listed registered shares A for a total price of EUR 17.8 million during the reporting period. It also acquired a further 60,000 listed registered shares A outside the programme for a total of EUR 4.3 million. These are earmarked for employee participation programmes.

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

Strong sense of solidarity among Zehnder employees

At the end of 2022, the number of full-time equivalent employees increased from 3,634 in the previous year to 3,863. The increase in the number of employees in the reporting period can primarily be attributed to acquisitions. This brought the average number of employees up to 3,827 (previous year: 3,554). Of these, 401 were employed temporarily (previous year: 411) and 64 (previous year: 58) were apprentices. A total of 1,816 employees (previous year: 1,523) work in the ventilation segment and 2,011 (previous year: 2,031) in the radiator segment.

The war in Ukraine in 2022 had direct consequences for Zehnder Group and its employees. This was particularly evident in neighbouring Poland, the main destination for refugees from Ukraine. Since the outbreak of the war, millions of people, mostly women and children, have fled across the border. Many Zehnder employees took an active role during this humanitarian crisis. They assisted with receiving refugees, collected non-cash and cash donations and organised the transport of humanitarian aid. The plant in Bolesławiec promoted the hiring of Ukrainian refugees through a bilingual onboarding process – in Polish and Ukrainian – and by translating important work documents. This made it possible to fill vacancies on the one hand, and to offer jobseekers from Ukraine an attractive workplace on the other. Zehnder Group also held an internal fundraising campaign for Ukrainian refugees. CHF 100,000 was donated to a recognised international aid organisation.

In spring 2022, Zehnder Group successfully completed its first global leadership development programme. As part of this programme, 30 participants worked on developing their leadership skills and social competencies, and expanded their network within the Zehnder Group. Forward-looking topics such as diversity, intercultural communication, digitalisation, and sustainability were addressed. The second edition of the programme started in autumn 2022. In selecting the participants, emphasis was placed on aspects such as empowering women in their leadership roles. The percentage of female participants in the second round reached 30%.

“With the aim of strengthening Zehnder’s employer brand and helping it position itself more specifically as an attractive employer on the labour market, Zehnder Group launched an employer branding project.”

The Group Executive Committee is well aware that Zehnder Group’s outstanding performance is rooted first and foremost in the commitment, enthusiasm, and passion demonstrated by its employees. They contribute to shaping sustainable success at Zehnder within a motivating and meaningful working environment. Personal responsibility and personal development are encouraged for every single employee – through mutual respect, appreciation, and openness. In order to convey this unique working environment even more transparently, both internally and externally, to attract new talent, to transform existing professionals into corporate ambassadors, and to strengthen the Zehnder employer brand, Zehnder Group began to implement an employer branding project during the reporting year.

Continued strategic progress achieved

The “growth for ventilation – harvest for radiators” strategy has proven its value, even in these challenging times. The acquisition of Airia helped Zehnder Group gain greater visibility in the Canadian market in terms of residential ventilation with heat recovery. There is also considerable potential for expansion in the US.

The production facility in Buffalo NY was further expanded during the reporting year. In the EMEA region, the acquisitions of Filtech and Caladair represented important steps in driving ventilation growth. In addition, new service packages were developed alongside new products. This enabled Zehnder Group to introduce maintenance contracts for regular, professional maintenance of ventilation systems in additional markets during the reporting year.

“Our strategy of ‘growth for ventilation – harvest for radiators’ has proven its value even in these challenging times. Our investment focus is on Europe. We also want to make greater use of our potential in North America.”

The Group has another two promising product lines in its ventilation portfolio: heat exchangers and clean air solutions. Combined, these product lines account for roughly 20% of ventilation sales and are expected to be developed into independent segments in the medium to long term. In the heat exchanger segment, the international CORE brand presence was strengthened in 2022 and manufacturing capacities were expanded. In clean air solutions, the introduction of a new generation of air cleaning units marked another milestone.

With respect to radiators, Zehnder Group enjoys a strong market position, particularly in the areas of bathroom radiators and multi-column radiators. During the reporting period, the focus was on optimising production processes, further improving quality and increasing productivity. Development competencies in the areas of electronics and control units were also expanded with the aim of ensuring a strong position for the radiator business in the future.

Paving the way for comprehensive sustainability

As an international manufacturer of indoor climate solutions, Zehnder Group operates in a sector where applications contribute a significant share to global greenhouse gas emissions due to the use of fossil fuels. Buildings are currently responsible for approximately 40% of the energy-related greenhouse gas emissions worldwide. With its solutions, Zehnder Group is committed to contributing to the goal of climate neutrality and therefore takes the entire value chain into account in its product innovations. At the same time, Zehnder Group strives to offer its employees a motivating, healthy, and meaningful working environment. Lastly, the Group also aims to support society in tackling current challenges by acting responsibly.

“Sustainable action is an integral part of our corporate DNA.”

In order to measure its impact on the environment and society and to define ambitious and achievable targets, the Group collected and analysed extensive data Group-wide for the reporting year 2022. The Group initiated change processes with the aim of further promoting environmentally conscious and socially responsible action. Zehnder Group published an initial site assessment and forward-looking sustainability agenda in September 2022 (see: www.zehndergroup.com/en/sustainability-zehnder). A sustainability report for the full year of 2022 based on the GRI (Global Reporting Initiative) standards, including quantitative future targets, is due to be published in June 2023.

Earnings-oriented dividend policy

Based on the results of the reporting year 2022, the Board of Directors proposes to the Annual General Meeting on 23 March 2023 a dividend of CHF 1.80 (previous year: CHF 1.80) per registered share A. The payout ratio of 37% is in line with the previous dividend policy of Zehnder Group, which envisages paying out 30–50% of consolidated net profits.

“We are pursuing an earnings-oriented dividend policy. In addition, Zehnder Group launched a share buyback programme in 2021.”

The share buyback programme started in 2021 will be continued. It will run until 22 March 2024 at the latest. Cancellation of the maximum of 487,800 repurchased registered shares A will be proposed at the Annual General Meeting after completion of the programme.

Outlook for the 2023 financial year

Heightened awareness of the sustainable use of resources and a healthy indoor climate as well as government subsidy programmes are increasing the demand for energy-efficient, healthy, and comfortable indoor climate solutions, such as those offered by Zehnder Group. At the same time, a recession is looming in the context of the ongoing war in Ukraine, a tense geopolitical situation, persistent global supply chain shortages and high inflation and interest rates.

Zehnder Group is consistently pursuing its proven strategy – growth for ventilation, harvest for radiators – and is focusing on long-term investments despite the challenging environment. These include market development, product and service innovation, production capacity expansion, digital transformation and commitment to sustainability.

For the financial year 2023, the Group aims to achieve further sales growth and an EBIT margin comparable to that of 2022. The medium-term targets of an average annual sales growth of 5% and an EBIT margin of 9–11% remain in place.

“We confirm our medium-term targets: an average annual sales growth of 5% and an EBIT margin of 9–11%.”

Many thanks

On behalf of the Board of Directors and the Executive Committee, we would once again like to express our gratitude and appreciation to our employees for their performance and ongoing commitment to Zehnder Group.

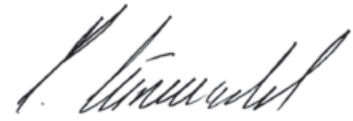
We would also like to thank our customers and partners for their loyalty to our range of products and services and the excellent working relationships that the company has established with them.

Finally, we would like to thank you, our valued shareholders, for your continued loyalty and your confidence in our successful future.

With kind regards,



Dr Hans-Peter Zehnder
Chairman of the Board of Directors



Matthias Huenerwadel
Chairman of the Group Executive
Committee, CEO

The expectations presented in the Management Report are based on assumptions. If they do not prove true, this will affect the associated results.

Corporate Governance

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Introduction

Corporate Governance refers to the universe of principles and rules that are geared to shareholder interests and which strive towards transparency and a balanced relationship between management and control, while also maintaining decision-making capacity and efficiency at the highest corporate level.

The Corporate Governance Report contains the disclosures required by the Corporate Governance Directive issued by SIX Exchange Regulation AG effective as at 31 December 2022 and is structured in line with the directive. The **Compensation Report** is set out in a separate section of the Annual Report.

The Zehnder Group publishes on its website the Articles of Association and Organisational Regulations to which this report refers, as well as the Code of Conduct. These may be viewed at www.zehndergroup.com/en/investor-relations/corporate-governance.

1. Group structure and shareholders

1.1 Group structure

Until 2021, Zehnder Group was divided into the geographical regions of Europe, China and North America. In connection with the increased share of ventilation sales in total sales due to acquisitions and in line with the “Growth for ventilation – harvest for radiators” strategy, the Group has been organised group-wide by business areas, i.e. ventilation and radiators, since 2022.

Zehnder Group AG, the holding company of the Zehnder Group, is the only listed company included in the consolidation scope. It is headquartered in Gränichen (CH). The registered shares A are listed on the SIX Swiss Exchange (number: 27 653 461, ISIN: CH0276534614). The unlisted registered shares B are held directly or indirectly by the Zehnder family and persons closely associated with them. At 31 December 2022, the market capitalisation (registered shares A) was CHF 544.4 million and the total capitalisation was CHF 654.9 million.

All companies included in the consolidation scope of Zehnder Group AG are shown in the [Overview of companies](#) in the consolidated financial statements within the Financial Report.

1.2 Significant shareholders

According to the information available to the Board of Directors, the following shareholder held more than 3% of the share capital of Zehnder Group AG as at the balance sheet date; i.e. 31 December 2022:

- Graneco AG, Gränichen (CH): 9,480 registered shares A and 9,811,200 registered shares B, corresponding to 50.0% 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 51.8% of the voting rights.

A shareholders' agreement between the shareholders of Graneco AG (the Zehnder family and persons closely associated with the Zehnder family) includes, inter alia, a voting commitment for all directly and indirectly held registered shares B of Zehnder Group AG. It is the intention of this group of persons to secure significant influence on Zehnder Group AG over the long term. For important decisions they vote together, putting the successful development of the Zehnder Group before their own interests. The agreement was renewed on 23 November 2022 and runs until at least 31 December 2032.

As of 31 December 2022, Zehnder Group AG held 401,948 of its own registered shares A. These were mainly acquired as part of the employee shareholding plan and the share buyback programme launched on 24 March 2021.

For notification of disclosure of significant shareholdings, please refer to the website of SIX Swiss Exchange: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ZEHNDER.

The Articles of Association of Zehnder Group AG provide an opting-out clause, which is explained in item [7.1 Duty to make an offer](#) of this Corporate Governance Report.

1.3 Cross-shareholdings

There are no cross-shareholdings.

2. Capital structure

2.1 Capital

	Registered shares A units 2022	Registered shares B units 2022	Nominal value CHF 2022	Registered shares A units 2021	Registered shares B units 2021	Nominal value CHF 2021
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, the total share capital of Zehnder Group AG amounted to CHF 586,800. 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 them. The vast majority of the registered shares B are owned by Graneco AG (CH). On the balance sheet date, Graneco AG and its shareholders held 51.8% of the company's registered shares and voting rights.

2.2 Authorised and conditional capital in particular

There is no authorised or conditional capital in particular.

2.3 Changes in capital

There were no changes in capital in the last three reporting years; i.e. in the period between 1 January 2020 and 31 December 2022.

All changes in capital since going public in 1986 are set out on our website www.zehndergroup.com/en/investor-relations/shares.

2.4 Shares and participation certificates

The share capital of Zehnder Group AG consists of 9,756,000 registered shares A listed on SIX Swiss Exchange with a nominal value of CHF 0.05 each (a total of CHF 487,800) and 9,900,000 registered shares B with a nominal value of CHF 0.01 each (a total of CHF 99,000). Total share capital amounts to CHF 586,800 and the total number of shares outstanding is 19,656,000. Each share carries one vote, irrespective of its nominal value. The registered shares A have a 49.6% share of the votes and account for 83.1% of the share capital, the registered shares B a 50.4% share of the votes and 16.9% of the share capital. The dividend per registered share B is one fifth of the dividend per registered share A.

For additional information on shares, please refer to our website www.zehndergroup.com/en/investor-relations/shares.

No participation certificates of the Zehnder Group are outstanding.

2.5 Dividend-right certificates

No dividend-right certificates of the Zehnder Group are outstanding.

2.6 Limitations on transferability and nominee registrations

Limitations on registration of registered shares A

Under Article 6 (Restrictions on registering registered shares A) of the Articles of Association, purchasers of registered shares A in Zehnder Group AG will, on application, be entered into the share register as a shareholder with voting rights without limitation, provided they explicitly declare that they have purchased these registered shares in their own name and for their own account, and provided they are compliant with the statutory reporting obligations.

Persons who do not explicitly declare in their application for registration or on request of the company that they are holding the shares for their own account (nominees) will automatically be registered in the share register with voting rights up to a maximum of 3% of the outstanding share capital.

Beyond this limit, registered shares A of nominees are registered with voting rights only if the relevant nominee, when requesting registration or subsequently on request of the company, discloses the names, addresses and shareholdings of the persons on whose account they hold 0.3% or more of the outstanding share capital, and if the statutory reporting obligations are complied with.

The Board of Directors is authorised to conclude agreements with nominees with respect to their reporting obligations.

Transferability of registered shares B

Under Article 6 (Transferability of registered shares B) of the Articles of Association, registered shares B can be transferred into ownership or into a restricted right in rem only with the agreement of the Board of Directors.

The Board of Directors may refuse a request to approve share transfer, but must give an important reason for doing so. Important reasons are:

- If the purchaser is in competition with the company or one of its affiliated companies;
- If and insofar as the approval of the purchase of registered shares B by the applicant might prevent the company from producing evidence of the composition of the circle of shareholders required by law, in particular in conjunction with the Swiss Federal Law on the Acquisition of Real Estate by Persons Abroad and the associated ordinance.

Furthermore, the Board of Directors may refuse applications for approval if it makes an offer to the seller of the registered shares B to purchase these on behalf of the company, on behalf of other shareholders or on behalf of third parties at their real value at the time of the application.

Further limitations on registration of registered shares A and B

Under Article 8 (Further limitations on registration of registered shares A and B) of the Articles of Association, legal persons and partnerships with legal personality that are interrelated or affiliated through equity or voting interests, common cooperation or similar means, or natural or legal persons or partnerships who act in concert for the purpose of circumventing the restriction on registration, are treated as one purchaser in transfer regulation contexts.

The limitations placed on registration also apply to shares acquired by exercising pre-emptive, option or conversion rights.

The Board of Directors may, after consultation with the party concerned, delete entries from the share register that have been made due to incorrect information from the purchaser. The purchaser must be immediately informed of the deletion of the entry.

Cancellation or easing of the restrictions on the transferability of registered shares B and the registration restrictions on registered shares A require a resolution of the Annual General Meeting, passed by at least two-thirds of the voting shares represented and an absolute majority of the nominal share value represented.

In the reporting year, the Board of Directors did not grant any exceptions in relation to the limitations on transferability and registration.

2.7 Convertible bonds and options

No convertible bonds or options are outstanding.

3. Board of Directors

We refer to the Articles of Association and Organisational Regulations of Zehnder Group AG set out on our website www.zehndergroup.com/en/investor-relations/corporate-governance.

Skills and expertise of the Board of Directors

In accordance with the Swiss Code of Best Practice for Corporate Governance for a balanced composition of the Board of Directors, the members of the Board of Directors have a broad range of educational backgrounds, professional experience and technical expertise from various sectors.

Alongside the diversity of ages, genders and geographic origins, the Board of Directors evaluates its own level of diversity using a competence matrix drawn up by the Nomination and Compensation Committee. This matrix contains the following professional skills and expertise:

- International business management (including China and North America);
- Corporate governance/compliance/law;
- Finance/audit/risk management;
- Heating, ventilation, air conditioning (HVAC)/related industries;
- Strategy/transformation/M&A;
- Information technology/digitalisation, including new business models (driven by digitalisation);
- Personnel management and compensation;
- Sustainability – environmental, social and governance (ESG).

Evaluation of the Board of Directors' competence is based on the three most important skills of each member of the Board of Directors. The Nomination and Compensation Committee verifies the composition and balance of the Board of Directors annually by way of self-evaluation on the basis of the features listed above and the strategy of the Zehnder Group, in order to obtain confirmation of whether the Board of Directors remains in possession of the necessary skills and expertise to exercise its duties. The results and any resulting recommendations are discussed by the Board of Directors.

All the skills required are present within the Board of Directors. Details of the professional background and education of the individual members of the Board of Directors as of 31 December 2022 are set out as biographical data under the following item [3.1 Members of the Board of Directors](#).

3.1 Members of the Board of Directors



Dr Hans-Peter Zehnder
Chairman of the Board of Directors

Swiss citizen, born 1954

First elected 1988

Non-executive member since 2019

Professional background and education

- 1993–31.10.2014 and 5.2.–31.12.2018 Chairman of the Group Executive Committee, Chief Executive Officer (CEO) of the Zehnder Group, Gränichen (CH)
- 1988–1992 Vice Chairman of the Group Executive Committee, head of the radiator division of the Zehnder Group, Gränichen (CH)
- 1985–1988 Member of the Group Executive Committee, head of the instrument division (1986–1988) of the Zehnder Group, Gränichen (CH)
- 1981–1984 Head of Finance, Gebr. Bühler AG, Uzwil (CH)
- 1974–1980 Dr. oec. HSG, University of St. Gallen (CH)
- Until the end of 2018 he was part of Zehnder Group AG management.
- He retains individual directorships of subsidiaries that are being transferred to the CEO Matthias Huenerwadel. Beyond this, he has no significant business relations with Zehnder Group AG or its subsidiaries.

Other activities and vested interests

- Chairman of the Board of Directors of R. Nussbaum AG (CH), member of the Board of Directors of AZ Medien AG (CH), CH Media AG (CH) and Lagerhäuser der Centralschweiz AG (CH)
- Chairman of the Board of Directors of Graneco AG (CH), which together with its shareholders holds 51.8% of Zehnder Group AG voting rights
- Chairman of the Board of Directors of Granarium AG (CH), which holds the majority of the capital and voting rights in Graneco AG (CH)



Jörg Walther
Vice Chairman of the Board of Directors

Swiss citizen, born 1961

First elected 2016

Non-executive member

Chairman of the Audit Committee

Professional background and education

- Since 2010 Business lawyer and partner, Schärer Attorneys at Law, Aarau (CH)
- 2010–2012 General Counsel and Head Corporate Services, member of the Executive Committee, Resun AG, Aarau (CH)
- 2001–2009 Senior Corporate Counsel, Global Head Legal M&A and Antitrust, member of the Group Legal Executive Committee, Novartis International AG, Basel (CH)
- 1999–2001 Group Vice President M&A, ABB Asea Brown Boveri AG, Zurich (CH)
- 1995–1998 Senior Corporate Counsel, ABB Schweiz AG, Baden (CH)
- 1991–1995 Legal Counsel/General Counsel and Head Legal Services, Danzas Management AG, Basel (CH)
- 1999 MBA University of Chicago (US), Booth School of Business
- 1997 Advanced Management Programme, University of Oxford (UK)
- 1993 Post-graduate certificate in European Economic Law, University of St. Gallen (CH)
- 1990 Admitted to the bar
- 1989 lic. iur., University of Zurich (CH)
- At no time has he been a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- Until end of 2020, he provided Zehnder Group AG and its subsidiaries with legal advice on commercial matters. Since then, he has had no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Vice Chairman and member of the Audit and Finance Committee of AEW Energie AG (CH), member of the Board of Directors and Chairman of the Audit Committee of HUBER+SUHNER AG (CH) and SFS Group AG (CH), Vice Chairman of the Board of Directors of Immobilien AEW AG (CH), member of the Board of Directors of Kraftwerk Augst AG (CH)
- Member of the Board of the swissVR association (CH)



Dr Urs Buchmann
Member of the Board of Directors
Swiss citizen, born 1957
First elected 2010
Non-executive member
Member of the Audit Committee

Professional background and education

- Since 1985 Long-term career at Credit Suisse in corporate and investment banking in Asia and in servicing institutional customers in the Asia-Pacific region, currently Vice Chairman of Credit Suisse (Hong Kong) Ltd.
- 1977-1984 Studied law (doctorate) at the University of Bern (CH)
- At no time has he been a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Member of the Board of Directors of Swiss Re Asia Pte. Ltd. (SG)



Riet Cadonau
Member of the Board of Directors
 Swiss citizen, born 1961
 First elected 2013
 Non-executive member
 Chairman of the Nomination and
 Compensation Committee

Professional background and education

- 2015–2021 CEO, dormakaba Group, Rümlang (CH)
- 2011–2015 CEO, Kaba Group, Rümlang (CH)
- 2007–2011 CEO, Ascom Group, Dübendorf (CH)
- 2005–2007 Managing Director, ACS Europe + Transport Revenue (later a Xerox company), Glattbrugg (CH)
- 2001–2005 Member of the Executive Board, Ascom Group, Bern (CH), from 2002 Deputy CEO and General Manager of the Transport Revenue Division, which was acquired by ACS in 2005
- 1990–2001 Various management positions at IBM Switzerland, Zurich (CH), most recently as a member of the Management Board and Director of IBM Global Services
- 2007 Advanced Management Programme at INSEAD (FR)
- 1985–1988 Master of Arts in economics and business administration (lic. oec. publ.), University of Zurich (CH)
- At no time has he been a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Chairman of the Board of Directors of dormakaba Holding AG (CH), member of the Board of Directors of Georg Fischer AG (CH)
- Chairman of the Board of Directors of Swiss-American Chamber of Commerce (CH)



Sandra Emme
Member of the Board of Directors
 German-Swiss dual citizen, born 1972
 First elected 2022
 Non-executive member
 Member of the Nomination and Compensation Committee

Professional background and education

- Since 2011 Google Online Marketing, Global Business Development, Digital Transformation Consulting, currently Industry Leader Cloud at Google Switzerland GmbH, Zurich (CH)
- 2008–2009 CEO, Swixpert GmbH, Zurich (CH)
- 2000–2008 Co-founder and CEO, SoftThinks SA, Lille (FR) and SoftThinks USA Inc, San Jose (US)
- 1997–2000 Co-founder and Business Development Director, AS Media, Marseille (FR) and London (UK)
- 2022 ESG Designation Program for Board Members, Competent Boards (CA)
- 2020 Cybersecurity Program, Massachusetts Institute of Technology (US)
- 2017–2019 Corporate Governance Programme, University of St. Gallen (CH)
- 2015 Leading Digital Business Transformation, IMD Business School, Lausanne (CH) and Singapore (SG)
- 1993–1995 Ecole Supérieure de Commerce, Marseille (FR)
- 1991–1995 MA in Business and International Management, City University of Applied Sciences, Bremen (DE)
- At no time has she been a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- She has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Member of the Board of Directors of Belimo Holding AG (CH)
- Member of the Steering Committee of digitalswitzerland (CH)



Milva Inderbitzin-Zehnder
Member of the Board of Directors

Swiss citizen, born 1985

First elected 2016

Non-executive member

Member of the Nomination and
Compensation Committee

Professional background and education

- Since 2013 Attorney-at-law and notary, Schweiger Attorneys at Law and Notaries, Zug (CH)
- 2010–2011 Legal intern, Schweiger Attorneys at Law and Notaries, Zug (CH)
- 2008–2009 Legal assistant at a law firm in Baden (CH)
- 2012 Admitted to the bar, attorney-at-law and notary in the canton of Zug (CH)
- 2005–2010 Law studies at University of Lucerne (CH) with a Master of Law degree
- 2009 Exchange semester at Fordham University, School of Law, New York (US)
- At no time has she been a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- She has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Representative of the Zehnder family shareholders
- Member of the Board of Directors of Granarium AG (CH), which holds the majority of the capital and voting rights in Graneco AG (CH)



Ivo Wechsler
Member of the Board of Directors
 Swiss citizen, born 1969
 First elected 2019
 Non-executive member
 Member of the Audit Committee

Professional background and education

- Since 2010 Chief Financial Officer and member of the Executive Group Management, HUBER+SUHNER Group, Herisau (CH)
- 2008–2010 Head Corporate Controlling, HUBER+SUHNER Group, Herisau (CH)
- 2001–2007 Head Corporate Controlling and from 2005 in addition Head Corporate Treasury, Ascom Group, Bern (CH)
- 1998–2000 Controller, from 1999 Head of Controlling & Treasury at Sunrise Communications, Rümlang (CH)
- 1995–1997 In Corporate Finance at Schweizerische Bankgesellschaft (UBS), Zurich (CH)/London (UK)
- 1989–1994 lic. oec. HSG, University of St. Gallen (CH)
- At no time has he been a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- No other activities and vested interests

3.2 Other activities and vested interests

Other activities and vested interests are outlined in the short profiles of the members of the Board of Directors under the previous item **3.1 Members of the Board of Directors**. Beyond these activities, the members of the Board of Directors do not have any dealings with important institutions, hold ongoing executive or advisory roles for interest groups, or hold any official function or political office.

3.3 Rules in the Articles of Association on the number of permitted activities

Under Article 30 (Other permitted activities) of the Articles of Association, the members of the Board of Directors are permitted to undertake the following additional activities in the supreme management or administrative bodies of legal entities obligated to be listed in the commercial register in Switzerland or an equivalent register in another country and which are not controlled by the company, do not control the company or are not occupational pension schemes subscribed to by employees of the Zehnder Group:

- Maximum of five mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies that are public corporations according to Article 727 para. 1(1) of the Swiss Code of Obligations;

- Maximum of 10 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies as defined in Article 727 para. 1(2) of the Swiss Code of Obligations;
- Maximum of 15 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of legal entities that do not meet the criteria outlined above.

Mandates with companies controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate.

3.4 Elections and terms of office

Article 20 (Employees and term of office) of the Articles of Association stipulates that the Board of Directors is made up of at least three members elected by the Annual General Meeting for a period of one year. Re-election is permissible.

At the Annual General Meeting, a separate vote is held on the election or re-election of each candidate.

For details of the initial election of the individual members of the Board of Directors, we refer to the short profiles of the Directors under [3.1 Members of the Board of Directors](#).

3.5 Internal organisational structure

The Chairman (Dr Hans-Peter Zehnder) or his deputy (Jörg Walther) convenes and chairs the meetings and conference calls. The Board's duties are carried out by the entire Board. Managerial and monitoring tasks are delegated to ad hoc Board committees at regular intervals. For each meeting, all Board members receive relevant documentation one week in advance. The members of the Group Executive Committee attend the Board meetings and participate in the conference calls as required. Representatives of the auditors or external consultants are called in to advise on individual items on the agenda. To allow the Board to acquire local information directly, a regular pattern has been established of holding one of the Board meetings on the premises of an operating company of the Group. In 2022, the Board held nine meetings or conference calls. These lasted an average of six hours. The attendance rate averaged 98%.

	18.2.	26.3.	7.4.	25./ 27.4.	28.4.	4.–6.7.	22.7.	19.– 21.9.	14.12.
Dr Hans-Peter Zehnder	●	●	●	●	●	●	●	●	●
Jörg Walther	●	●	●	●	●	●	●	●	●
Dr Urs Buchmann	●	x	●	●	●	●	●	●	●
Riet Cadonau	●	●	●	●	●	●	●	●	●
Sandra Emme ¹	n/a	n/a	n/a	●	●	●	●	●	●
Ivo Wechsler	●	●	●	●	●	●	●	●	●
Milva Inderbitzin-Zehnder	●	●	●	●	●	●	●	●	●

¹ Member of the Board of Directors since 7 April 2022

The Board of Directors is supported by a Nomination and Compensation Committee and an Audit Committee.

Nomination and Compensation Committee

The Nomination and Compensation Committee is made up of at least two and not more than four members of the Board of Directors who are each elected annually by the Annual General Meeting. Members are eligible for re-election.

The Nomination and Compensation Committee comprised the following members as of 31 December 2022:

- Riet Cadonau, Chairman;
- Sandra Emme, member;
- Milva Inderbitzin-Zehnder, member.

The Nomination and Compensation Committee meets as often as the business requires, generally before the meetings of the full Board of Directors. In 2022, the Committee held four meetings. These lasted one and a half hours each on average. The attendance rate was 100%.

	18.2.	7.4.	21.9.	14.12.
Riet Cadonau	●	●	●	●
Dr Urs Buchmann ¹	●	●	n/a	n/a
Sandra Emme ²	n/a	n/a	●	●
Milva Inderbitzin-Zehnder	●	●	●	●

¹ Member of the Nomination and Compensation Committee to 7 April 2022

² Member of the Nomination and Compensation Committee since 7 April 2022

The Nomination and Compensation Committee has its own regulations, which are approved by the Board.

The Nomination and Compensation Committee has the following specific duties pursuant to 4.3 (The Nomination and Compensation Committee) of the Organisational Regulations:

- Submission of motions to the full Board of Directors relating to the Group's remuneration system;
- Submission of motions to the full Board of Directors relating to targets set for the Group Executive Committee, the achievement of which has an impact on remuneration paid;
- Provision of information to the Board of Directors about all events relevant to the Nomination and Compensation Committee that are not directly within the competence of the Board of Directors;
- Submission of motions to the full Board of Directors relating to the specific remuneration paid to the Chairman of the Board of Directors and each of the other members of the Board of Directors;
- Submission of motions to the full Board of Directors relating to the specific remuneration paid to the CEO and the specific remuneration paid to each of the other members of the Group Executive Committee;

- Submission of motions to the full Board of Directors relating to changes to the Articles of Association affecting the remuneration system for the members of the Group Executive Committee;
- Submission of proposals to the Board of Directors relating to the appropriate size and balanced composition of the Board of Directors and determination of the criteria for independence;
- Development and presentation of criteria for election or re-election to the Board of Directors or for appointment as a member of the Group Executive Committee;
- Evaluation of potential members of the Board of Directors on the basis of the defined criteria and submission of a statement to the Board of Directors regarding their nomination for the attention of the General Meeting;
- Assessment of proposals from the CEO to the Board of Directors regarding the appointment or dismissal of members of the Group Executive Committee and, if necessary, submission of a statement to the Board of Directors;
- Approval of employment contracts with the CEO and the other members of the Group Executive Committee;
- Review of succession and contingency planning at Group Executive Committee level;
- Submission of proposals to the entire Board regarding the approval of mandates and other additional occupations of members of the Group Executive Committee.

Further details can be found at item **1.2 Nomination and Compensation Committee** of the Compensation Report.

Audit Committee

The Audit Committee consists of at least two members of the Board of Directors. The Board of Directors appoints the members of the Committee each year and designates the Chairperson.

The Audit Committee comprised the following members as of 31 December 2022:

- Jörg Walther, Chairman;
- Dr Urs Buchmann, member;
- Ivo Wechsler, member.

The Audit Committee convenes at the invitation of the Chairman as often as is required by business activities. Audit Committee meetings are attended as guests by the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Director Group Controlling, the Head Internal Audit & Compliance and representatives of the external auditor. Where necessary, the Audit Committee addresses certain items on the agenda solely with representatives of the external auditor and/or internal auditing staff. In 2022, the Audit Committee convened four times. The meetings lasted an average of two hours. The attendance rate was 100%.

	16.2.	19.7.	19.9.	14.12.
Jörg Walther	●	●	●	●
Dr Urs Buchmann	●	●	●	●
Ivo Wechsler	●	●	●	●

Pursuant to 4.2 (The Audit Committee) of the Organisational Regulations, the Audit Committee has the following specific tasks and responsibilities:

- Evaluation of external auditors and recommendations for the attention of the Board of Directors regarding selection of an auditor by the Annual General Meeting;
- Performance assessment of the incumbent auditor and approval of the remuneration budget for auditing submitted by the external auditor;
- Organisation of internal auditing and appointment of the internal auditor; commissioning of work and assessment of performance;
- Review and approval of auditing plans from internal auditing and the external auditor;
- Approval of any services rendered by the external auditor that are not related to auditing;
- Consultation with the Group Executive Committee and the external and internal auditors regarding significant risks, contingencies and other obligations of the Group, as well as evaluation of the measures taken by the Group to deal with them;
- Review and discussion of the annual and interim financial statements of the company and of the Group – including significant items not recognised in the balance sheet – with the relevant members of the Group Executive Committee;
- Discussion of the results of the annual review with the external auditor and discussion of internal audit reports, and issuance of recommendations or proposals to the Board of Directors;
- Evaluation of and ensuring cooperation between the external and internal auditors.

Chairman

The Chairman of the Board of Directors chairs the meetings of the Board of Directors and the Annual General Meeting.

Alongside membership of the Board of Directors, the Chairman's specific remit includes, in particular:

- Monitoring the planning and organisation of the Annual General Meeting;
- Monitoring the enactment of the resolutions made at the Annual General Meeting and meetings of the Board of Directors;
- Monitoring the running of the business together with the Chairman of the Group Executive Committee;
- Representing the Company towards shareholders and third parties;
- Preparing the meetings of the Board of Directors;
- Monitoring the organisation and decision-taking procedures of the Board of Directors.

In extraordinary situations where it is not possible to inform the Board of Directors in advance, further to consultation with the Vice Chairman or, in his absence, with another member of the Board of Directors, the Chairman has the authority to make all necessary decisions provided that such decisions are within the framework of existing business policy. The full Board of Directors must be informed of such decisions without delay.

Vice Chairman

The Board of Directors appoints the Vice Chairman. The Vice Chairman supports and advises the Chairman of the Board of Directors in relation to his responsibilities and powers. Together with the Chairman, he promotes balanced management and monitoring within the Group, Board of Directors and Committees. The duties of the Vice Chairman include chairing meetings of the Board of Directors during temporary absence or incapacity of the Chairman. He has the role of Lead Independent Director. Together with the Nomination and Compensation Committee, he is responsible for regular monitoring and an annual assessment of the Chairman of the Board of Directors.

Alongside membership of the Board of Directors, the Chairman's specific remit includes, in particular:

- Ensuring readiness at all times to act as deputy to the Chairman of the Board of Directors;
- Overseeing the management and development of key strategic projects;
- Acting as contact person (alternatively to the Chairman of the Board of Directors) for important shareholders, investors and proxy advisers;
- Conducting the annual performance evaluation of the Chairman of the Board of Directors and the self-assessment of the entire Board of Directors;
- Chairing ad hoc committees of the Board of Directors in matters that do not fall within the remit of the Chairman of the Board of Directors;
- Supporting the Chairman of the Board of Directors in the management of the company, in particular during special situations and in crisis situations;
- Approving the appointment of contact persons for external consultants who report directly to the Board of Directors;
- Conducting a preliminary review, together with or as an alternative to the Chairman of the Board of Directors, of the documents made available to the full Board of Directors;
- Attending meetings of Board committees as chair, member or guest.

As an alternative to the Chairman of the Board of Directors, particularly in case of his absence or incapacity, the Vice Chairman is the point of contact for corporate governance and risk management, and also represents the company in respect of shareholders and other external groups of stakeholders.

3.6 Definition of areas of responsibility

The allocation of the areas of responsibility between the Board of Directors and the Group Executive Committee is based on the law (Swiss Code of Obligations), the company's Articles of Association and its Organisational Regulations.

Insofar as provision to the contrary has not been made in law, in the Articles of Association or in its Organisational Regulations, the Board of Directors delegates management of the business completely to the Group Executive Committee.

The Board of Directors is responsible for the overall management of the company, and supervision and control of the Group Executive Committee. It issues guidelines for business policy and is kept regularly informed of the course of business.

The Board of Directors is the supreme authority in the context of the management structure of the Group. Insofar as is permitted by law, the Board of Directors has the right of initiative, power of oversight and ultimate decision-making authority over the Group companies.

3.7 Information and control instruments vis-à-vis the Group Executive Committee

The Board of Directors is regularly informed of the activities of the Group Executive Committee and business units via various channels.

Management information system (MIS)

As part of regular reporting practice, the Board of Directors receives monthly reports (income statement, key figures, commentary) and quarterly reports (expanded to include balance sheet, cash flow statement, investments, etc.). In addition, the Board members receive a quantified medium-term plan and a detailed budget analysis. The Group Executive Committee members attend the meetings of the Board of Directors and also the conference calls depending on requirements, reporting to the Board of Directors.

Risk management process

Operating under the guidance of the CFO, the Zehnder Group has a structured risk management process that has been approved by the Board of Directors and which systematically monitors risks to the business, including sustainability and climate risks. In this process, strategic and operational risks are identified every year, including all the sites and function areas, and analysed in terms of both probability of occurrence and severity, and key risks are defined. Appropriate measures for minimising and monitoring these risks are then set out. The Board of Directors reviews and approves the risk report once a year. Each member of the Group Executive Committee is responsible for implementation of the measures in their area of responsibility. The Audit Committee supports the Board of Directors in the monitoring of business risks and the assessment of measures introduced by the Group Executive Committee. The Board of Directors is informed periodically of significant changes to the risk assessment and is kept abreast of risk management activities.

The financial risks are monitored by the Treasury department of the Zehnder Group under the guidance of the CFO. Risk management focuses on identifying, analysing and mitigating currency, interest, liquidity and counterparty risks, in order to limit the extent to which they can impair cash flow and net profit.

Information security risks are monitored by the Group's central IT department, under the leadership of the CFO. The focus of risk management is on IoT (Internet of Things; i.e. products with internet connectivity), the central and local IT departments of the Group and the control systems of production and logistics. External specialists are called in at regular intervals for organisational issues and technical audits.

Internal audit

Internal audit is an independent and objective auditing and advisory activity that aims to evaluate and improve the efficiency of the corporate management, risk management and internal control. It is undertaken by the Head of Internal Audit & Compliance, who reports to the Chairman of the Board of Directors and with regard to this role reports directly to the Audit Committee.

Based on the audit plan approved by the Audit Committee, the Group companies are audited at regular intervals for general and specific issues on the basis of ongoing risk assessment. During the year under review, eight internal audits were carried out. The audit reports agreed with the managements of the audited companies or the responsible functions are distributed to the Chairman of the Board of Directors, the Audit Committee, the Group Executive Committee and the external auditor. The Head of Internal Audit & Compliance ensures that the points brought up are dealt with and sustainable adjustments made under the responsibility of the line organisation. He attends the meetings of the Audit Committee. Any material findings resulting from internal audits are presented and discussed.

Integrity Line

Zehnder Group pursues an integrated system approach to combat violations of its Code of Conduct, including the protection of whistleblowers. The whistleblower system introduced in the reporting year can be used to report information about misconduct affecting Zehnder Group or the welfare of employees and third parties. The Integrity Line is accessible via the Group website (www.zehndergroup.com) and local company websites. Employees also have access via the Group intranet and local intranets. The reports, which can also be submitted anonymously, are processed primarily by the Group's legal department. The Audit Committee is informed about the reports received.

4. Group Executive Committee

4.1 Members of the Group Executive Committee



Matthias Huenerwadel
Chairman of the Group Executive Committee,
Chief Executive Officer (CEO)
Swiss, born 1968
Appointed in 2018

Professional background and education

- Since January 2019 Chairman of the Group Executive Committee, Chief Executive Officer (CEO) of the Zehnder Group, Gränichen (CH)
- 12.11.–31.12.2018 Member of the Group Executive Committee, designated Chief Executive Officer (CEO) of the Zehnder Group, Gränichen (CH)
- 2005–2017 Member of the Executive Board and Head of Movement Systems (2005–2012) and Flooring Systems (2013–2017), Forbo International SA, Baar (CH)
- 1995–2005 Various management positions in the areas of logistics, IT, customer services, sales and marketing at the Franke Group, Aarburg (CH), Ruston (US) and Bad Säckingen (DE)
- 1991–1994 Master of Science in Industrial Engineering, Swiss Federal Institute of Technology (ETH) Zurich (CH)
- 1987–1990 Bachelor of Science in Mechanical Engineering, Swiss Federal Institute of Technology (ETH) Zurich (CH)

Other activities and vested interests

- Member of the Board of Directors of Daedalus Holding AG (CH) and Spaeter AG (CH)
- Member of the Board of Aargauische Industrie- und Handelskammer (CH)



René Grieder
Chief Financial Officer (CFO)

Swiss, born 1979
Appointed in 2015

Professional background and education

- Since August 2015 Member of the Group Executive Committee, Chief Financial Officer (CFO) of the Zehnder Group, Gränichen (CH)
- 2011–2015 Head of Group Controlling of the Zehnder Group, Gränichen (CH)
- 2009–2010 Head of/Manager Group Reporting of the Zehnder Group, Gränichen (CH)
- 2007–2009 Group Controller, Emhart Glass SA, Cham (CH)
- 2003–2007 Controller, Pilatus Aircraft Ltd, Stans (CH)
- 1998–2000 Product Manager, Intercycle SA, Sursee (CH)
- 2010–2011 Master of Advanced Studies in Corporate Finance, Institute of Financial Services Zug (CH)
- 2001–2003 Bachelor of Science in Business Economics, University of Applied Sciences and Arts Lucerne (CH)

Other activities and vested interests

- Member of the Board of Directors of imiam AG (CH)

**Johannes Bollmann**

**Chief Operating Officer (COO)
Ventilation EMEA**

Swiss-Italian dual citizen, born 1982
Appointed in 2019

Professional background and education

- Since April 2019 Member of the Group Executive Committee, Chief Operating Officer (COO) Ventilation EMEA of the Zehnder Group, Gränichen (CH)
- 2013–2019 Various roles and management tasks at the Zehnder Group in Switzerland in the areas of business development, sales, product and project management, most recently as Managing Director of Zehnder Group Schweiz AG
- 2007–2013 Various roles at ABB in Zurich and Baden (CH) in the areas of marketing, sales and internal audit
- 2006–2008 Master of Science in Management, Technology and - Economics, Swiss Federal Institute of Technology (ETH) Zurich (CH)
- 2003–2006 Bachelor of Science in Mechanical Engineering, Swiss Federal Institute of Technology (ETH) Zurich (CH)

Other activities and vested interests

- Member of the Steering Committee of European Ventilation Industry Association (BE)
- Member of the Board of GebäudeKlima Schweiz (CH)



Jörg Metzger
Chief Operating Officer (COO)
Radiators EMEA
German, born 1967
Appointed in 2020

Professional background and education

- Since May 2020 Member of the Group Executive Committee, Chief Operating Officer (COO) Radiators EMEA of the Zehnder Group, Gränichen (CH)
- 2009–2020 Various leading positions in the areas of business management and transformation with Elster Group and Honeywell Inc., Lorsch (DE) and Atlanta (US)
- 1995–2009 Management roles in various international companies
- 1990–1995 Studies with a degree in civil engineering (Dipl.-Ing.), University of Applied Sciences Kaiserslautern (DE)

Other activities and vested interests

- Member of the Advisory Board of Engelmann Sensor GmbH (DE)
- Member of the Executive Council of Association of the European Heating Industry (BE)



Cyril Peysson
Chief Commercial Officer (CCO)
EMEA

French, born 1965
Appointed in 2006

Professional background and education

- Since 2006 Member of the Group Executive Committee, Chief Commercial Officer (CCO) EMEA (2008–2013 Sales and Marketing Western Europe, 2006–2008 Sales and Marketing Radiators) of the Zehnder Group, Gränichen (CH)
- 2000–2005 Managing Director, Zehnder SAS, Paris (FR)
- 1990–2000 Various activities in exports and sales of French industrial entities, most recently as Sales Director at De Dietrich Heiztechnik, Kehl (DE)
- 1985–1988 Diploma from École Supérieure de Commerce et d'Administration, Montpellier (FR)

Other activities and vested interests

- No other activities or vested interests

4.2 Other activities and vested interests

Other activities and vested interests are outlined in the short profiles of the members of the Group Executive Committee under the previous item **4.1 Members of the Group Executive Committee**. Beyond these activities, the members of the Group Executive Committee do not have any dealings with important institutions, hold ongoing executive or advisory roles for interest groups, or hold any official function or political office.

4.3 Rules in the Articles of Association on the number of permitted activities

Under Article 30 (Other permitted activities) of the Articles of Association (www.zehndergroup.com/en/investor-relations/corporate-governance), subject to the approval of the Board of Directors, the members of the Group Executive Committee are permitted to undertake the following additional activities in the supreme management or administrative bodies of legal entities obligated to be listed in the commercial register in Switzerland or an equivalent register in another country, and which are not controlled by the company, do not control the company or are not occupational pension schemes subscribed to by employees of the Zehnder Group:

- Maximum of two mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies that are public corporations according to Article 727 para. 1(1) of the Swiss Code of Obligations;
- Maximum of three mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies as defined in Article 727 para. 1(2) of the Swiss Code of Obligations;

- Maximum of five mandates in other legal entities that do not meet the criteria outlined above.

Mandates with companies controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate.

4.4 Management contracts

No management contracts exist that transfer management responsibility to companies or individuals outside the Zehnder Group.

5. Compensation, shareholdings and loans

For information about compensation, shareholdings and loans, please refer to the [Compensation Report](#), item [10. Disclosure of ownership structure](#) in the notes to the financial statements of Zehnder Group AG in the Financial Report and to the Articles of Association of Zehnder Group AG on our website www.zehndergroup.com/en/investor-relations/corporate-governance.

6. Shareholders' participation rights

Please refer to Swiss company law and also to Zehnder Group AG's Articles of Association on our website www.zehndergroup.com/en/investor-relations/corporate-governance.

6.1 Voting rights restrictions and representation

Rules on shareholder voting rights are provided in Article 14 of the Articles of Association. Regardless of its nominal value, every share carries a voting right. The statements made under item **2.6 Limitations on transferability and nominee registration** in this Corporate Governance Report apply.

In its invitation to the Annual General Meeting, the Board of Directors will announce the deadline for entry into the share register, which is required for the right to vote and participate.

Only another registered shareholder B can act as a proxy for a registered shareholder B at the Annual General Meeting. A registered shareholder A can be represented by the independent proxy or a third person. Regulations governing proxies and instructions are set by the Board of Directors. Written proxy is not required for legal representatives.

The independent proxy is elected each year at the Annual General Meeting. Re-election is permissible. The duties of the independent proxy are governed by the applicable legal provisions.

The Board of Directors did not grant any exceptions or exclude any nominees in the reporting year.

6.2 Quorums required by the Articles of Association

Insofar as provision to the contrary has not been made in law or the Articles of Association, the Annual General Meeting passes its resolutions and holds its elections based on a simple majority of the valid share votes cast. Abstentions, blank votes and invalid votes are not included when the majority is counted. If a vote is tied, the Chairman has the casting vote on resolutions and in elections. Resolutions and elections are open unless provision to the contrary is made by the Chairman.

Under Article 17 (Important decisions) of the Articles of Association, a resolution by the Annual General Meeting passed by at least a two-thirds majority of the votes represented and an absolute majority of the nominal value of the shares represented, supplementary to Article 704 (1) of the Swiss Code of Obligations, is required for:

- a) The conversion of registered shares into bearer shares and vice versa;
- b) Amendments to Article 6, 7, and 17 of the Articles of Association.

6.3 Convocation of the Annual General Meeting

As prescribed by law, the Annual General Meeting is convened by the Board of Directors or, if necessary, by the auditor. It is convened at least 20 days before the date on which it is to be held, and the invitation to attend is published in the Swiss Official Gazette of Commerce. If the postal or email addresses of the shareholders are known, the invitation may also be issued via post or email.

6.4 Inclusion of items on the agenda

The Board of Directors is responsible for listing matters to be discussed on the agenda. Shareholders registered with voting rights who individually or collectively represent at least 5% of the share capital of the company may request that an item be included on the agenda of the Board of Directors. The request for an item to be included on the agenda must be submitted in writing to the Chairman of the Board of Directors at least 45 days before the Annual General Meeting, stating the agenda item and the motions.

6.5 Entries in the share register

In its invitation to the Annual General Meeting, the Board of Directors will announce the deadline for entry into the share register, which is required for the right to vote and participate.

7. Changes of control and defence measures

7.1 Duty to make an offer

An opting-out clause is laid down in Article 10 of the Articles of Association (www.zehndergroup.com/en/investor-relations/corporate-governance). Under Article 125 (3) and (4) of the Swiss Financial Market Infrastructure Act (FinMIA), anyone who purchases shares of the Company is not obligated to make a public offer to buy pursuant to Articles 135 and 163 of this same law.

7.2 Clauses on changes of control

There are no change-of-control clauses for members of the Board of Directors or for members of the Group Executive Committee.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers Ltd (PwC), Lucerne (CH), has been the external auditor for Zehnder Group AG since 2019. It also audits the consolidated financial statements of the Zehnder Group. The auditor is elected at the Annual General Meeting for a term of one year. Thomas Ebinger took over as lead auditor on 1 October 2020. Rotation of rhythm for the lead auditor corresponds to a maximum term of seven years in accordance with the legal requirement.

8.2 Auditing fees

The financial statements of Zehnder subsidiaries are audited by various auditing firms, including PwC. In the reporting year 2022, various auditing firms invoiced a total of EUR 949,000 (incl. expenses) for audit of individual accounts and the consolidated financial statements. Of this, EUR 517,000 was paid to PwC. No audit-related services were invoiced.

8.3 Additional fees

The additional fees for services provided by PwC throughout the Group during fiscal year 2022 are in the amount of EUR 108,000. Additional services rendered by PwC outside the audit mandate are compatible with the audit assignment.

8.4 Information instruments pertaining to the external audit

The auditor attends the meetings of the Audit Committee. At these meetings, it presents significant information on the financial statements of the companies audited. The auditor is evaluated and monitored by the Audit Committee, which makes recommendations to the Board of Directors. In particular, the Audit Committee evaluates the auditor's plans and its remuneration and performance. In 2022, PwC attended all four meetings of the Audit Committee.

9. Information policy

The Zehnder Group communicates regularly and transparently with its shareholders, the capital market and the public. It reports every half year on business, the financial results, strategy and prospects for the future. It also provides timely price-relevant and additional information of interest. At least once a year the Zehnder Group organises a media and analyst conference.

Reports and notices are published in digital form in both German and English. The German version is binding. The annual and six-month reports, and presentations are available from the website www.zehndergroup.com/en/investor-relations/reports-and-presentations. Notifications can be requested and subscribed to at www.zehndergroup.com/en/news.

Contact persons for communication with the Zehnder Group are the CEO and CFO:

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Investor Relations
Moortalstrasse 1
5722 Gränichen (CH)

Phone + 41 62 855 1521
investor-relations@zehndergroup.com
www.zehndergroup.com

The company calendar can be found at [Further information for investors](#) in this Annual Report and on our website www.zehndergroup.com/en/investor-relations/events.

10. Blackout periods

To prevent insider dealing or suspicion of insider dealing and to ensure equal opportunities for investors, the following persons are prohibited from dealing in Zehnder Group securities from 1 December until 24 hours after the publication of the annual financial statements and from 1 June until 24 hours after publication of the semi-annual financial statements:

- Members and, if specified, the secretary of the Board of Directors of Zehnder Group AG and Zehnder Group International Ltd;
- Members of the Executive Boards of Zehnder Group AG and Zehnder Group International Ltd;
- Internal and external employees of Zehnder Group AG and Zehnder Group International Ltd who assist in the production of the six-month and annual financial statements.

These general blackout periods also apply to the Zehnder Group itself. The sale and purchase of proprietary shares (e.g. as part of the employee shareholding plan) must take place outside blackout periods.

Pre-trading plans (i.e. sales and purchase programmes for which transactions, fixed dates or periods have been agreed in advance with the bank or a securities trader before the start of the blackout periods) that are initialised before the blackout periods are permitted to run on without change.

Compensation Report

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Introduction

The Compensation Report describes the compensation policy and programmes of Zehnder Group AG and the methods to determine compensation. Further, it provides details about the compensation awarded to the members of the Board of Directors and the Group Executive Committee in the fiscal year 2022.

The Compensation Report is prepared in accordance with the Ordinance against Excessive Compensation in Listed Companies (ERCO) and is in line with the principles of the Corporate Governance Directive issued by SIX Exchange Regulation AG and the Swiss Code of Best Practice from *economiesuisse*.

Introductory notes from the Chairman of the Nomination and Compensation Committee

Dear Shareholders,

On behalf of the Board of Directors and the Nomination and Compensation Committee of Zehnder Group, I am pleased to present the Compensation Report 2022.

The fiscal year 2022 was significantly affected by the consequences of the war in Ukraine, continued supply chain disruptions and rising material, transport, energy and operating costs. This challenging market environment called for a high degree of flexibility and responsiveness. Thanks to acquisitions and operational performance improvements, we succeeded in expanding our market presence and securing our profitability. This Compensation Report highlights, inter alia, how the business results in 2022 impact the performance-related compensation awarded to the members of the Group Executive Committee.

As part of its expanded responsibilities since the Annual General Meeting 2022, the Nomination and Compensation Committee assesses the succession planning for the Board of Directors based on defined criteria to ensure that the composition of the Board of Directors remains balanced. With the election of Sandra Emme at the Annual General Meeting on 7 April 2022, the Board of Directors gained a new, independent member with extensive expertise in digitalisation. Following her election, the gender ratio of the Board of Directors was increased from 16.7% (term of office 2021/2022) to 28.6% (term of office 2022/2023). The Board of Directors seeks to further increase the proportion of women when the next vacancy occurs.

During the year, the Nomination and Compensation Committee carried out an analysis of the company pension scheme arrangements for members of the Group Executive Committee and submitted the corresponding market-oriented adjustments for approval to the Board of Directors. Another aspect reviewed for the Group Executive Committee was the standard market cap for variable short-term compensation (short-term incentive, STI), as well as the definition of the key performance indicators for variable long-term compensation (long-term incentive, LTI). The addition of an ESG-based performance indicator is intended to be introduced as soon as the data basis has been created and clearly measurable targets have been defined.

In other respects, the Nomination and Compensation Committee conducted its regular activities, including its annual performance review of the CEO and the other members of the Group Executive Committee, the succession planning for the Group Executive Committee, the annual review of the compensation policies, taking into consideration feedback from shareholders on the compensation programmes and their disclosure in the Compensation Report, setting of the compensation amounts for members of the Board of Directors and the Group Executive Committee, elaboration of the Compensation Report and the remuneration proposals for the Annual General Meeting.

Binding votes on the maximum total compensation for the Board of Directors and the Group Executive Committee and an advisory vote on the Compensation Report were held at the Annual General Meeting 2022, allowing shareholders to express their views on the compensation system in an unambiguous manner. Approvals were granted at a very high consent rate of 98% for the total compensation of the Board of Directors and the Group Executive Committee for 2022 and 94% for the Compensation Report for 2021, serving as proof of our constructive ongoing dialogue with investors.

In future, we will continue to review the compensation programmes on a regular basis, maintaining an open exchange with you to ensure that the compensation programmes are in line with the sustainable development of the business and your interests. We would like to take this opportunity to thank you for your feedback on the topic of compensation and for the trust and support you have placed in us.

Kind regards,

A handwritten signature in black ink, appearing to be 'Riet Cadonau', written in a cursive style.

Riet Cadonau
Chairman of the Nomination and
Compensation Committee

1. Governance and methods to determine compensation

1.1 Shareholders' involvement

The Annual General Meeting approves the maximum compensation amounts paid to the Board of Directors and to the Group Executive Committee, each in a binding vote. The provisions of the Articles of Association of Zehnder Group (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 16) envisages that the Annual General Meeting votes annually and prospectively on each of the aggregate compensation amounts as follows:

- The maximum total compensation of the Board of Directors for the period up to the next Annual General Meeting;
- The maximum total compensation of the Group Executive Committee for the current fiscal year.

The Articles of Association of Zehnder Group (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 32 ff.) include the following provisions on compensation:

- Principles of compensation and the allocation of listed shares to the Board of Directors (Articles 32 and 34);
- Principles of compensation and the allocation of listed shares to members of the Group Executive Committee (Articles 33, 34, and 36);
- Additional amount for payments to members of the Group Executive Committee appointed after the vote on compensation at the Annual General Meeting (Article 37);
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Committee (Article 35).

1.2 Nomination and Compensation Committee

According to the Articles of Association, the Annual General Meeting elects annually and individually at least two and a maximum of four members of the Board of Directors to the Nomination and Compensation Committee, for a term of office of one year until the conclusion of the next Annual General Meeting. Members are eligible for re-election. Dr Urs Buchmann did not stand for re-election. At the Annual General Meeting 2022, the shareholders elected the following members of the Nomination and Compensation Committee:

	Executive / Independent / Non-independent member of the BoD	Chairman/ Member
Riet Cadonau	Independent member of the BoD	Chairman
Dr Urs Buchmann (up to 7 April 2022)	Independent member of the BoD	Member
Sandra Emme (since 7 April 2022)	Independent member of the BoD	Member
Milva Inderbitzin-Zehnder	Non-independent member of the BoD ¹	Member

BoD: Board of Directors

¹ Related to the representative of the controlling majority shareholder; holds directly and indirectly less than 0.05% of the share capital of Zehnder Group

The responsibilities of the Nomination and Compensation Committee are set out in the Articles of Association (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 27) and Organisational Regulations (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 4.3.) and include the following:

- Submission of proposals to the entire Board of Directors regarding the compensation system for the Board of Directors and the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the determination of compensation-related performance objectives for the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the individual compensation of the Chairman and other members of the Board of Directors;
- Submission of proposals to the entire Board of Directors regarding the individual compensation and the employment terms and conditions of the CEO and other members of the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding amendments to the Articles of Association that affect the remuneration system for the members of the Group Executive Committee;
- Submission of proposals to the Board of Directors relating to the appropriate size and balanced composition of the Board of Directors, the majority of whose members should be independent, and determination of the criteria for independence;
- Development and presentation of criteria for election or re-election to the Board of Directors or the appointment as a member of the Group Executive Committee;
- Evaluation of potential members of the Board of Directors on the basis of the defined criteria and submission of a statement to the Board of Directors regarding their nomination for the attention of the Annual General Meeting;
- Assessment of proposals from the CEO to the Board of Directors regarding the appointment or dismissal of members of the Group Executive Committee and, if necessary, submission of a statement to the Board of Directors;
- Review of succession and contingency planning at the Group Executive Committee level;
- Provision of information to the Board of Directors on all events relating to the Nomination and Compensation Committee that are not directly the responsibility of the Board of Directors;

- Submission of proposals to the entire Board of Directors regarding the total amount of compensation of the Board of Directors and of the Group Executive Committee to be submitted to a vote at the Annual General Meeting;
- Submission of proposals to the entire Board of Directors regarding the Compensation Report;
- Submission of proposals to the entire Board of Directors regarding the approval of external mandates for members of the Group Executive Committee.

The levels of authority between the Nomination and Compensation Committee, the Board of Directors and the Annual General Meeting are summarised by the following table.

Responsibility levels

	CEO	NCC	BoD	AGM
Compensation policy and principles		Proposes	Approves	
Total compensation amounts of BoD and GEC		Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the BoD		Proposes	Approves	
Compensation of CEO		Proposes	Approves	
Individual compensation of other members of the GEC	Proposes	Reviews	Approves	
Compensation Report		Proposes	Approves	Advisory vote

BoD: Board of Directors; CEO: Chief Executive Officer; GEC: Group Executive Committee; NCC: Nomination and Compensation Committee; AGM: Annual General Meeting

The Nomination and Compensation Committee meets as often as business matters require, generally before the meetings of the entire Board of Directors, which takes place at least four times a year. In 2022, the Nomination and Compensation Committee held four meetings of one and a half hours each on average, which were attended by all members.

In general, the Chairman of the Board of Directors, the Vice Chairman and/or the CEO attend the meetings in an advisory capacity. The Chairman of the Nomination and Compensation Committee may invite other executives as appropriate. However, the Chairman of the Board of Directors and the executives do not participate in the meetings or parts thereof if their own compensation and/or performance is under discussion. After each meeting, the Chairman of the Nomination and Compensation Committee reports on the activities of the Committee to the Board of Directors. The minutes of the meetings are available to the full Board of Directors.

The Nomination and Compensation Committee is entitled to involve external consultants regarding specific compensation issues. In 2022, the Nomination and Compensation Committee appointed Klingler Consultants to reevaluate the company pension scheme for the members of the Group Executive Committee and to assess potential providers in the market. It also mandated Willis Towers Watson to provide a compensation benchmark for the functions of the Group Executive Committee, including the assessment of the market caps for short-

term incentives. Neither company holds any other mandates from Zehnder Group.

During the reporting year, Agnès Blust Consulting AG was mandated to provide data on the standard market structure for performance conditions for the long-term incentive of the Group Executive Committee, in particular regarding ESG performance indicators. The data provided was based on the practices of the defined peer group for the Group and common market practices within the SMI and SMIM. At the time the mandate was granted, Agnès Blust Consulting AG was not performing any other mandates for Zehnder Group. Since April 2022, Agnès Blust Consulting AG has been part of PricewaterhouseCoopers AG, which has served as the external auditor for the Group since 2019. In order to ensure independence between the audit of the financial statements and other mandates of PricewaterhouseCoopers AG, clear rules have been defined that have been consistently applied to this mandate.

The Nomination and Compensation Committee is also supported by internal experts, such as the Director Group Human Resources.

1.3 Method to determine compensation

In order to ensure competitive compensation levels that enable key talent to be attracted and motivated on a long-term basis, the compensation of executives is regularly benchmarked against that of executives from comparable international industrial companies featuring similar market capitalisation, revenue, profitability, headcount and geographical reach as Zehnder Group. The following companies were used for comparison purposes for the CEO and other functions of the Group Executive Committee: Arbonia, Belimo, Bobst¹, Bossard, Burckhardt Compression, Burkhalter, Bystronic, Daetwyler, Feintool, Forbo, Gurit, Huber+Suhner, Interroll, Komax, Landis+Gyr, Metall Zug, Meier Tobler, Phoenix Mecano, Rieter, Schweiter and Starrag. The universe of companies remains unchanged compared with the reference companies of the previous year. Executives who attain the defined performance objectives are generally awarded target compensation at a median level of the relevant benchmark data.

In 2022, the consulting firm Willis Towers Watson performed a benchmarking survey for the compensation of the Group Executive Committee. For this purpose, the data of industrial benchmark companies (as described above) was compiled by Willis Towers Watson from its existing database for each function of the Group Executive Committee in the country of employment of the respective member and through use of its job grading methodology. The grading system forms the basis in setting compensation with regard to aspects such as benchmarking and the definition of the compensation structure and levels.

The benchmarking data constitutes just one factor taken into consideration by the Nomination and Compensation Committee to determine the compensation of members of the Group Executive Committee. Other factors are considered as well, such as the internal compensation structure (equity), the profile of the Group Executive Committee member (skill set, experience, seniority) and the responsibilities actually borne by that member. The performance of the company in any given year has a direct impact on the variable compensation paid to the members of the Group Executive Committee over the short and long term through the profit-sharing plan.

¹ The delisting of Bobst shares from the SIX Swiss Exchange took place on 30 December 2022. Bobst remains in the peer group for 2022.

2. Compensation policy and principles

Zehnder Group's executives and employees constitute the company's most valuable assets. There would be no entrepreneurial success without their commitment, passion and professionalism. Consequently, the objectives of the compensation policy are to recruit and retain qualified employees, to drive best-in-class performance, to ensure market-based pay and to encourage behaviour that is in line with the company's values and high standards of integrity. The compensation programmes are designed to fulfil these fundamental objectives based on the defined compensation principles.

Compensation policy and principles for executives and employees

Alignment to business strategy	Compensation programmes are designed to support the business strategy.
Reward for sustainable performance	Variable compensation is based on the profitability of the company and its businesses, hence the performance management process is a central management tool to drive sustainable performance.
Participation in the company's long-term success	Executives enjoy the opportunity to participate in the company's long-term success through the variable long-term compensation plan and the Zehnder Group Management Share Plan.
Market competitiveness	Compensation is regularly benchmarked against market practice. The objective is to target median compensation of the relevant benchmark considering the experience in the role.
Transparency and fairness	Compensation decisions are transparent and fair. The global grading system ensures comparability across the organisation.

3. Architecture of compensation of the Board of Directors

In order to guarantee their independence in their supervisory position for the Group Executive Committee, the members of the Board of Directors receive a fixed compensation only, consisting of a fixed annual retainer, fixed cash compensation for their membership of committees of the Board of Directors and an expense lump sum.

In order to strengthen the alignment to long-term shareholder interests, payment of the fixed annual retainer for the Board of Directors is made half in cash and half in form of registered shares A of Zehnder Group. The number of shares awarded is determined based on the average volume-weighted share price during the period 1 December and 31 December of that year. The shares are subject to a restriction period of three years during which they cannot be sold, transferred or pledged. The restriction period also applies in the case of termination of the mandate, except in case of death or change of control, where the restriction immediately lapses.

The cash compensation is paid out on a monthly basis and the registered shares A are allocated in January for the current compensation period corresponding to the term of office from the Annual General Meeting of the previous year to the Annual General Meeting of the reporting year.

Additional compensation to members of the Board of Directors for advisory services to the company or for activities in companies that are controlled directly or indirectly by the company is permitted. This compensation is reflected in the total amount of compensation paid to the Board of Directors, which must be approved by the Annual General Meeting.

The compensation of the Board of Directors is reviewed every two to three years. The benchmark analysis performed by Willis Towers Watson in 2020 was used to determine the adjustments to the compensation model in the context of the expanded responsibilities within the Board of Directors. Since the term of office 2021/2022, shares have been allocated at market value based on common market practice. The discount of 30% on the share price applicable until the Annual General Meeting 2021 was removed and the reference period for calculation of the relevant share price was shortened to one month (December).

The compensation structure of the Board of Directors is summarised in the following table.

Architecture of compensation of the Board of Directors

CHF	In cash	In shares ¹
Retainer (gross p.a.)		
Chairman of the Board of Directors	210,000	210,000
Vice Chairman of the Board of Directors	90,000	90,000
Members of the Board of Directors	50,000	50,000
Committee fees (gross p.a.)		
Chairman of the Nomination and Compensation Committee or Audit Committee	50,000	
Member of the Nomination and Compensation Committee or Audit Committee	25,000	
Expense lump sum (gross) ²	2,000	

1 Converted into shares on the basis of the average volume-weighted share price during the period 1 December to 31 December, without discount.

2 The Chairman and Vice Chairman of the Board of Directors are paid an expense lump sum in line with the company's rules on executives' expenses depending on the work commitment (currently 50% for the Chairman of the Board of Directors and 25% for the Vice Chairman). No expense lump sum is paid to members of the Board of Directors based outside Switzerland. If the actual business expenses exceed CHF 2,000, then they are reimbursed on an actual cost basis.

4. Architecture of compensation of the Group Executive Committee

The compensation for the Group Executive Committee includes a fixed annual base salary, a variable short-term element, a variable long-term element, participation in the management share plan and occupational pension benefits and perquisites.

Architecture of compensation of the Group Executive Committee

	Purpose	Drivers	Performance measures	Vehicle
Annual base salary (ABS)	Attract and retain	Position, experience, and qualifications		Monthly cash payments
Variable short-term compensation (short-term incentive, STI)	Pay for performance	Role and area of responsibility	Group net profit	Annual cash payment
Variable long-term compensation (long-term incentive, LTI)	Reward long-term, sustained performance; align with shareholders' interests; retain	Role and area of responsibility	Relative total shareholder return (rTSR); increase in earnings per share (EPS)	Conditional rights to restricted shares A (Performance Share Units)
Zehnder Group Management Share Plan (ZGMSP)	Align with shareholders' interests, retain	Level of position	Share price evolution	Discounted registered shares A
Benefits	Protect against risks, attract, and retain	Market practice and position		Retirement plan, insurances, perquisites

4.1 Annual base salary (ABS)

The annual base salary is determined individually on the basis of the scope and responsibilities associated with the position, the experience and qualifications of the individual. The annual base salary is reviewed annually, and adjustments reflect individual performance, current salary, competitive positioning, market salary trends, and the affordability to the company.

4.2 Variable short-term compensation (short-term incentive, STI)

The STI enables the Group Executive Committee to participate in the Group's current success. It is disbursed in the form of a cash payment in line with the profit-sharing plan. For each position, a profit-sharing amount is determined, taking into account the impact on the operating result, implementation of company strategy and responsibilities. The STI amount paid for the fiscal year corresponds to the profit-sharing amount multiplied by the Group net profit (in EUR million). The STI is paid only if a Group net profit of at least 80% of the budget value is achieved (threshold, adjusted for non-budgeted one-off effects such as company acquisitions). This aligns with the STI principles of the other executives of Zehnder Group. Considering the profit-sharing characteristic of the formula, there is no formal target level for the STI. However, there is a contractually agreed cap for the STI amount, which is set at 100% of the annual base salary for the CEO and 75% for all other members of the Group Executive Committee.

Calculation of the STI amount:

	Individual profit-sharing amount (EUR)	Group net profit × (EUR million)	STI amount = (EUR)
Example	2,000	50	100,000

The STI amount for any given fiscal year is paid in the spring of the following year. In the event of significant inorganic effects (investments, divestments) or other one-off special effects amounting to $\geq 2\%$ of the Group net profit, the Board of Directors reserve the right to adjust the STI payment.

The decision to exclusively and directly link the STI to the company's financial result (Group net profit) is based on the conviction that performance management should not be directly linked to compensation. The main focus for the STI is on the collective performance as a whole. For the CEO and the other members of the Group Executive Committee, within the framework of the global performance management process, the performance objectives are derived directly from the business strategy by the Board of Directors at the start of each year and reviewed at regular intervals. Such reviews take place at the request of the Nomination and Compensation Committee. These performance objectives include strategic, quantitative, and qualitative objectives; for example, in the area of leadership and project management.

In case of termination of employment during the first half of the fiscal year, the STI is calculated pro rata temporis, based on the payout level of the previous year. In case of termination of employment during the second half of the year, the published half-year figures for the pro rata temporis calculation are used. In case of termination of employment at the end of the year, the published annual results apply.

The STI is subject to clawback and malus provisions in case the company is required to prepare a relevant accounting/financial restatement or in the event of violation of legal provisions or relevant internal regulations.

4.3 Variable long-term compensation (long-term incentive, LTI)

As part of a long-term plan, the LTI is granted in form of Performance Share Units (PSUs). The LTI rewards the long-term performance and the sustainable success of the Zehnder Group and is aligned to the interests of the shareholders.

A PSU represents a conditional right to receive shares of the company. The prerequisite for this is the fulfilment of certain conditions during the three-year performance period (vesting period). The vesting conditions include the attainment of the predefined performance objectives (performance conditions) and the continuous and ongoing employment at the end of the vesting period (service condition).

The features of the LTI can be summarised as follows: at grant date, the LTI target amount is determined for each member of the Group Executive Committee, taking the relevant benchmark for the individual total compensation into account.

In 2022, the allocation of the LTI target amount was 50% of the annual base salary for the CEO and no more than 50% of the annual base salary for the other members of the Group Executive Committee.

On the grant date, the individual LTI target amount is converted into the relevant number of PSUs based on the average volume-weighted share price of Zehnder Group on the SIX Swiss Exchange during the period 1 October to 31 December of the year before the grant date.

Of the performance conditions, 50% is based on the relative total shareholder return (rTSR) and the remaining 50% is based on the increase in earnings per share (EPS growth). The rTSR is the achieved increase in value for the investor (i.e. the share price performance plus dividend) in comparison with a peer group. These financial targets were selected because they are key value drivers for Zehnder Group in measuring the profitable growth and ensuring that the shareholders' interests are taken into account.

Peer group

The peer group for the relative TSR (rTSR) measure comprises a universe of comparable companies that have already been taken into account for compensation benchmarking purposes and have remained unchanged from the previous year. The Board of Directors confirmed that the following companies were comparable:

Arbonia	Belimo	Bobst ¹
Bossard	Burckhardt Compression	Burkhalter
Bystronic	Daetwyler	Feintool
Forbo	Gurit	Huber+Suhner
Interroll	Komax	Landis+Gyr
Metall Zug	Meier Tobler	Phoenix Mecano
Rieter	Schweiter	Starrag

¹ The delisting of Bobst shares from the SIX Swiss Exchange took place on 30 December 2022. Bobst remains in the peer group for 2022.

Rewarding long-term performance

The total number of shares that are transferred to the participants after the vesting period is calculated as shown below. The performance factor can range between 0% and 150%, with no conversion into shares carried out below the threshold. The conversion into shares is limited to a maximum of 1.5 shares per PSU.

For both key figures, the Nomination and Compensation Committee defines a lower limit for the performance level (with no vesting taking place below this limit), a target value (100% vesting) and an upper limit for the performance level (150% vesting). Between these levels, vesting is calculated on a linear basis.

	Lower limit 25% (EPS) 50% (rTSR) vesting	Target value 100% vesting	Cap 150% vesting
rTSR (50%)	25% percentile rank	Median of the peer group	≥75% percentile rank
EPS growth (50%)	-1.5 PP of the target value	EPS growth target value	+2 PP of target value

EPS: earnings per share; rTSR: relative total shareholder return

The achievement of the relative performance measure and the combined performance factor are calculated by an external independent consultancy company. If Zehnder Group reports a loss from ongoing business activities during the last year of the three-year vesting period or in other special cases, the Board of Directors reserve the right to specify whether and to what extent the PSUs will lapse for this period, regardless of the combined performance factor achieved.

In the case of termination of employment, the blocked PSUs usually lapse, except in the event of retirement, disability, death, or a change of control at the company. These provisions are outlined individually in the table below.

Reason for release	Plan rules for blocked PSUs
Termination by employee	Lapse
Termination of employment by employer for good cause	Lapse
Termination of employment by employer (other causes)	Discretion of the Board of Directors
Retirement	Discretion of the Board of Directors
Invalidity	Pro rata vesting, based on effective performance at regular vesting point in time
Death	Accelerated pro rata vesting based on target performance (100% payment factor)
Change of control	Accelerated, full vesting based on effective performance at the point of change of control (except if the plan is continued or replaced with an equivalent)

PSUs or shares granted as part of the long-term plan are subject to the same clawback and malus provisions as the STI.

In the event of a participant failing to adhere to reporting regulations and/or committing fraud and/or breaching legal provisions or relevant internal regulations, the applicable clauses enable the Board of Directors to declare that any variable cash compensation elements that have not been paid out or long-term incentives that have not yet been transferred are forfeited, either in part or in full (penalty clause), and/or to reclaim in part or in full any variable cash compensation elements that have been paid out or long-term incentives that have been transferred.

Shareholding guidelines

To align the interests of the Group Executive Committee more closely with those of the shareholders, shareholding guidelines were introduced from the fiscal year 2019. Within five years of the introduction of the share ownership provision or after their appointment to the Group Executive Committee, the members of the Group Executive Committee must hold at least a multiple of their annual base salary in Zehnder Group shares, as shown in the table below.

	% of annual base salary
CEO	200%
Other members of the Group Executive Committee	150%

CEO: Chief Executive Officer

4.4 Long-term benefits: Zehnder Group Management Share Plan (ZGMSP)

The Zehnder Group Management Share Plan (ZGMSP) is a long-term benefit programme with the objective to encourage members of the Group Executive Committee and all employees at management level to directly participate in the long-term success of the company. The Group Executive Committee members may elect to draw up to 30% of their annual base salary in the form of Zehnder Group registered shares A. These shares are offered at a discount of 30% on the relevant share price determined as the average volume-weighted share price of the share in the period between 1 October and 31 December. The shares are subject to a restriction period of three years during which they cannot be sold, transferred or pledged. The restriction period also applies in case of termination of employment, except in the case of death or a change of control, where the restriction immediately lapses.

The ZGMSP strengthens the link between compensation and the company long-term performance, as the compensation invested in the programme is exposed to the change in the share value over the restriction period of three years.

4.5 Benefits

As the Group Executive Committee is international by nature, the members participate in the benefit plans available in the country of main residence (social insurance payment obligation). Benefits consist mainly of retirement, insurance and, where customary in the market, healthcare plans. These benefits are designed to provide a reasonable level of protection for the employees and their dependents in respect of retirement, the risks of disability, death, or illness/accident.

For members of the Group Executive Committee subject to social security contributions in Switzerland, the salary, which is subject to AHV pension contributions, is insured up to 450% of the maximum AHV retirement pension in the pension fund (currently the mandatory part is set at CHF 129,060). This solution is offered to all employees in Switzerland. Since October 2022, the supplementary part has been insured up to a maximum of 3,000% of the AHV retirement pension (currently CHF 860,400) for members of the Group Executive Committee by a 1e pension solution. Zehnder Group covers 50% of the saving contributions as before. The 1e solution gives the members of the Group Executive Committee more flexibility in investing their retirement savings and at the same time allows the risk of the investment to be fully borne by them. Zehnder Group's pension benefits exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are comparable with the conditions offered by other international industrial companies.

Members of the Group Executive Committee subject to social security contributions outside Switzerland are insured in line with the local legal requirements and based on local market practice and their position. Each plan may vary depending on the respective legal requirements.

In addition, the members of the Group Executive Committee are also eligible for standard perquisites such as a company car, child allowances, access to subsidised staff restaurants, and other benefits in kind, according to local market practice. The monetary value of these other compensation elements is evaluated at market value and is included in the compensation tables.

Expenses that are not covered by the expense lump sum in accordance with the company's expenses regulations are compensated on presentation of documentary evidence. The reimbursement of business expenses is not considered compensation and does not need to be approved by the Annual General Meeting.

4.6 Contracts of members of the Group Executive Committee

The employment contracts of the members of the Group Executive Committee are unlimited. They incorporate a notice period of a minimum of six and maximum of twelve months and feature a non-competition clause, which is limited to two years after termination of the employment relationship while providing an entitlement to a maximum of the annual base salary. There are no agreements with regard to withdrawal payments or severance compensation in connection with leaving the company or in the case of a change of control, except for the accelerated vesting of the PSUs or early unblocking of shares, as described above.

5. Additional information on compensation, guarantees, loans, and credits for the business year 2022

5.1 Compensation to the Board of Directors in the business year 2022

In 2022, the members of the Board of Directors received a total compensation of CHF 1.4 million (previous year: CHF 1.4 million) in the form of fixed compensation of CHF 0.8 million (previous year: CHF 0.7 million), share-based compensation of CHF 0.6 million (previous year: CHF 0.6 million) and national insurance contributions of CHF 0.1 million (previous year: CHF 0.1 million).

In 2022, the total compensation paid to the Board of Directors was 2.5% higher than during the previous year as a result of the following factors:

- New compensation structure introduced as of the term of office 2021/2022;
- Expansion of the Board of Directors by one member from the term of office 2022/2023 to a total of seven members.

Compensation for the members of the Board of Directors

✓ PwC Switzerland

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Dr Hans-Peter Zehnder				
Chairman of the Board of Directors				
Fixed cash compensation for Board activity			210,000	201,250
Expense lump sum			12,000	12,000
Allocated shares for Board activity ²	3,419	2,958	218,309	241,818
Employer national insurance contributions			26,319	24,726
Other payments			14,269	13,629
Total compensation			480,897	493,423

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Jörg Walther				
Vice Chairman of the Board of Directors and Chairman of the Audit Committee				
Fixed cash compensation for Board activity			90,000	107,500
Fixed cash compensation for Audit Committee activity			50,000	41,250
Expense lump sum			6,000	5,000
Allocated shares for Board activity ²	1,465	1,198	93,521	98,965
Employer national insurance contributions			17,417	19,593
Total compensation			256,938	272,308

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Dr Urs Buchmann				
Member of the Board of Directors, the Nomination and Compensation Committee (up to 7 April 2022) and the Audit Committee				
Fixed cash compensation for Board activity			50,000	47,500
Fixed cash compensation for Nomination and Compensation Committee activity			6,250	21,250
Fixed cash compensation for Audit Committee activity			25,000	21,250
Allocated shares for Board activity ²	814	830	51,946	66,014
Employer national insurance contributions			5,962	12,952
Total compensation			139,157	168,966

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Riet Cadonau				
Member of the Board of Directors and Chairman of the Nomination and Compensation Committee				
Fixed cash compensation for Board activity			50,000	47,500
Fixed cash compensation for Nomination and Compensation Committee activity			50,000	41,250
Expense lump sum			2,000	2,000
Allocated shares for Board activity ²	814	796	51,946	63,716
Employer national insurance contributions			10,485	12,565
Total compensation			164,430	167,031

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Sandra Emme				
Member of the Board of Directors and member of the Nomination and Compensation Committee (since 7 April 2022)				
Fixed cash compensation for Board activity			37,500	
Fixed cash compensation for Nomination and Compensation Committee activity			18,750	
Expense lump sum			1,500	
Allocated shares for Board activity ²	675		39,218	
Employer national insurance contributions			6,260	
Total compensation			103,228	

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Milva Inderbitzin-Zehnder				
Member of the Board of Directors and member of the Nomination and Compensation Committee				
Fixed cash compensation for Board activity			50,000	47,500
Fixed cash compensation for Nomination and Compensation Committee activity			25,000	21,250
Expense lump sum			2,000	2,000
Allocated shares for Board activity ²	814	761	51,946	61,384
Employer national insurance contributions			9,043	9,901
Total compensation			137,988	142,035

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Ivo Wechsler				
Member of the Board of Directors and the Audit Committee				
Fixed cash compensation for Board activity			50,000	47,500
Fixed cash compensation for Audit Committee activity			25,000	21,250
Expense lump sum			2,000	2,000
Allocated shares for Board activity ²	814	761	51,946	61,384
Employer national insurance contributions			9,043	9,997
Total compensation			137,988	142,131

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Total compensation paid to the members of the Board of Directors in the year of review				
Fixed cash compensation for Board activity			537,500	498,750
Fixed cash compensation for Nomination and Compensation Committee activity			100,000	83,750
Fixed cash compensation for Audit Committee activity			100,000	83,750
Expense lump sum			25,500	23,000
Allocated shares for Board activity ²	8,814	7,304	558,830	593,281
Employer national insurance contributions			84,528	89,734
Other payments			14,269	13,629
Total compensation			1,420,626	1,385,894

1 These are gross amounts including national insurance contributions of the members of the Board of Directors.

2 The shares are disclosed at the closing share price on the respective grant dates.

The Annual General Meeting 2022 approved a maximum budget of CHF 1.7 million for the Board of Directors for the period of office from the Annual General Meeting 2022 to the Annual General Meeting 2023. The compensation effectively paid during the period under consideration in this Compensation Report (1 January to 31 December 2022) is within this budget approved by the shareholders. The final reporting for the entire period from the Annual General Meeting 2022 to the Annual General Meeting 2023 is included in the Compensation Report 2023.

At the Annual General Meeting on 26 March 2021, the shareholders approved a maximum total compensation of CHF 1.6 million for the Board of Directors during the period of office from the Annual General Meeting 2021 to the Annual General Meeting 2022. The compensation effectively paid to the members of the Board of Directors over this period was CHF 1.3 million and therefore is within this approved budget.

5.2 Compensation of the Group Executive Committee in the business year 2022

For 2022, the members of the Group Executive Committee received a total compensation of CHF 4.8 million (previous year: CHF 5.1 million) in the form of fixed compensation of CHF 1.9 million (previous year: CHF 1.9 million), incentives of CHF 1.9 million (previous year: CHF 2.1 million), other payments including the value of the discount on the shares of CHF 0.3 million (previous year: CHF 0.4 million) and employer national insurance contributions for social security and pension funds of CHF 0.7 million (previous year: CHF 0.8 million).

The total compensation paid to the Group Executive Committee in 2022 was 6.7% lower than during the previous year as a result of the following factors:

- STI amounts for 2022 compared with the previous year due to a lower Group net profit in 2022;
- Difference between daily share price and volume-weighted average share price less discount of purchased shares on the grant date;
- EUR/CHF exchange rate differences compared with the previous year;

In 2022, the Group achieved a net profit of EUR 56.7 million. Consequently, the variable cash compensation in 2022 amounted to 2.0% of the net profit for the members of the Group Executive Committee (previous year: 2.2%).

The variable cash compensation for the CEO amounted to 70% of the fixed compensation and, for the other members of the Group Executive Committee, a maximum of 72% of their fixed compensation.

The PSU allocations made in 2020 as part of the LTI plan (LTI 2020-2022) can be transferred during the first quarter of 2023. Of the performance conditions, 50% is based on the relative total shareholder return (rTSR) and the remaining 50% is based on the increase in earnings per share (EPS growth). The two performance conditions were achieved, rTSR at 143.4% and EPS growth at 149.3%, resulting in a combined performance factor of 146.4% for the payment. Accordingly, 16,316 PSUs were converted into 16,316 Zehnder shares.

The highest compensation for a member of the Group Executive Committee was paid to the CEO, Matthias Huenerwadel, in the reporting year as in the previous year.

The Annual General Meeting 2022 authorised a maximum budget for the compensation of the Group Executive Committee of CHF 5.7 million for the financial year 2022. The total compensation amount of CHF 4.8 million paid to the Group Executive Committee for the fiscal year 2022 as disclosed in the following table is below this upper limit.

Compensation for the members of the Group Executive Committee



	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Highest-paid member of the Group Executive Committee: Matthias Huenerwadel				
Fixed cash compensation for GEC activity			527,500	515,000
Variable cash compensation (STI)			370,673	425,113
Long-term variable compensation (LTI)	2,815	5,305	265,000	260,000
Expense lump sum			24,000	24,000
Employer social security and pension contributions			158,903	163,095
Shares acquired ²	2,344	4,373	61,178	88,028
Other payments			34,369	34,535
Total compensation			1,441,623	1,509,771

	Units 2022	Units 2021	CHF ¹ 2022	CHF ¹ 2021
Total compensation paid to the Group Executive Committee including Matthias Huenerwadel				
Fixed cash compensation			1,779,415	1,793,990
Variable cash compensation (STI)			1,140,532	1,342,845
Long-term variable compensation (LTI)	7,899	14,611	743,500	716,000
Expense lump sum			96,000	96,000
Employer social security and pension contributions			694,080	765,081
Shares acquired ²	7,452	13,960	194,497	281,015
Other payments			121,704	116,738
Total compensation			4,769,728	5,111,669

¹ These are gross amounts including employee national insurance contributions.

² The members of the Group Executive Committee are eligible to purchase shares under the Zehnder Group Management Share Plan. The value disclosed includes the value of the discount on the shares purchased, based on the closing share price at the grant dates, 8 January 2021 and 10 January 2022, less the purchase price. This value is included in the amount approved by the Annual General Meeting.

5.3 Guarantees, loans, credits, etc.

No Zehnder Group company has provided any guarantees, waivers of claims outstanding, credits or loans to present or former members of the Board of Directors, to present or former members of the Group Executive Committee, or to persons closely associated with these individuals. No loans to current or former members of the Board of Directors or Group Executive Committee or related parties existed at the end of the reporting year.

5.4 Compensation to former members of the Board of Directors and of the Group Executive Committee, and to persons closely associated with them, in the business year 2022

No compensation was paid to former members of the Board of Directors or the Group Executive Committee in the reporting year.

No compensation was paid to persons closely associated with members of the Board of Directors or the Group Executive Committee.

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 remuneration report

Opinion

We have audited the remuneration report of Zehnder Group AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in the tables marked 'audited' on pages 67 to 69 and page 71 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 67 to 69 and page 71) complies with Swiss law and article 14 to 16 of the Ordinance.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the remuneration report' section of our report. We are independent of the Company 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report 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 a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to

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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 SA-CH 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 this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG

Thomas Ebinger
Licensed audit expert
Auditor in charge

Fabian Stalder
Licensed audit expert

Luzern, 27 February 2023



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Five-year overview

		2022	2021	2020	2019	2018
Sales	EUR million	812.5	697.1	617.7	644.4	601.8
Change from prior year	%	16.6	12.9	-4.1	7.1	3.3
EBITDA¹	EUR million	95.3	92.1	74.8	64.9	53.2
Change from prior year	%	3.5	23.1	15.2	22.1	16.5
	% of sales	11.7	13.2	12.1	10.1	8.8
EBIT	EUR million	71.4	69.1	50.5	42.1	31.1
Change from prior year	%	3.2	36.8	20.1	35.4	32.1
	% of sales	8.8	9.9	8.2	6.5	5.2
Net profit²	EUR million	56.7	60.3	39.9	31.9	24.5
Change from prior year	%	-5.9	51.2	24.9	30.6	48.3
	% of sales	7.0	8.6	6.5	5.0	4.1
Cash flow from operating activities	EUR million	59.3	79.9	95.3	43.1	30.5
Change from prior year	%	-25.8	-16.2	121.0	41.2	65.5
	% of sales	7.3	11.5	15.4	6.7	5.1
Investments in property, plant and equipment & intangible assets	EUR million	27.1	21.9	16.7	26.0	24.4
Depreciation & amortisation	EUR million	-23.9	-22.9	-24.3	-22.8	-22.1
Total assets	EUR million	532.8	553.3	498.6	470.5	440.9
Non-current assets	EUR million	228.6	208.5	198.9	211.8	207.8
Net liquidity/(net debt)¹	EUR million	45.4	123.2	96.4	25.5	21.3
Shareholders' equity²	EUR million	340.8	364.4	326.9	303.0	283.1
	% of total assets	64.0	65.9	65.6	64.4	64.2
Employees	Ø full-time equivalents	3,827	3,554	3,340	3,413	3,412
Market closing price registered share A	CHF	55.80	93.10	59.10	45.60	33.35
Dividends³	CHF million	21.1	21.1	14.7	8.2	9.4
Payout ratio	%	37	33	35	24	35
Market capitalisation⁴	CHF million	544.4	908.3	576.6	444.9	325.4
Total market capitalisation⁵	CHF million	654.9	1,092.6	693.6	535.2	391.4

¹ See [Alternative performance measures](#) in the consolidated financial statements in the Financial Report ² Including minority interests

³ For 2022 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

			2022	2021	2020	2019	2018
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	92.20	106.40	59.20	45.90	46.00
Registered share A	low	CHF	49.40	60.90	30.85	31.20	29.15
Registered share A	at year end	CHF	55.80	93.10	59.10	45.60	33.35
Consolidated net profit¹							
Per registered share A		EUR	4.84	5.13	3.34	2.64	1.98
Consolidated equity^{1,2}							
Per registered share A		EUR	28.20	29.76	26.77	24.81	23.21
Dividend (gross)							
Dividend per registered share A ³		CHF	1.80	1.80	1.25	0.70	0.80
Payout ratio	% of net profit per share		37	33	35	24	35

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 2022 as proposed by the Board of Directors

Consolidated balance sheet



EUR million	Notes	31 December 2022	31 December 2021	Change from prior year %
Assets				
Liquid assets	1	55.1	136.4	
Trade accounts receivable	2	120.3	109.3	
Other receivables	2	22.2	18.9	
Inventories	3	100.0	75.4	
Prepayments		1.6	1.2	
Accrued income		4.9	3.5	
Current assets		304.2	344.7	-11.8
Property, plant and equipment	4	203.9	187.7	
Financial assets	4	17.9	17.8	
Intangible assets	4	6.8	3.0	
Non-current assets		228.6	208.5	9.7
Total assets		532.8	553.3	-3.7
Liabilities & shareholders' equity				
Short-term financial liabilities	5	2.1	3.4	
Trade accounts payable		51.6	41.5	
Other short-term liabilities		30.8	29.0	
Short-term provisions	6	7.5	12.0	
Accruals and deferred income		70.1	66.0	
Current liabilities		162.0	151.9	6.7
Long-term financial liabilities	5	7.7	9.8	
Other long-term liabilities		0.6	0.7	
Long-term provisions	6	21.7	26.4	
Non-current liabilities		30.0	36.9	-18.9
Total liabilities		192.0	188.8	1.7
Share capital		0.4	0.4	
Capital reserves		33.6	33.6	
Own shares		-27.8	-7.5	
Retained earnings		316.9	319.5	
Equity attributable to shareholders of Zehnder Group AG		323.1	346.0	
Minority interests		17.7	18.4	
Total equity	7	340.8	364.4	-6.5
Total liabilities & equity		532.8	553.3	-3.7

Consolidated income statement



EUR million	Notes	2022	2021	Change from prior year %
Sales	16	812.5	697.1	16.6
Changes in inventories		0.5	2.5	
Own work capitalised		1.9	1.7	
Other operating income	17	4.9	6.2	
Cost of materials		-329.6	-261.4	
Personnel costs		-239.0	-213.5	
Depreciation of property, plant and equipment	4	-23.0	-22.4	
Amortisation of intangible assets	4	-0.9	-0.5	
Other operating expenses	18	-155.9	-140.4	
Operating result (EBIT)		71.4	69.1	3.2
Result from associated companies		-	0.1	
Financial result	19	-0.8	-0.8	
Earnings before taxes		70.6	68.4	3.1
Income taxes	20	-13.8	-8.2	
Net profit		56.7	60.3	-5.9
Attributable to:				
- shareholders of Zehnder Group AG		55.4	59.7	
- minority interests		1.3	0.6	
Non-diluted net profit excluding minority interests per registered share A (EUR)	21	4.84	5.13	-5.8
Diluted net profit excluding minority interests per registered share A (EUR)	21	4.83	5.12	-5.8
Non-diluted net profit excluding minority interests per registered share B (EUR)	21	0.97	1.03	-5.8
Diluted net profit excluding minority interests per registered share B (EUR)	21	0.97	1.02	-5.8

Consolidated cash flow statement



EUR million	Notes	2022	2021
Net profit		56.7	60.3
Depreciation and amortisation of property, plant and equipment	4	23.0	22.4
Depreciation and amortisation of intangible assets	4	0.9	0.5
Other non-cash changes		9.0	11.9
(Gain)/loss on disposals of non-current assets		-0.1	-
(Increase)/decrease in trade accounts receivable		-11.0	-2.3
(Increase)/decrease in other receivables, prepayments and accrued income		-3.4	-0.1
(Increase)/decrease in inventories		-18.1	-12.2
Increase/(decrease) in trade accounts payable		5.6	1.0
Increase/(decrease) in other short-term liabilities, accruals and deferred income		0.1	3.3
Increase/(decrease) in provisions	6	-5.6	-2.4
(Increase)/decrease in deferred tax assets	4	2.3	-2.7
Cash flow from operating activities		59.3	79.9
Investments in property, plant and equipment	4	-26.3	-21.9
Investments in intangible assets		-0.8	0.1
Investments in subsidiaries	23	-63.9	-15.6
Divestment of property, plant and equipment		0.7	0.5
Divestment of financial assets		-	0.1
Cash flow from investing activities		-90.3	-36.8
Dividends paid to shareholders		-20.2	-13.3
Dividends paid to minority shareholders		-1.6	-
Purchase of own shares		-22.1	-5.6
Sale of own shares		1.8	3.1
Increase/(decrease) in short-term financial liabilities	5	-3.3	-1.5
Increase/(decrease) in long-term financial liabilities	5	-6.3	-2.0
Increase/(decrease) in other liabilities		-0.1	-0.3
Cash flow from financing activities		-51.9	-19.5
Currency effects		1.7	6.4
Increase/(decrease) in liquid assets		-81.2	30.1
Liquid assets at 1.1.		136.4	106.3
Liquid assets at 31.12.		55.1	136.4
Increase/(decrease)		-81.2	30.1

Consolidated statement of changes in equity



EUR million	Share capital	Capital reserves	Own shares	Retained earnings			Equity attributable to shareholders of Zehnder Group AG	Minority interests	Total equity
				Goodwill offset	Other retained earnings	Translation differences			
Equity at 1.1.2022	0.4	33.6	-7.5	-149.5	473.3	-4.3	346.0	18.4	364.4
Purchase of own shares	-	-	-22.1	-	-	-	-22.1	-	-22.1
Sale of own shares	-	-	1.8	-	0.9	-	2.7	-	2.7
Share-based compensation									
– Transfers	-	-	-	-	-0.6	-	-0.6	-	-0.6
– Granted	-	-	-	-	0.9	-	0.9	-	0.9
Net profit	-	-	-	-	55.4	-	55.4	1.3	56.7
Netted goodwill	-	-	-	-37.5	-	-	-37.5	-	-37.5
Change in minority interests	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-20.2	-	-20.2	-1.6	-21.8
Currency effects	-	-	-	-	-	-1.5	-1.5	-0.4	-1.9
Equity at 31.12.2022	0.4	33.6	-27.8	-187.0	509.7	-5.7	323.1	17.7	340.8
Equity at 1.1.2021	0.4	33.6	-4.1	-129.2	424.7	-11.1	314.2	14.7	328.9
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									
– Transfers	-	-	-	-	-	-	-	-	-
– 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	-149.5	473.3	-4.3	346.0	18.4	364.4

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:

- Liquidation of Zehnder Group Lenham Ltd on 22 February 2022 in the UK;
- Purchase of Airia Brands Inc. as of 21 February 2022 in Canada;
- Purchase of the Filtech Group with headquarters and a production site in the Netherlands and two further production sites in France and Switzerland on 29 April 2022;
- Renaming of Recair B.V. to Core Production Waalwijk B.V. in the Netherlands;
- Renaming of Paul dPoint Technologies GmbH to Core Energy Recovery Solutions GmbH in Germany.

Adjustment of segment reporting

In accordance with Swiss GAAP FER 31/8, **segment reporting** used by the top management level for corporate management is disclosed. In the past, this was divided into the geographical regions of Europe, China and North America. In connection with the increased share of ventilation sales in total sales due to acquisitions and in line with the “Growth for ventilation – harvest for radiators” strategy, the Group is also reorganising itself according to business areas in North America. The segment reporting has been adjusted accordingly. The new segments – ventilation and radiators – were reported for the first time in the Six-month Report 2022.

The ventilation segment covers the three product lines for ventilation, heat exchangers and clean air solutions. The radiator segment contains two product lines: radiators and climate ceilings.

The **sales by region and segment** table also provides information on the regions in which the sales were generated. Whereas in the past sales were allocated to the region in which the corresponding sales company had its legal domicile, sales are now allocated to the region to which the products and systems were sold. In order to better reflect the global activities of the Zehnder Group, the regions have been expanded accordingly to EMEA (Europe, Middle East and Africa), Asia-Pacific and North America.

The previous year's figures have been adjusted to the new segments and regions for better comparability.

Error correction

In previous years, deferred taxes amounting to EUR 2.0 million were incorrectly reported in the balance sheet. Due to the local tax treatment of goodwill and certain property, plant and equipment from acquisitions, a tax asset of EUR 0.7 million resulted (within financial assets), while a deferred tax liability of EUR 1.3 million was reported (within provisions). The error was corrected retrospectively as of 1 January 2021, the opening balances of equity capital (item offset goodwill) for the comparative period will be increased accordingly by the shortfall.

This correction has no impact on the income statements 2022 and 2021. It also does not affect liquidity in either reporting year.

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.

	CAD 1	CHF 1	CNY 100	GBP 1	PLN 100	SEK 100	USD 1
Year-end exchange rates							
2022	0.6903	1.0108	13.55	1.1308	21.40	8.97	0.9347
2021	0.6944	0.9659	13.87	1.1914	21.80	9.75	0.8817
Average exchange rates for the year							
2022	0.7338	0.9943	14.19	1.1757	21.37	9.44	0.9514
2021	0.6732	0.9220	13.04	1.1620	21.95	9.87	0.8421

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 is 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
Machinery 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 to 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 use of these provisions.

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 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 already 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 comprise 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 comprise 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 then be capitalised only if 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 55.1 million (previous year: EUR 136.4 million), whereas interest-bearing financial liabilities reached EUR 9.7 million (previous year: EUR 13.2 million). At year end, net liquidity¹ amounted to EUR 45.4 million (previous year: EUR 123.2 million).

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

2. Trade accounts receivable and other receivables

EUR million	31.12.2022	31.12.2021
Trade accounts receivable gross *	140.7	126.2
Value adjustments on trade accounts receivable	-20.4	-16.9
Trade accounts receivable net	120.3	109.3
Other receivables gross	22.3	18.9
Value adjustments on other receivables	-0.1	-
Other receivables net	22.2	18.9
Total trade accounts receivable and other receivables	142.5	128.2
* Of which more than 12 months overdue gross	14.6	3.5

Due to the ongoing 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 18.1 million (previous year: EUR 14.5 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	31.12.2022	31.12.2021
Raw materials	64.1	42.8
Semi-finished products and goods in process	12.7	14.6
Finished products	41.9	33.5
Valuation adjustments	-18.7	-15.4
Total inventories	100.0	75.4

4. Development of non-current assets

Property, plant and equipment

EUR million	Land/ buildings/ installations in buildings ¹	Machinery/ plant ¹	Other fixed assets	Plant under con- struction	Total
Net book value at 1.1.2022	123.4	44.2	8.0	12.1	187.7
Acquisition cost					
Status 1.1.2022	226.5	255.7	31.4	12.1	525.6
Investments	1.2	8.1	2.9	14.4	26.7
Disposals	-1.0	-3.0	-2.1	-	-6.0
Changes in consolidation scope	7.5	6.4	0.1	-	13.9
Reclassifications	0.6	4.1	0.2	-4.9	-
Currency effects	1.5	-0.2	0.2	-	1.5
Status 31.12.2022	236.4	271.1	32.7	21.5	561.7
Accumulated valuation adjustments					
Status 1.1.2022	-103.1	-211.5	-23.4	-	-337.9
Ordinary depreciation	-7.1	-12.8	-3.2	-	-23.0
Extraordinary depreciation	-	-	-	-	-
Disposals	0.9	2.3	1.8	-	5.1
Changes in consolidation scope	-	-	-	-	-
Currency effects	-1.6	-0.2	-0.2	-	-2.0
Status 31.12.2022	-110.8	-222.1	-25.0	-	-357.8
Net book value at 31.12.2022	125.7	49.0	7.8	21.5	203.9
Net book value at 1.1.2021					
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

¹ Net book values of EUR 1.6 million (previous year: EUR 2.0 million) are capitalised in land/buildings/installations in buildings and EUR 3.2 million (previous year: EUR 0 million) in machinery/plant from finance leases.

Financial assets

EUR million	Financial assets	Loans	Reserves for employer contributions	Deferred tax assets	Total
Net book value at 1.1.2022	0.1	0.3	2.9	14.5	17.8
Acquisition or current book value					
Status 1.1.2022	0.1	0.5	2.9	14.5	18.0
Increases	-	-	-	0.1	0.1
Decreases	-	-0.2	-	-2.4	-2.6
Changes in consolidation scope	-	-	-	2.4	2.4
Currency effects	-	-	0.1	-0.1	-
Status 31.12.2022	0.1	0.3	3.0	14.5	17.9
Accumulated valuation adjustments					
Status 1.1.2022	-	-0.2	-	-	-0.2
Status 31.12.2022	-	-	-	-	-
Net book value at 31.12.2022	0.1	0.3	3.0	14.5	17.9
Net book value at 1.1.2021	-	0.2	2.7	10.7	13.7
Acquisition or current book value					
Status 1.1.2021	-	0.4	2.7	10.7	13.9
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	14.5	18.0
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	14.5	17.8

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

Intangible assets

EUR million	2022	2021
Net book value at 1.1.	3.0	3.0
Acquisition cost		
Status 1.1.	14.9	14.4
Investments	0.8	-0.1
Disposals	-0.1	-0.7
Changes in consolidation scope	3.9	0.7
Currency effects	0.4	0.6
Status 31.12.	19.9	14.9
Accumulated valuation adjustments		
Status 1.1.	-11.9	-11.4
Ordinary amortisation	-0.9	-0.5
Disposals	0.1	0.7
Changes in consolidation scope	-	-0.3
Currency effects	-0.3	-0.4
Status 31.12.	-13.0	-11.9
Net book value at 31.12.	6.8	3.0

Intangible assets include software licences amounting to EUR 1.2 million (previous year: EUR 1.2 million), patents amounting to EUR 4.0 million (previous year: EUR 0.1 million) and land use rights amounting to EUR 1.7 million (previous year: EUR 1.7 million).

5. Financial liabilities

Financial liabilities consists of:

EUR million	2022	2021
Bank loans	3.1	6.6
Other loans	0.4	0.5
Mortgages	1.4	4.0
Financial lease liabilities	4.9	2.0
Total	9.7	13.2

Financial lease liabilities have the following maturity structure:

EUR million	2022	2021
Less than 12 months	0.9	0.5
12 months to 60 months	4.0	1.6
Total	4.9	2.0

Total financial liabilities have the following maturities and currencies:

EUR million	2022	2021
Split by maturity		
Less than 12 months	2.1	3.4
12 months to 60 months	6.3	9.8
More than 60 months	1.4	-
Total	9.7	13.2
Split by currency		
CAD	0.3	2.6
CHF	0.2	-
CNY	1.4	5.0
EUR	7.5	5.6
TRY	0.3	-
Total	9.7	13.2

Short-term loans are at average interest rates of 2.9% (previous year: 2.0%).
Long-term loans are at average interest rates of 2.4% (previous year: 3.2%).

6. Provisions

EUR million	Tax provisions	Pension commitments	Restructuring provisions	Other provisions	Total
Book value at 1.1.2022	7.5	5.7	0.7	24.5	38.4
New provisions	0.2	0.8	0.9	3.7	5.7
Use	-	-0.6	-0.4	-6.8	-7.8
Reversals	-1.0	-3.0	-0.1	-3.3	-7.5
Changes in consolidation scope	-	-	-	0.2	0.2
Currency effects	0.1	-	-	0.1	0.2
Book value at 31.12.2022	6.8	2.9	1.1	18.4	29.2
Of which short-term	-	0.5	1.1	5.9	7.5
Book value at 1.1.2021	7.1	6.4	3.2	19.9	36.6
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	7.5	5.7	0.7	24.5	38.4
Of which short-term	-	0.4	0.7	10.9	12.0

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 4.0% (previous year: 1.3%).

Other provisions include provisions for warranties, pending legal cases as well as personnel-related provisions.

7. Equity capital

At the balance sheet date, the equity ratio was 64% (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 29.1 million (previous year: EUR 8.0 million).

	Registered shares A units 2022	Value per unit EUR 2022	Value thousand EUR 2022	Registered shares A units 2021	Value per unit EUR 2021	Value thousand EUR 2021
Own shares at 1.1.	126,276	59.07	7,460	104,429	39.51	4,126
Transfer at market price	-41,960	64.97	-2,726	-57,453	62.67	-3,601
Gain/(loss) from sale			921			1,372
Purchase at acquisition price	317,632	69.70	22,140	79,300	70.14	5,562
Own shares at 31.12.	401,948	69.15	27,794	126,276	59.07	7,460

The transferred shares were sold at a discount of 30% to management staff participating in a stock ownership plan, transferred to the Executive Committee as part of the share-based compensation plan (LTI) 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 317,632 shares acquired in 2022, 257,632 shares (previous year: 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. As a result, a total of 336,932 shares were held under this share buyback programme at the end of 2022.

8. Contingent liabilities

At year end, guarantee obligations and contingent liabilities vis-à-vis third parties amounted to EUR 18.9 million (previous year: EUR 18.3 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 a 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 in Caladair International SAS with the current owner. On the one hand, the Zehnder Group has received call options on the remaining 25% stake in Caladair International SAS. On the other hand, the Zehnder Group has issued put options on 25% stake in 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 7.8 million served as collateral (previous year: EUR 8.0 million). The pledged assets were exclusively land and buildings.

10. Liabilities to pension funds

At 31 December 2022, there were liabilities to pension funds of EUR 0.9 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.

12. Derivative financial instruments

EUR million	Contract	Positive	Negative	Contract	Positive	Negative	Purpose
	value	fair value	fair value	value	fair value	fair value	
	31.12.2022	31.12.2022	31.12.2022	31.12.2021	31.12.2021	31.12.2021	
Foreign exchange	5.1	-	-	5.2	0.1	-	Hedging
Total	5.1	-	-	5.2	0.1	-	

13. Operating leasing not recognised in the balance sheet

Current operating leasing contracts expire as follows:

EUR million	31.12.2022	31.12.2021
Within 12 months	5.9	4.6
In 13–60 months	10.1	8.7
In more than 60 months	2.7	0.1
Total	18.8	13.4

14. Employer contribution reserves and pension fund liabilities

Employer contribution reserve (ECR)

EUR thousands	Nominal value 31.12.2022	Balance sheet 31.12.2022	Currency gain (+)/ loss (-) on ECR 2022	Balance sheet 31.12.2021	Expense (-)/ income (+) in personnel expenses 2022	Expense (-)/ income (+) in personnel expenses 2021
Pension trust fund	2,986	2,986	132	2,854	-	-
Total	2,986	2,986	132	2,854	-	-

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

Economic benefits/economic liabilities and pension expenses

EUR thousands	Excess/ (inadequate) cover 31.12.2022 ¹	Economic share of organization 31.12.2022	Economic share of organization 31.12.2021	Capitalised in business year 2022	Contributions accrued 2022	Pension expenses in personnel expenses 2022	Pension expenses in personnel expenses 2021
Pension trust fund	2,467	-	-	-	-	-	-
Personnel pension fund collective fund	10,968	-	-	-	2,549	2,549	2,269
Pension plans abroad	-	-	-	-	8,266	8,266	9,020
Total	13,435	-	-	-	10,815	10,815	11,289

¹ The 2022 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 2022 correspond to the value as at 31 December 2021.

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, Ventilation and Radiators, the Group is classified according to business areas. These are managed independently from one another and their business performance is assessed separately.

The ventilation segment covers the three product lines for ventilation, heat exchangers and clean air solutions. The radiator segment contains two product lines: radiators and climate ceilings.

The **Sales by region and segment** table also provides information on the regions in which the sales were generated. Sales are allocated to the region to which the products and systems were sold. In order to reflect the global activities of the Zehnder Group, the regions have been expanded accordingly to EMEA (Europe, Middle East and Africa), Asia-Pacific and North America.

		Ventilation	Radiators	Total
2022				
Sales	EUR million	450.3	362.1	812.5
EBIT	EUR million	54.8	16.6	71.4
	% of sales	12.2	4.6	8.8
Number of employees	Ø full-time equivalents	1,816	2,011	3,827
2021¹				
Sales	EUR million	352.6	344.5	697.1
EBIT	EUR million	41.1	28.0	69.1
	% of sales	11.7	8.1	9.9
Number of employees	Ø full-time equivalents	1,523	2,031	3,554

¹ Previous year's figures adjusted to the new segments

16. Sales

Consolidated sales amounted to EUR 812.5 million (previous year: EUR 697.1 million), an increase of 16.6%. Organic¹ sales increased by 6.7%.

Sales include EUR 2.3 million (previous year: EUR 2.6 million) recognised on long-term contracts.

Sales by region and segments area are classified as follows:

		2022	%	2021 ²	%
Sales by region and segments					
Ventilation EMEA	EUR million	349.4	43.0	289.1	41.5
	Change from prior year in %	20.8		7.6	
Ventilation North America	EUR million	59.4	7.3	19.6	2.8
	Change from prior year in %	202.3		41.3	
Ventilation Asia-Pacific	EUR million	41.6	5.1	43.9	6.3
	Change from prior year in %	-5.2		5.8	
Total ventilation segment	EUR million	450.3	55.4	352.6	50.6
	Change from prior year in %	27.7		8.8	
Radiators EMEA	EUR million	310.1	38.2	296.4	42.5
	Change from prior year in %	4.6		19.7	
Radiators North America	EUR million	44.3	5.4	36.0	5.2
	Change from prior year in %	22.8		-4.3	
Radiators Asia-Pacific	EUR million	7.8	1.0	12.0	1.7
	Change from prior year in %	-35.0		42.4	
Total radiator segment	EUR million	362.1	44.6	344.5	49.4
	Change from prior year in %	5.1		17.3	
Total region EMEA	EUR million	659.5	81.2	585.5	84.0
	Change from prior year in %	12.6		13.4	
Total region North America	EUR million	103.6	12.8	55.7	8.0
	Change from prior year in %	86.1		8.0	
Total region Asia-Pacific	EUR million	49.3	6.1	55.8	8.0
	Change from prior year in %	-11.6		12.0	
Total	EUR million	812.5	100.0	697.1	100.0
	Change from prior year in %	16.6		12.9	

² Previous year's figures adjusted to the new regions and segments

For sales by segment, please refer to 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	2022	2021
Licence income	0.3	0.2
Gain on disposal of fixed assets	0.2	-
Income from hedging activities	-	1.4
Miscellaneous operating income	4.4	4.6
Total	4.9	6.2

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	2022	2021
Operating expenses	-54.2	-47.2
Marketing and distribution expenses	-71.7	-69.0
Administration and IT expenses	-30.0	-24.2
Total	-155.9	-140.4

19. Financial result

EUR million	2022	2021
Financial expenses	-1.2	-1.1
Financial earnings	0.3	0.2
Exchange gains/(losses)	0.1	0.1
Total financial result	-0.8	-0.8

20. Income taxes

The tax ratio (=taxes as a percentage of earnings before taxes) was 20% (previous year: 12%).

EUR million	2022	2021
Current taxes	-12.0	-10.7
Deferred taxes	-1.9	2.5
Total taxes	-13.8	-8.2

The Zehnder Group anticipates that losses of EUR 1.7 million (previous year: EUR 10.9 million) can be utilised against future taxable profits. The deferred tax assets on these losses amount to EUR 0.4 million (previous year: EUR 2.4 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	2022	2021
Earnings before taxes	70.6	68.4
Expected tax rate in %	21.6	21.8
Expected tax expense	-15.3	-14.9
Effect of tax incentives	0.5	1.6
Effect of non-deductible expenses	-1.0	-0.2
Effect of non-recognition of tax loss carry-forwards	-0.3	0.2
Effect of use of unrecognised tax loss carry-forwards	1.1	5.9
Other effects	0.9	-0.8
Effective tax expense	-13.8	-8.2
Effective tax rate in %	19.6	12.0

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.

		2022	2021
Net profit excluding minority interests	EUR million	55.4	59.7
Notional number of shares	units	11,736,000	11,736,000
Average number of own shares	units	278,745	109,204
Notional number of shares excl. own shares	units	11,457,255	11,626,796
Non-diluted net profit excluding minority interests per registered share A	EUR	4.84	5.13
Notional number of shares excl. own shares	units	11,457,255	11,626,796
Eligible shares for share-based compensation plan (LTI)	units	23,518	23,587
Number of shares for calculating diluted net profit per share	units	11,480,773	11,650,383
Diluted net profit excluding minority interests per registered share A	EUR	4.83	5.12

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

		2022	2021
Shares granted for the Zehnder Group Management Share Plan	units	19,486	
Current value on the day of allocation	CHF	87.00	
Personnel expenses	CHF	411,000	
Shares granted for the compensation of the Board of Directors	units	5,543	
Current value on the day of allocation	CHF	91.90	
Personnel expenses	CHF	509,000	
Total shares granted for the Zehnder Group Management Share Plan and the compensation of the Board of Directors	units	25,029	57,453
Current value on the day of allocation	CHF	87.00 / 91.90	67.10
Total personnel expenses for the Zehnder Group Management Share Plan and the compensation of the Board of Directors	CHF	920,000	2,106,000
Shares granted for the variable long-term compensation element for the Group Executive Committee (with 100% achievement of objectives)	units	7,899	14,611
Current value on the day of allocation	CHF	93.10	59.10
Personnel expenses	CHF	858,000	956,000

23. Acquisitions

The following acquisitions were made in the year under review:

- As of 21 February 2022, the Zehnder Group acquired ventilation company Airia Brands Inc., Canada. The purchase price was EUR 43.0 million. As a result, the Group acquired net assets amounting to EUR 18.3 million. These included liquid assets of EUR 2.2 million, other current assets of EUR 11.8 million, non-current assets of EUR 11.9 million and liabilities of EUR 7.5 million. Net outflow of liquid assets resulting from the acquisition totalled EUR 42.7 million. The resulting goodwill amounted to EUR 24.7 million and was offset against equity. During the reporting period, Airia Brands Inc. contributed EUR 34.6 million to the Group's sales.
- As of 29 April 2022, the Zehnder Group acquired air filter manufacturer Filtech. In addition to its headquarters and a production facility in the Netherlands, the company also has two other production sites in France and Switzerland. The purchase price amounted to EUR 19.2 million. As a result, the Group acquired net assets amounting to EUR 7.0 million. These included liquid assets of EUR 2.7 million, other current assets of EUR 4.9 million, non-current assets of EUR 8.3 million and liabilities of EUR 8.8 million. Net outflow of liquid assets resulting from the acquisition totalled EUR 16.5 million. The resulting goodwill amounted to EUR 12.1 million and was offset against equity. During the reporting period, Filtech contributed EUR 6.6 million to the Group's sales.

The following acquisitions were made in the previous year:

- Completion of the acquisition of the 51% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. on 28 April 2021 in China. In addition to the EUR 2.6 million paid in 2021, further payments of EUR 4.3 million were made in 2022. EUR 3.6 million was accrued at the end of 2021. EUR 0.7 million was additionally recorded as goodwill.
- As of 28 October 2021, the Zehnder Group acquired a majority share of 75% in French companies Caladair International SAS and 100% of shares in Calihce SCI for EUR 16.3 million.

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 were able to 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

		31.12.2022	31.12.2021
Disclosed equity including minority interests	EUR million	340.8	364.4
Equity ratio	%	64.0	65.9
Acquisition value of goodwill			
Status at beginning of business year	EUR million	149.5	129.2
Additions ¹	EUR million	37.5	20.5
Disposals	EUR million	–	–0.1
Status at end of business year	EUR million	187.1	149.5
Accumulated amortisation			
Status at beginning of business year	EUR million	–125.6	–121.5
Amortisation in current year	EUR million	–12.8	–4.1
Status at end of business year	EUR million	–138.4	–125.6
Theoretical net book value of goodwill	EUR million	48.7	24.0
Theoretical equity including minority interests and net book value of goodwill	EUR million	389.5	388.4
Theoretical equity ratio	%	67.0	67.3

¹ EUR 24.7 million from the acquisition of Airia Brands Inc., Canada (2022), EUR 12.1 million from the acquisition of Filtech Group with headquarters in the Netherlands (2022), and EUR 0.7 million adjustment of goodwill relating to Zhongshan Fortuneway Environmental Technology Co., Ltd., China. In 2021, the amount comprises the following transactions: EUR 15.3 million from the acquisition of Caladair, France, and EUR 5.2 million from the acquisition of Zhongshan Fortuneway Environmental Technology Co., Ltd., China.

Impact of theoretical capitalisation of goodwill on results

		31.12.2022	31.12.2021
Disclosed net profit	EUR million	56.7	60.3
Theoretical amortisation of goodwill	EUR million	–12.8	–4.1
Net profit after amortisation of goodwill	EUR million	44.0	56.2

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	2022	2021
Fixed cash compensation	2,623	2,378
Variable compensation (short-term and long-term)	1,987	2,120
Employer social security and pension contributions	774	788
Share-based payments	749	806
Other payments	135	120
Total compensation paid to the members of the Board of Directors and the Group Executive Committee	6,269	6,212

Please also refer to items [5.1 Compensation to the Board of Directors in the business year 2022](#) and [5.2 Compensation of the Group Executive Committee in the business year 2022](#) in the Compensation Report.

26. 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.

The financial statements 2022 were approved by the Board of Directors on 27 February 2023.

Overview of companies



As at 31 December 2022, 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					
London	Airia Brands Inc.	S/P	27,162,000	100	Fully
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
Modane	Filtech France SARL	S/P	128,000	100	Fully
Modane	ELP SCI	S/P	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	Core Energy Recovery Solutions 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
Udenhout	Filtech Nederland B.V.	S/P	5,000	100	Fully
Udenhout	Filtech clean-air filters International Holding B.V.	S/P	n/a	100	Fully
Waalwijk	Core Production Waalwijk 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					
Sabadell	Zehnder Group Iberica Indoor Climate, S.A.U.	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
Rancate	Filtech Swiss SA	S	100,000	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
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 2022, and the consolidated income statement, the 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 policies.

In our opinion, the consolidated financial statements (pages 78 to 110) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 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 Standards on Auditing (SA-CH). 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: EUR 8'100'000

We concluded full scope audit work at 19 Group companies in 9 countries. These Group companies contributed 76% of the Group's sales. An audit of specific account balances was performed at one additional Group company, which addressed a further 5% of the Group's sales.

As key audit matters the following areas of focus have been identified:

- Valuation of trade accounts receivable
- Acquisitions in the reporting year

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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	EUR 8'100'000
Benchmark applied	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.

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 three regions – in 'EMEA', 'North America' and 'Asia-Pacific'. The Group financial statements are a consolidation of 62 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.

Key audit matters

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 2022, Zehnder Group disclosed trade accounts receivable in the amount of EUR 120.3 million (prior year: 109.3 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 outstanding 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 85 of the annual report for information on the accounting and valuation principles and to page 90 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.

Acquisitions in the reporting year

Key audit matter

Zehnder Group acquired the ventilation company Airia Brands Inc. in Canada on 21 February 2022 and the air filter manufacturer Filtech on 29 April 2022.

The net assets taken over in an acquisition are valued at their current values as of the acquisition date, and the surplus of acquisition costs over the revalued net assets is recognised as goodwill, which is offset against the consolidated equity. To achieve this, the Group Management and the Board of Directors make assumptions about the current values of the assets and liabilities taken over and determine the acquisition costs. Because of their significance in terms of amount for Zehnder Group, we consider the valuation of the net assets taken over and the determination of the resulting goodwill of the acquisitions in the year under review, as well as the underlying estimates necessary to determine the current values of the assets and liabilities taken over, to be a key audit matter.

How our audit addressed the key audit matter

We examined the appropriateness of the Group's financial reporting in relation to the valuation of the net assets taken over, including the accounting policies for determining the acquisition costs and the resulting goodwill offset against the consolidated equity.

To do so, we performed the following audit procedures to test how the Group Management and the Board of Directors made the estimates relating to the valuation of the assets and liabilities taken over, and how the acquisition costs and the resulting goodwill were determined:

- Analysis of the underlying contracts, schedules and evidence of payment with regard to the correct determination of acquisition costs.
- Critical assessment and reconciliation of the underlying data, schedules and information, as well as of the methods used and the assumptions and assessments made by the Group Management in relation to the revaluation of the assets and liabilities



Please refer to page 82 of the annual report for information on the accounting principles and to page 105 for the notes on the acquisitions.

taken over as of the acquisition date.

- Test of the methodological and mathematical accuracy of the determination of the surplus of acquisition costs over the revalued net assets in relation to the resulting goodwill offset against the consolidated equity.

We consider the methods used to be an appropriate procedure for revaluing the net assets acquired and determining the goodwill arising from the acquisitions. The results of our audit support the data, information, schedules and assumptions used and the assessments made by the Group Management and the Board of Directors.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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 SA-CH 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 on EXPERT-suisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.



Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the 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
Licensed audit expert
Auditor in charge

Fabian Stalder
Licensed audit expert

Luzern, 27 February 2023



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	2022	2021
Organic sales growth	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 taken place at constant exchange rates.	Sales	812.5	697.1
		Currency effects	-13.8	0.8
		Acquisition effects	-55.0	-8.8
		Organic sales	743.7	689.1
		Organic sales growth in %	6.7	11.6
EBITDA	Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a key figure used to measure the performance of the Group.	Operating result (EBIT)	71.4	69.1
		Depreciation of property, plant and equipment	23.0	22.4
		Amortisation of intangible assets	0.9	0.5
		EBITDA	95.3	92.1
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	120.3	109.3
		Other receivables	22.2	18.9
		Inventories	100.0	75.4
		Prepayments	1.6	1.2
		Accrued income	4.9	3.5
		Trade accounts payable	-51.6	-41.5
		Other short-term liabilities	-30.8	-29.0
		Accruals and deferred income	-70.1	-66.0
		Short-term provisions	-7.5	-12.0
		Long-term provisions	-21.7	-26.4
		Other long-term liabilities	-0.6	-0.7
		Non-current assets	228.6	208.5
		Capital employed (CE)	295.4	241.2
		Operating result (EBIT)	71.4	69.1
		Expected income taxes	-15.4	-15.1
		Net operating profit after tax (NOPAT)	55.9	54.0
ROCE in %	18.9	22.4		
Net liquidity/(net debt)	Net liquidity or debt is a key figure used to measure the Group's financial liquidity or debt.	Liquid assets	55.1	136.4
		Short-term financial liabilities	-2.1	-3.4
		Long-term financial liabilities	-7.7	-9.8
		Net liquidity/(net debt)	45.4	123.2

Balance sheet of Zehnder Group AG



CHF million	Notes	31 December 2022	31 December 2021
Assets			
Liquid assets		1.2	16.4
Other short-term receivables	1	4.8	2.5
Current assets		6.0	18.9
Financial assets	2	59.4	102.6
Participations	3	346.2	303.3
Non-current assets		405.5	405.9
Total assets		411.5	424.9
Liabilities & shareholders' equity			
Short-term interest-bearing liabilities	4	1.9	18.9
Other short-term liabilities	5	0.5	0.1
Accruals and deferred income		0.5	1.4
Short-term provisions		0.2	4.2
Current liabilities		3.1	24.5
Provisions		–	0.1
Non-current liabilities		–	0.1
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		336.5	337.3
– Net profit for the year		49.3	19.8
Own shares	7	–28.7	–8.1
Shareholders' equity		408.4	400.3
Total liabilities and shareholders' equity		411.5	424.9

Income statement of Zehnder Group AG



CHF million	Notes	2022	2021
Dividend income		36.0	17.2
Other operating income		2.1	3.5
Operating income		38.1	20.7
Personnel expenses		-0.9	-1.0
Other operating expenses		-3.8	-4.1
Reversal of impairment losses on loans and participations		14.6	-
Operating profit		47.9	15.6
Financial income		4.7	6.0
Financial expenses		-3.2	-2.0
Direct taxes		-0.1	0.2
Net profit for the year		49.3	19.8

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	31.12.2022	31.12.2021
Accounts receivable from third parties	0.2	0.4
Accounts receivable from Group companies	4.5	2.1
Total	4.8	2.5

2. Financial assets

CHF million	31.12.2022	31.12.2021
Loans to Group companies	59.4	102.6
Total	59.4	102.6

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	31.12.2022	31.12.2021
Loans from Group companies	1.9	18.9
Total	1.9	18.9

5. Other short-term liabilities

CHF million	31.12.2022	31.12.2021
Other short-term liabilities to third parties	0.5	0.1
Total	0.5	0.1

6. Share capital

	Registered shares A units 2022	Registered shares B units 2022	Nominal value CHF 2022	Registered shares A units 2021	Registered shares B units 2021	Nominal value CHF 2021
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 51.8% 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 2022	Value per share CHF 2022	Value CHF 2022	Registered shares A units 2021	Value per share CHF 2021	Value CHF 2021
Own shares at 1.1., trading portfolio	126,276	64.50	8,145,093	104,429	42.45	4,433,210
Shares sold	-41,960	66.00	-2,769,333	-57,453	67.10	-3,855,096
Gain/(loss) from sale			926,122			1,488,309
Shares bought	317,632	70.36	22,349,351	79,300	76.65	6,078,670
Own shares at 31.12., trading portfolio	401,948	71.28	28,651,233	126,276	64.50	8,145,093

The own shares allocated to members of the Board of Directors are shown in item **5.1 Compensation to the Board of Directors in the business year 2022** 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 58.0 million (previous year: CHF 60.0 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): 9,480 registered shares A and 9,811,200 registered shares B, corresponding to 50.0% 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 51.8% 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
	2022	2021	2022	2021
Dr Hans-Peter Zehnder ⁴	220,883	215,692	26,666	26,666
Chairman of the Board	1.1% ³	1.1% ³	0.1% ³	0.1% ³
Jörg Walther	11,132	10,134	-	-
Vice Chairman of the Board	0.1% ³	0.1% ³		
Dr Urs Buchmann	21,175	20,621	-	-
Member of the Board	0.1% ³	0.1% ³		
Riet Cadonau	12,141	11,587	-	-
Member of the Board	0.1% ³	0.1% ³		
Sandra Emme	-	-	-	-
Member of the Board since 7 April 2022				
Milva Inderbitzin-Zehnder ⁵	8,437	7,445	-	-
Member of the Board				
Ivo Wechsler	3,578	3,024	-	-
Member of the Board				
Matthias Huenerwadel	27,868	15,099	-	-
Chairman of the Group Executive Committee, CEO	0.1% ³	0.1% ³		
René Grieder	28,670	20,664	-	-
CFO	0.1% ³	0.1% ³		
Johannes Bollmann	5,271	4,621	-	-
COO Ventilation EMEA				
Jörg Metzger	2,958	1,638	-	-
COO Radiators EMEA				
Cyril Peysson	50,318	48,680	-	-
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 Registered shares B are not listed.

3 Share of total votes in % (only if $\geq 0.1\%$)

4 Excluding Graneco AG, in which Dr Hans-Peter Zehnder holds a 57.8% stake.

5 Excluding Graneco AG, in which Milva Inderbitzin-Zehnder indirectly holds 0.6%.

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	336,498,686
Net profit for 2022 according to the income statement	49,251,217
Balance sheet profit	385,749,903

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	364,625,103
Total appropriation of earnings	385,749,903

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 (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 117 to 124) 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 Standards on Auditing (SA-CH). 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 Company 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 4'100'000

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 Company, the accounting processes and controls, and the industry in which the Company 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.

Based on 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 4'100'000
Benchmark applied	Total assets
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.

Key audit matters

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 and subsidiaries

Key audit matter	How our audit addressed the key audit matter
<p>The Company as at 31 December 2022 had direct and indirect investments in subsidiaries in the amount of CHF 346.2 million (prior year: CHF 303.3 million).</p> <p>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.</p> <p>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.</p> <p>Please refer to page 119 of the annual report for information on the accounting and valuation principles and to page 120 for the notes on the investments.</p>	<p>In order to test the appropriateness of the valuation procedures undertaken by Management and the Board of Directors, we performed the following audit procedures:</p> <ul style="list-style-type: none"> 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 Management that had been approved by the Board of Directors. Critical assessment of the key assumptions, including the expected future earnings, the growth 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 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 Management and the Board of Directors.

Board of Directors' responsibilities 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 Company'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 Company 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 SA-CH 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 located on EXPERTSuisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the 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
Licensed audit expert
Auditor in charge

Fabian Stalder
Licensed audit expert

Luzern, 27 February 2023



Further information for investors

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Registered shares A

Valor number	27 653 461
SIX	ZEHN
Bloomberg	ZEHN SW
Reuters	ZEHN S

Registered shares B (unlisted)

Valor number	13 312 654
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Registered shares A

Annual General Meeting 2023	23.3.2023
Ex-dividend date	27.3.2023
Dividend payout	29.3.2023
Six-month Report 2023	28.7.2023
End of business year	31.12.2023
Sales for 2023	19.1.2024
Annual Report 2023 and Media/Analyst Conference 2024	28.2.2024
Annual General Meeting 2024	11.4.2024

News and reports, as well as this Annual Report, are available in German and English. The German version is binding.

News is published under www.zehndergroup.com/en/news.

Reports and presentations are published under www.zehndergroup.com/en/investor-relations/reports-and-presentations.