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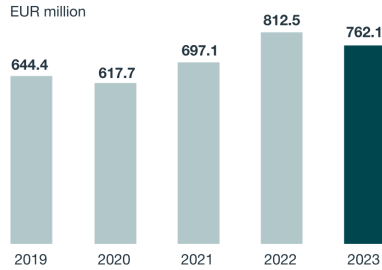
Annual Report

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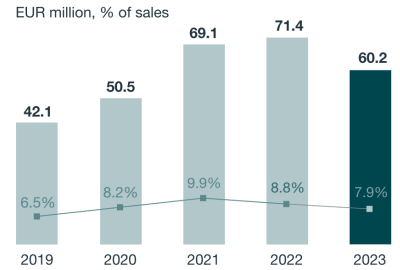
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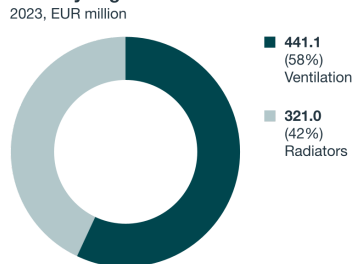
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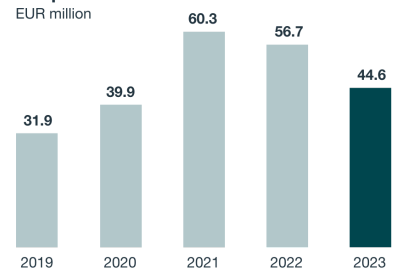
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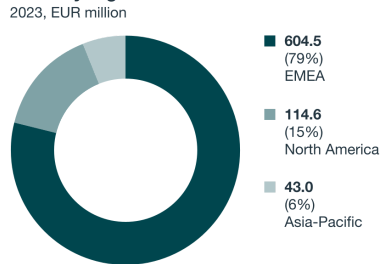
Sales by segment



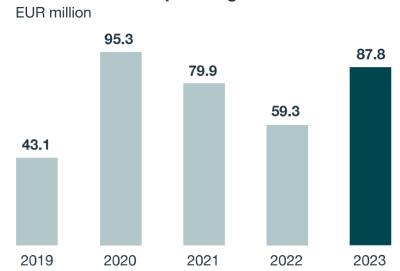
Net profit



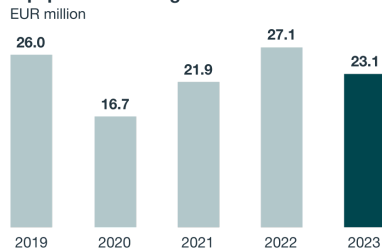
Sales by region



Cash flow from operating activities



Investments in property, plant and equipment & intangible assets



Share price development



		2023	2022	%
Sales	EUR million	762.1	812.5	-6.2
EBITDA¹	EUR million	84.8	95.3	-11.0
	% of sales	11.1	11.7	
EBIT	EUR million	60.2	71.4	-15.7
	% of sales	7.9	8.8	
Net profit²	EUR million	44.6	56.7	-21.3
	% of sales	5.9	7.0	
Cash flow from operating activities	EUR million	87.8	59.3	48.1
	% of sales	11.5	7.3	
Investments in property, plant and equipment & intangible assets	EUR million	23.1	27.1	-14.7
Depreciation & amortisation	EUR million	-24.6	-23.9	2.9
Total assets	EUR million	516.8	532.8	-3.0
Non-current assets	EUR million	226.4	228.6	-1.0
Net liquidity/(net debt)¹	EUR million	70.8	45.4	55.8
Shareholders' equity²	EUR million	347.3	340.8	1.9
	% of total assets	67.2	64.0	
ROCE¹	%	17.1	18.9	
Number of employees	Ø full-time equivalents	3,772	3,827	-1.4
Market closing price registered share A	CHF	53.50	55.80	-4.1
Net profit per registered share A³	EUR	3.84	4.84	-20.6
Shareholders' equity per registered share A³	EUR	29.55	28.20	4.8
Dividend per registered share A⁴	CHF	1.30	1.80	-27.8
Payout ratio	%	35	37	

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

² Including minority interests

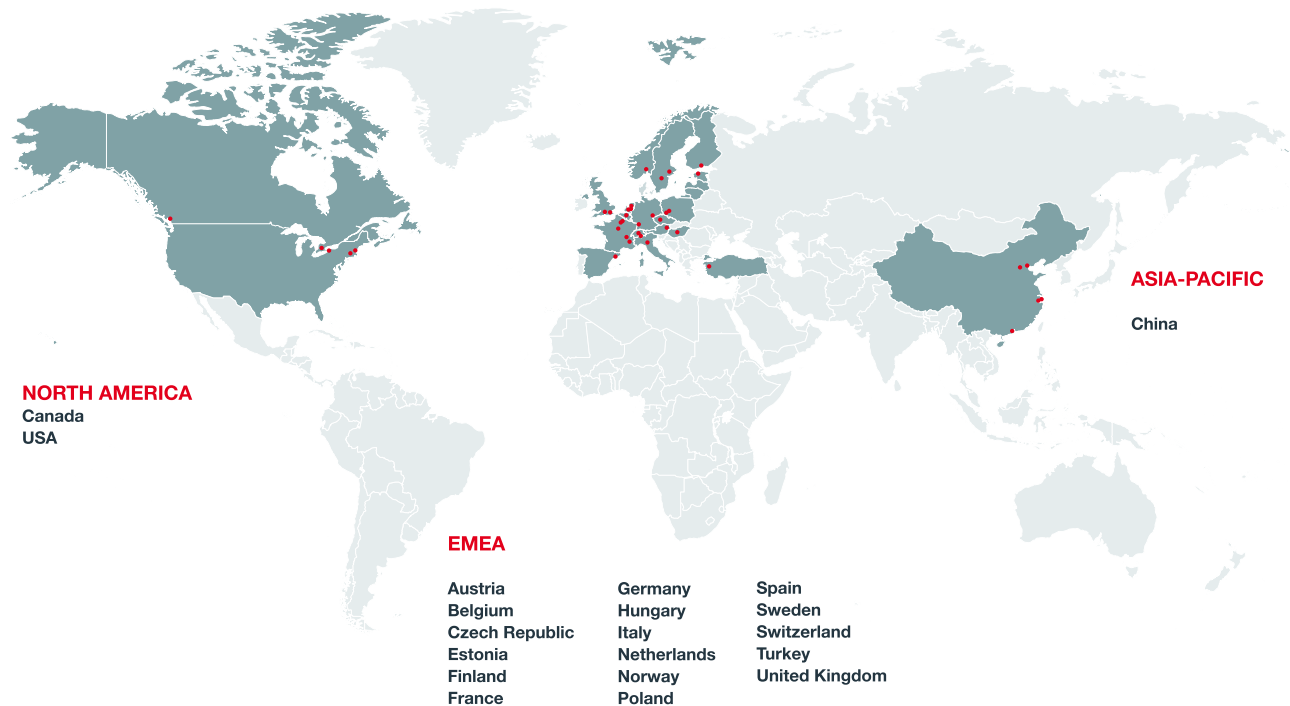
³ Excluding minority interests

⁴ For 2023 as proposed by the Board of Directors

Company profile

Zehnder Group provides worldwide leading solutions for a comfortable, energy-efficient and healthy indoor climate. The products and services of the Group include heating, cooling, indoor ventilation, and air cleaning. The Group develops and manufactures its products at its own factories in Europe, China, and North America. In the financial year of 2023, Zehnder Group had about 3,500 employees and achieved sales of EUR 762.1 million. The company is listed on the SIX Swiss Exchange (symbol: ZEHN, number: 27 653 461). The unlisted registered shares B are held by Graneco AG, which is controlled by the Zehnder families.

Locations



Zehnder Group achieves sales of EUR 762.1 million with an EBIT margin of 7.9%

Zehnder Group sales in the 2023 fiscal year fell by 6% to EUR 762.1 million. The operating result (EBIT) decreased by 16% to EUR 60.2 million, with an EBIT margin of 7.9% (previous year: 8.8%). Net profit amounted to EUR 44.6 million (previous year: EUR 56.7 million).



Dear shareholders,

In addition to a weakening construction industry, the first half of 2023 at Zehnder Group was largely characterised by a normalisation in the supply chains and an improvement in delivery capacities. As a result, we were largely able to reduce the order backlog for ventilation products. In the second half of the year, economic uncertainty, higher interest rates, and increased construction costs led to a further slowdown in construction activity. Consequently, there was a significant decline in new construction activity in key European markets. Overall, both the ventilation and radiator segments were impacted by lower demand. We continued to expand the differentiated cost management introduced in the radiator segment in 2022 and extended it to the ventilation segment. At the same time, we continued to make targeted strategic investments in the areas of innovation, digitisation, market development, and sustainability. The repeated record sales in North America of around EUR 115 million, significantly supported by the acquisition of Airia in Canada, is most pleasing.

Looking ahead, Zehnder Group is well prepared for various economic scenarios. We do not expect the markets to recover in the short term. Thanks to our strong market position, our excellent customer loyalty, and our high level of innovation, we are in a solid position to emerge stronger from the current drop in

the construction industry. Our proven long-term strategy and our flexibility support us in this endeavour.

Lower sales due to a gloomy market environment

Zehnder Group sales in the 2023 fiscal year fell by 6% (organically -7%¹) to EUR 762.1 million (previous year: EUR 812.5 million). Acquisitions from the previous year made a positive contribution of 2% to sales, while currency effects negatively impacted sales by 1%. The situation in the supply chains improved in the first half of 2023. As a result, the reduction in the order backlog in the ventilation segment offset the decline in radiator volumes. However, the ventilation segment also recorded a decline in sales in the second half of the year.

Sales in the ventilation segment totalled EUR 441.1 million in 2023 as a whole, corresponding to a decline in sales of 2% (organically -3%). The acquisitions of Airia in Canada and Filtech in the Netherlands made a positive contribution of 3% to sales, while currency effects had a negative impact of 2%. The residential ventilation business segment remained at the previous year's level thanks to the order backlog from the previous year and the acquisitions. At the same time, sales of air cleaning solutions increased significantly once again due to a substantial increase in demand. By contrast, sales in the heat exchanger business fell below the previous year's level due to weaker demand from OEMs (original equipment manufacturers) and other customers. During the reporting year, the ventilation segment accounted for approximately 58% of the Group's total sales, an increase of 3 percentage points compared to the previous year.

A total of EUR 336.2 million (EUR 349.4 million in the previous year) of sales in the ventilation segment was achieved in the EMEA region (Europe, Middle East and Africa). Sales started to decrease in the second half of the year due to weakening demand. Still, positive growth rates were recorded for the full-year in the Netherlands, the UK, France, and Switzerland. Thanks to a good penetration rate and a high market share, the Netherlands achieved the highest country sales in the ventilation segment in absolute terms in the reporting year. In Switzerland, the service business was expanded with maintenance contracts and ventilation system cleaning. In the UK, continued strong ventilation sales in new buildings and renovations in social housing supported sales.

The North America region accounted for EUR 69.1 million (previous year: EUR 59.4 million) of ventilation sales. Thanks to the first-time consolidation of the full-year sales of the Canadian company Airia, the ventilation share of sales in North America rose from 57% to 60%, once again contributing to the further expansion of this business in Canada and the USA. The Asia-Pacific region generated lower sales of EUR 35.8 million (EUR 41.6 million in the previous year). The Chinese market was affected by a further decline in demand due to lower construction activity within the country.

The radiator segment generated sales of EUR 321.0 million in the 2023 fiscal year, down by 11% (organically -11%) on the previous year's sales of EUR 362.1 million. Price increases had only a slightly positive impact on segment sales. Due to a combination of increased construction prices, an uncertain legislative environment, and a difficult economic situation, the radiator segment also recorded a decline in sales in the second half of the year. The decline in sales was exacerbated by customers reducing their inventories. The uncertainty surrounding the design of state incentive systems for the replacement of fossil fuels in heating systems in Germany led to a noticeable reluctance to buy radiators until the introduction of the Renewable Energies Heat Act. In contrast, sales in the heating and cooling ceilings product line once again grew in the 2023 fiscal year. The switch from fossil fuels to renewable energies is resulting

in an increased use of heat pumps, leading to the reduction in flow temperature. This trend proved to be a key growth driver for heating and cooling ceilings during the last fiscal year. Overall, radiator sales accounted for 42% of Zehnder Group's total sales during the reporting year, corresponding to a decrease of 3 percentage points compared to the previous year.

A total of EUR 268.2 million (previous year: EUR 310.1 million) of sales in the radiator segment came from the EMEA region. Key markets such as France, the UK, Germany, and Italy recorded significant declines in sales. The discontinuation of sales in Russia as a result of the termination of business activities there in 2022 also contributed to lower segment sales. Contrary to the general trend, Switzerland recorded a growth in sales thanks to our strong market position. The North American region generated slightly higher sales of EUR 45.5 million (previous year: EUR 44.3 million). The continued robust demand for radiators and stable online sales supported sales there. The Asia-Pacific region contributed EUR 7.2 million (previous year: EUR 7.8 million) to total sales in the radiator segment. The repeated sales decline followed the weak development of the construction sector in China.

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

Lower operating result in a challenging environment

Zehnder Group's operating result (EBIT) fell by 16% to EUR 60.2 million in the 2023 fiscal year. This corresponds to an EBIT margin of 7.9% (previous year: 8.8%). Significantly lower volumes and rising personnel costs led to a decline in EBIT. Zehnder Group systematically counteracted the decline in demand with increased cost-reduction measures. This in turn resulted in restructuring costs totalling EUR 2.8 million. At the same time, investments continued to be made in strategically important areas such as innovation, digitisation, market development, and sustainability.

At 9.2%, the EBIT margin in the first half of the year was on a par with the previous year. In the second half of 2023, both the radiator and ventilation segments were affected by declining volumes due to deteriorating market conditions. This led to lower utilisation of production capacity in the radiator business and thus to proportionately higher fixed costs. As an assembly business, the ventilation segment typically generates lower fixed costs.

EBIT in the ventilation segment fell by 3% to EUR 53.0 million in 2023 compared to the previous year. The EBIT margin slightly decreased to 12.0% (previous year: 12.2%). In the first half of 2023, the resolution of global delivery difficulties led to a noticeable improvement in delivery capacities. This had a positive effect on profitability. As a result, EBIT rose by 24% in the first half of the year to EUR 36.1 million. A significant decline in demand was recorded in the second half of 2023, with EBIT falling by 34% to EUR 16.9 million. This trend gained additional momentum due to increased destocking on the customer side. Investments in new products and digitisation continued unabated.

During the 2023 fiscal year, EBIT in the radiator segment fell by 57% to EUR 7.2 million. The EBIT margin declined accordingly to 2.2% (4.6% in the previous year). The trend of declining order volumes in the face of a more difficult economic environment was also clearly evident in the second half of the year. The weaker demand in Europe and China in particular led to lower production capacity utilisation. In Switzerland and France, selective short-time working was already introduced in the radiator production in the first half of the year. Production in China was partially outsourced. In addition, the headcount

was reduced at our German, Turkish, and Polish operations. This resulted in additional costs of EUR 2.2 million for 2023.

The tax rate during the 2023 reporting period was 22% (previous year: 20%). Net profit totalled EUR 44.6 million (EUR 56.7 million in the previous year).

Air cleaning solutions - clean air as a service

In the Clean Air Solutions business unit, Zehnder Group designs, installs, leases, and maintains air cleaning solutions for end customers. In this service business, industrial customers purchase service packages for clean indoor air. The devices used for this purpose are equipped with cleaning filters that guarantee good air quality and filter out fine dust and other impurities. Zehnder Group covers all services, from installation and commissioning to maintenance, including regular filter replacement, via a subscription model. During the 2023 fiscal year, sales from air cleaning increased again.

“Clean Air Solutions is a business unit with constant growth rates.”

Industrial air cleaning offers customers immediate benefits in terms of reducing operating costs and compliance with employee protection regulations. It reduces the costs of labour-intensive, professional cleaning and the downtime of machinery.

Creating added value for the customer through innovation

Expenditures on research and development totalled EUR 25.5 million in the 2023 reporting year (previous year: EUR 24.7 million). Around 70% of this was attributable to the ventilation segment. Various new products and innovations from the ventilation segment were successfully rolled out during the fiscal year, such as the new Zehnder ComfoAir Fit 100 comfort ventilation unit. This compact and versatile appliance is particularly suitable for apartment blocks and flats. The installation saves space and is wall-integrated into the external façade or the insulation, surface-mounted or on the ceiling.

“Around 70% of research and development expenditure in 2023 was channelled into the ventilation segment.”

Furthermore, the French Zehnder company Caladair has been offering an innovative and compact ventilation unit for rooms with high occupancy rates since 2023 with the launch of Zehnder Eversky. Zehnder Eversky is installed as a single room unit on the ceiling and does not require any complex air distribution installation. Larger rooms in particular, such as meeting and event rooms as well as classrooms and offices, can enjoy optimum ventilation with this flat compact unit.

Zehnder also expanded its range of decorative towel radiators with the latest iconic design: Zehnder Tetris. Designed by the renowned design studio King & Miranda, Zehnder Tetris continues the successful history of timeless radiator design.

For the fourth time in a row, Zehnder Group Schweiz AG received the prestigious “Architects Darling” Golden Award in the building services and HVAC (heating, ventilation and air conditioning) category. In the UK, the ComfoAir Q600 was named “Domestic Ventilation Product of the Year” at the highly

regarded H&V News Awards 2023. Zehnder ComfoAir Q600 is a centralised, compact and energy-efficient ventilation unit with heat recovery, which is ideal for both new buildings and renovations. The two awards reflect the effort and passion that goes into everything from the design and development of the products, through manufacturing and delivery, to service and support.

Since the move to the new “Centre of Climate” premises in Lahr (DE) in spring 2023, numerous events have been held on site with sales employees and customers. The new, spacious brand experience room at the “Centre of Climate” has since been used regularly as a communication centre and starting point for visitor programmes.

Expansion of the proven Zehnder Academy training programme

Zehnder's successful Zehnder Academy training programme, which takes place both online and offline, was further extended during the reporting year. In the national companies in Spain and the Czech Republic, the existing academies were upgraded to the latest technical standards and expanded. The on-site facilities offer further training opportunities for our partners such as architects, energy consultants, planners, plumbers, and caretakers. From planning to regular maintenance, different professional groups can be trained on specific ventilation topics as required. The training courses take place in specially constructed living situations and learning islands equipped with innovative building technology and ventilation systems.

Solid net liquidity despite share buyback

During the 2023 fiscal year, cash flow from operating activities increased by 48% from EUR 59.3 million to EUR 87.8 million. Trade receivables fell due to the reduction in sales. Inventories also decreased as a result of lower purchase prices. Investment activities in fixed and intangible assets declined from EUR 27.1 million to EUR 23.1 million while investment activities in acquisitions declined from EUR 63.9 million to EUR 0.1 million. In addition, share buybacks totalling EUR 17.1 million were carried out. Net liquidity¹ increased to EUR 70.8 million at the end of 2023 (previous year: EUR 45.4 million). Equity totalled EUR 347.3 million (previous year: EUR 340.8 million), corresponding to a high equity ratio of 67% (previous year: 64%).

“Despite the share buyback programme, Zehnder Group has solid net liquidity and the equity ratio remains high.”

As part of the completed share buyback programme, Zehnder Group acquired 487,800 listed registered shares A for a total value of EUR 33.8 million (of which EUR 10.5 million in 2023). In addition, 101,500 listed registered shares A were bought back in 2023 for employee participation programmes for a total of EUR 6.6 million.

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

Increasing employee satisfaction and successful launch of the “Employee Branding” campaign

In 2023, another global employee engagement survey was conducted with the participation of around 3,000 Zehnder employees, corresponding to a response rate of 83%. All values improved and were above the industry average.

With the launch of the internal and external “Employee Branding” campaign, Zehnder Group has taken an important step towards retaining and promoting first-class employees. The expansion of Zehnder's attractive and inspiring employer brand is intended to help strengthen the company's competitive advantage in attracting talent. In this context, the campaign entitled “All about climate. All about you.” was introduced, embodying Zehnder's company culture and promise to its employees and potential applicants. Internal Zehnder ambassadors, who tell their personal stories, form the authentic centrepiece of the new career and employer website. The campaign was very well received, both internally and externally. According to the latest employee engagement survey, we were able to increase our recommendation rate as an employer from 82% to 84%.

At the end of 2023, the number of employees, measured in full-time equivalents, was 3,544 (3,863 in the previous year), which corresponds to a decrease of 8%. The reduction in personnel is primarily due to the structural adjustment measures. The average number of employees fell to 3,772 (3,827 in the previous year). Of these, 321 (401 in the previous year) were temporary staff and 62 (64 in the previous year) were trainees. A total of 1,930 employees (1,816 in the previous year) were employed in the ventilation segment and 1,843 (2,011 in the previous year) in the radiator segment.

Clear pursuit of goals for growth in the ventilation sector

The acquisition of Airia in Canada in 2022 successfully paved the way for the expansion of the ventilation business in the promising North American market. In addition, the acquisition of the French company Caladair in 2021 enabled us to expand our light commercial solutions to other countries. In future, the opportunities arising from renovations and existing customers are to be utilised even better in the ventilation segment. New solutions for renovations and services such as maintenance and repair as well as a growing appliance replacement business are playing an increasingly important role.

“In future, the opportunities arising from renovations and extended services are to be utilised even better in the ventilation segment.”

Overall, investments were made in further projects during the 2023 fiscal year to foster future growth. As one of the world's leading technology companies for high-quality enthalpy and heat exchangers, Zehnder Group has launched a resource-saving heat exchanger solution with the innovative CORE “Blue Dot” C-HRV 366-LL heat exchanger. The innovative channel geometry used here significantly reduces the amount of material used while maintaining the same high output, thus protecting the environment.

In the field of digitisation, the range of new digital products and services was systematically expanded. For example, Zehnder Group introduced the Zehnder Cloud in Germany and Switzerland, a digital control solution for smart monitoring of indoor climate quality. With the help of the Zehnder Cloud Dashboard, users can monitor and optimise their air conditioning systems in real time. This innovative offering is to be introduced in other markets and will allow Zehnder to offer even more customised solutions in the future.

In the radiator segment, Zehnder Group enjoys strong positions in key markets, particularly for bathroom and multi-column radiators. Optimisation of production processes, quality improvements, and productivity increases continue to contribute to efficiency gains. Product innovations in low-temperature radiators, the expansion of electronics, and automatic controls support the further development of Zehnder Group's radiator business.

Best climate for people and the environment

Zehnder Group has outlined its long-term sustainability strategy with the publication of the Sustainability Report 2022 and the launch of a new sustainability website in summer 2023. This focuses on the key topics of environment, employees, and society. To ensure a sustainable environment, Zehnder aims, for example, for the use of recyclable materials, circular value creation in the production of ventilation systems, and the use of renewable energies and energy-efficient production processes in the radiator segment. As an attractive employer, Zehnder Group promotes a positive working environment, equal opportunities, fairness, and diversity. Our investments in personal and professional development and in a culture of continuous learning are designed to ensure the satisfaction of our employees. For Zehnder, social responsibility also means sustainable procurement and compliance with fair business practices, taking particular account of respect for human rights. We also rely on modern and ethical corporate governance to protect shareholder and stakeholder interests and ensure responsible, transparent company management.

More details concerning the latest developments regarding sustainability at Zehnder Group can be found in the 2023 Sustainability Report: www.zehndergroup.com/en/sustainability-zehnder.

Completion of the share buyback programme

At the Annual General Meeting on 11 April 2024, the Board of Directors will propose the distribution of a dividend, based on the result for the 2023 reporting year, of CHF 1.30 (previous year: CHF 1.80) per registered share A. The payout ratio of 35% is in line with Zehnder Group's previous dividend policy, which stipulates a pay-out of 30-50% of the consolidated net income.

The share buyback programme launched in March 2021 was successfully completed in September 2023. Since the start of its buyback programme, Zehnder Group AG had successively repurchased a total of 487,800 registered shares A, corresponding to 5% of all registered shares A. The total value of the completed share buyback is CHF 34,270,603 and the average purchase price per registered share A amounts to CHF 70.26. At the upcoming Annual General Meeting on 11 April 2024, the Board of Directors intends to propose the cancellation of the registered shares A of Zehnder Group AG that were acquired under the buyback programme by means of a capital reduction.

Outlook for the 2024 financial year

In the current environment, Zehnder Group expects the market situation to remain challenging. The 2024 fiscal year will be difficult due to the ongoing downturn in the construction industry. Zehnder Group assumes that high interest rates and increased construction costs will continue to lead to a decline in new construction activities and a challenging environment for renovation activities. Both the radiator and ventilation segments will be affected by this development.

Zehnder Group is continuously strengthening the cost reductions it introduced in 2022 in the form of targeted structural measures and adapting them to the current market environment. The measures introduced are aimed at further improving operational efficiency and increasing resilience. Looking ahead, Zehnder Group is well prepared for various economic scenarios. Owing to its strong market positioning, outstanding customer loyalty, and high level of innovation, Zehnder Group is in a solid position to emerge stronger from the current drop in the construction industry.

Due to the current market uncertainties and the associated limited visibility, the 2024 financial year cannot be reliably forecasted at present. Zehnder Group plans to communicate its outlook for the full year at the latest when it publishes its half-year figures.

In the long term, Zehnder Group continues to assess growth prospects as positive, particularly in the ventilation segment. The backlog in new construction and renovation activities, new building regulations for better insulated buildings, the increasing demand for energy-saving and efficient climate solutions, and the desire for healthy indoor air quality, together with increasing penetration rates in various countries, will favour growth, particularly in the ventilation sector. The medium-term targets of an average annual sales growth of 5% and an EBIT margin of 9–11% thus remain in place.

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

Thanks and acknowledgements

The Board of Directors and Group Executive Committee would like to express their sincere gratitude and appreciation to our employees for their outstanding performance and continued commitment to Zehnder Group.

We would also like to warmly thank our customers, suppliers, and partners for their loyalty to our products and services and for the successful cooperation.

Finally, we would like to thank you, our valued shareholders, for your continued loyalty to Zehnder Group 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 these prove to be incorrect, the associated results will also change.

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 2023 and is structured in line with the directive. The **Compensation Report** is set out in a separate section of the Annual Report.

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

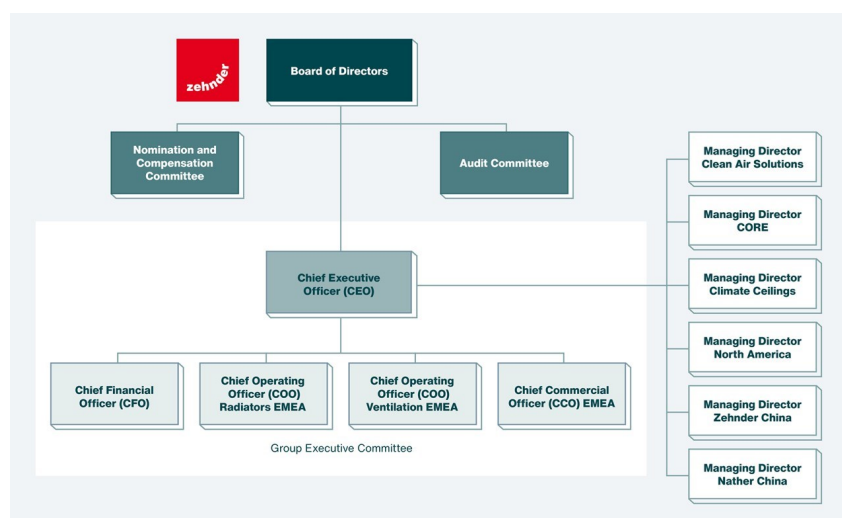
1.1 Group structure

Zehnder Group is organised group-wide into the two segments, namely ventilation and radiators.

Zehnder Group AG, the holding company of 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 (nominal value CHF 0.01) are held by Graneco AG, which is controlled by the Zehnder families. At 31 December 2023, the market capitalisation (registered shares A) was CHF 521.9 million and the total capitalisation was CHF 627.9 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.

Organisation chart Zehnder Group



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 2023:

- Graneco AG, Gränichen (CH): 6,840 registered shares A and 9,900,000 registered shares B, corresponding to 50.4% of the votes (previous year: 50.0%); together with the other registered shares of the company held by the shareholders of Graneco AG, this group holds 52.1% of the voting rights.

There is a shareholders' agreement between the shareholders of Graneco AG (the Zehnder family and persons closely associated with the Zehnder family). It is the intention of this group of persons to ensure significant influence over Zehnder Group AG over the long term. For important decisions they vote together, putting the successful development of 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 2023, Zehnder Group AG held 583,148 of its own registered shares A. These were acquired as part of the employee shareholding plan, variable long-term compensation (LTI) for the Group Executive Committee members, and the share buyback programme launched on 24 March 2021, and completed on 18 September 2023.

For notification of disclosure of significant shareholdings, please refer to the website of SIX Swiss Exchange: [Significant Shareholders](https://www.six.ch/en/significant-shareholders) (ser-ag.com)

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 2023	Registered shares B units 2023	Nominal value CHF 2023	Registered shares A units 2022	Registered shares B units 2022	Nominal value CHF 2022
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 (nominal value CHF 0.01) are held by Graneco AG, which is controlled by the Zehnder families. On the balance sheet date, Graneco AG and its shareholders held 52.1% 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 2021 and 31 December 2023.

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 Zehnder Group are outstanding.

2.5 Dividend-right certificates

No dividend-right certificates of Zehnder Group are outstanding.

2.6 Limitations on transferability and nominee registrations

Limitations on registration of registered shares A

Under Article 5 (Restrictions on registration of registered shares A) of the Articles of Association, purchasers of registered shares A of Zehnder Group AG are entered in the share register as shareholders with voting rights upon request, provided they expressly declare that they have acquired these registered shares in their own name and for their own account, that there is no agreement on the redemption or return of corresponding shares, that they bear the economic risk associated with the shares, and that they fulfil 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 a 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 7 (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.

In addition to diversity in age, gender, and geographic origin, 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 periodically on the basis of the features listed above and the strategy of Zehnder Group in order to obtain confirmation of whether the Board of Directors is 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 currently are represented by the Board of Directors. Details of the professional background and education of the individual members of the Board of Directors as of 31 December 2023 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 Zehnder Group, Gränichen (CH)
- 1988–1992: Vice Chairman of the Group Executive Committee, head of the radiator division of Zehnder Group, Gränichen (CH)
- 1985–1988: Member of the Group Executive Committee, head of the instrument division (1986–1988) of 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 significant activities and vested interests

- Member of the Board of Directors of Lagerhäuser der Centralschweiz AG (CH)
- Chairman of the Board of Directors of Graneco AG (CH), which together with its shareholders holds 52.1% 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.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other significant 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) and Pharmacy at Zurich City Hospital AG (CH) as well as Aare-Pharmacy Rombach 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 significant activities and vested interests

- Member of the Board of Directors of Swiss Re Asia Pte. Ltd. (SG)
- Member of the Supervisory Board of ICBC Credit Suisse Asset Management in Beijing (CN)



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 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 significant activities and vested interests

- 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)
- 2023: Various certifications in the field of artificial intelligence, Google, and Section School (US)
- 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 significant 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 significant 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)
- Member of the Board of Directors of martin Lenz ag (CH) (as of January 2024)



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 significant 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 29 (Permitted additional mandates outside the Group) of the Articles of Association <https://www.zehndergroup.com/en/investor-relations/corporate-governance>, the members of the Board of Directors are permitted to exercise the following additional activities in comparable functions in other companies with a commercial purpose that are not controlled by the company, do not control the company, or are not occupational pension schemes that insure employees of Zehnder Group:

- A member of the Board of Directors may hold a maximum of 5 mandates in comparable functions at other listed legal entities; and additionally;

- A member of the Board of Directors may also hold a maximum of 10 mandates in comparable functions at non-listed companies with a commercial purpose.

Mandates with companies controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate. The above restrictions for members of the Board of Directors do not apply to mandates in associations, charitable foundations, family foundations, employee welfare foundations, and similar organisations.

3.4 Elections and terms of office

Article 19 (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 phone and video conferences. 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 phone and video conferences as required. Representatives of the auditors or external consultants are called in to advise on individual items on the agenda. Board meetings are held at regular intervals at a subsidiary in a country in order to deal in depth with local strategy, market and customer issues.

In 2023, the Board held eight meetings or phone and video conferences. These lasted an average of five hours. The attendance rate averaged 95%. Milva Inderbitzin-Zehnder was absent from three meetings due to maternity leave.

	27.2.	23.3.	22.6.	3.-6.7.	26.7.	20.- 21.9.	24.10.	21.12.
Dr Hans-Peter Zehnder	●	●	●	●	●	●	●	●
Jörg Walther	●	●	●	●	●	●	●	●
Dr Urs Buchmann	●	●	●	●	●	●	●	●
Riet Cadonau	●	●	●	●	●	●	●	●
Sandra Emme	●	●	●	●	●	●	●	●
Ivo Wechsler	●	●	●	●	●	●	●	●
Milva Inderbitzin-Zehnder	●	●	●	●	●	x	x	x

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 2023:

- 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. The Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the Chief Executive Officer, and the Director Group HR attend the meetings of the Nomination and Compensation Committee as guests. However, the Chairman of the Board of Directors and the Chief Executive Officer do not attend the meetings or parts of the meetings in which their own remuneration and/or benefits are discussed. In 2023, the Committee held five meetings. These lasted one and a half hours each on average. The attendance rate was 87%. Milva Inderbitzin-Zehnder was absent from two meetings due to maternity leave.

	27.2.	23.3.	22.6.	20.9.	21.12.
Riet Cadonau	●	●	●	●	●
Sandra Emme	●	●	●	●	●
Milva Inderbitzin-Zehnder	●	●	●	x	x

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;
- Provision of information to the Board of Directors on all events relating to the Nomination and Compensation Committee that are not the direct responsibility 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 as well as the specific remuneration paid to each of the other members of the Group Executive Committee;
- Submission of proposals to the full Board of Directors relating to amendments to the Articles of Association affecting the remuneration system for compensating 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 appointment as a member of the Group Executive Committee;
- Assessment of potential members of the Board of Directors on the basis of the defined criteria and a statement made to the Board of Directors regarding their nomination, to 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;
- Approval of employment contracts with the CEO and the other members of the Group Executive Committee;
- Review of succession and contingency planning at the Group Executive Committee level;
- Authorisation of the acceptance of external mandates by members of the Board of Directors and members of the Group Executive Committee in accordance with the articles of association

Further details as well as a graph "Responsibility levels" can be found under 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 2023:

- 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 2023, the Audit Committee convened four times. The meetings lasted an average of two hours. The attendance rate was 100%.

	21.2.	24.7.	22.9.	20.12.
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, taking into account the fulfilment of the necessary qualifications in accordance with the applicable legal requirements, 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 upon request of the CFO for auditing submitted by the external auditor;
- Organisation of internal auditing and appointment of the internal auditor; commissioning of work to the internal auditor (if necessary upon request of the Board of Directors) and assessment of performance;
- Review, discussion with those affected, and approval of auditing plans from internal auditing and the external auditor;
- Approving and monitoring the issuing and execution of mandates for non-audit-related services provided by the external auditors;
- 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 and sustainability issues 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.

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.

Dr Hans-Peter Zehnder, as the Chairman of the Board of Directors, undertakes additional tasks and functions. He embodies Zehnder's values internally and externally and advocates for Zehnder Group's long-term, sustainable direction and value creation. In close coordination and cooperation with the Group Executive Committee, he performs various representative functions, e.g. in the context of strategy and background discussions with managers, visits and speeches at official events of Group companies, discussions with important customers and suppliers as well as with potential target companies for acquisitions or strategic cooperations. Overall, his time commitment is likely to be significantly higher both in terms of duration and content compared to the usual workload of mandated chairmen of the board of directors in similar companies.

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 no provisions to the contrary have been made by law, the Articles of Association or the 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 phone and video conferences depending on requirements, reporting to the Board of Directors.

Risk management process

Operating under the guidance of the CFO, 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 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 prevention through effective cyber security: implementing robust security policies and

procedures, conducting regular risk assessments and audits, training employees on cyber security, introducing advanced security technologies, response/emergency planning as well as planning and promoting a security culture throughout the organisation. 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, twelve internal audits were carried out. The audit reports agreed on with the management 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 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, both internally and externally. 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. Further information on the use of the Integrity Line and reported incidents can be found in the [Sustainability Report](#).

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 Zehnder Group, Gränichen (CH)
- 12.11.–31.12.2018: Member of the Group Executive Committee, designated Chief Executive Officer (CEO) of 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 significant 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 Zehnder Group, Gränichen (CH)
- 2011–2015: Head of Group Controlling of Zehnder Group, Gränichen (CH)
- 2009–2010: Head of/Manager Group Reporting of Zehnder Group, Gränichen (CH)
- 2007–2009: Group Controller, Emhart Glass SA, Steinhausen (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 significant 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 Zehnder Group, Gränichen (CH)
- 2013–2019: Various roles and management tasks at 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 significant activities and vested interests

- Member of the Steering Committee of the European Ventilation Industry Association (BE)
- Member of the Board of GebäudeKlima Schweiz (CH)
- Member of the Board of Directors of NSNW AG (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 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 significant activities and vested interests

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



Cyril Peysson
Chief Commercial Officer (CCO)
EMEA

French, born 1965
Appointed from 2006 until
31.12.2023

Professional background and education

- From 2006 until 31.12.2023: 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 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 significant activities and vested interests

- No other activities or vested interests

The Board of Directors of Zehnder Group AG has appointed Dorien Terpstra as successor to Cyril Peysson as Zehnder Group's new Chief Commercial Officer EMEA and member of the Group Executive Committee as of 1 January 2024.

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 29 (Permitted additional mandates outside the Group) of the Articles of Association (www.zehndergroup.com/en/investor-relations/corporate-governance), the members of the Group Executive Committee may each exercise the following additional activities in comparable functions in other companies with a commercial purpose that are not controlled by the company, do not control the company, or are not occupational pension schemes that insure employees of Zehnder Group:

- A member of the Group Executive Committee may hold a maximum of 2 mandates in comparable functions at other listed legal entities, and additionally;

- A member of the Group Executive Committee may also hold a maximum of 4 mandates in comparable functions at non-listed companies with a commercial purpose.

Mandates with companies controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate. The above restrictions for members of the Group Executive Committee do not apply to mandates in associations, charitable foundations, family foundations, employee welfare foundations, and similar organisations.

4.4 Management contracts

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

5. Compensation, shareholdings and loans

For information about compensation, shareholdings, and loans, please refer to the [Compensation 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 by Article 13 of the Articles of Association. Regardless of its nominal value, every share, which is entered in the share register with voting right, 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.

A shareholder 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 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 16 (Important resolutions) of the Articles of Association www.zehndergroup.com/en/investor-relations/corporate-governance, a resolution of the Annual General Meeting passed by at least 2/3 of the voting shares represented and a majority of the par value of the shares represented is required in particular for:

- Changing the purpose of the company;
- Consolidation of shares, unless the approval of all shareholders concerned is required;
- Capital increase from equity, against contributions in kind or by offsetting against a claim, and the granting of special benefits;
- Restriction or revocation of subscription rights;

- Introduction of conditional capital or the introduction of a capital band;
- Conversion of participation certificates into shares;
- Restriction of the transferability of registered shares;
- Introduction of voting shares;
- Change of the currency of the share capital;
- Introduction of the casting vote of the Chairman at the Annual General Meeting;
- Provision in the Articles of Association on holding the Annual General Meeting abroad;
- Delisting of the company's equity securities;
- Relocation of the company's registered office;
- Introduction of an arbitration clause in the Articles of Association;
- Amendment of Article 5, Article 6 and Article 16 of the Articles of Association; or
- Dissolution of the company.

6.3 Convocation of the Annual General Meeting

As required by law, the Annual General Meeting of Shareholders is convened by the Board of Directors or, if necessary, by the auditors in accordance with Article 12 (Convening and right to add items to the agenda) of the Articles of Association www.zehndergroup.com/en/investor-relations/corporate-governance. An Annual General Meeting of Shareholders is convened at least 20 days before the date of the meeting by publication in the Swiss Official Gazette of Commerce. If the postal or electronic delivery details of the shareholders are known, the invitation may be sent by post or electronic means at the same time.

The convening notice must state:

- The date, start, type and location of the Annual General Meeting;
- The items on the agenda;
- The proposals of the Board of Directors together with a brief statement of reasons;
- If applicable, the motions of the shareholders together with a brief justification; and
- The name and address of the independent proxy.

The Board of Directors may summarise the items on the agenda in the notice convening the meeting, provided it makes further information available to shareholders by other means. Shareholders who together represent at least 5% of the share capital or votes may request the convening of a General Meeting at any time, stating the items on the agenda and the proposals. The Board of Directors may make provision for shareholders who are not present at the meeting venue to exercise their rights electronically or, alternatively, for a purely electronic General Meeting to be held.

6.4 Inclusion of items on the agenda

The Board of Directors places items on the agenda. Shareholders registered with voting rights who individually or collectively represent at least 0.5% of the share capital or votes of the company may petition the Board of Directors to add an item to the agenda or to include a motion on an item in the notice convening the Annual General Meeting. Shareholders may submit a brief justification with the agenda item or motion. This must be included in the notice convening the

Annual General Meeting. The request to add an item to 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 item to be discussed and the proposals.

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 9 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 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. The lead auditor's rotation regime 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 2023, various auditing firms invoiced a total of EUR 991,000 (incl. expenses) for audit of individual accounts and the consolidated financial statements. Of this, EUR 643,000 was paid to PwC. This also includes the audit of the sustainability report.

8.3 Additional fees

The additional fees for services provided by PwC throughout the Group during fiscal year 2023 amount to EUR 96,000, thereof EUR 67,000 for tax consulting and EUR 29,000 for other services. 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 2023, PwC attended all four meetings of the Audit Committee.

9. Information policy

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, 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.

Notices to shareholders shall be made by publication in the Swiss Official Gazette of Commerce or, unless otherwise required by law, by letter or by electronic means to their last address given to the company. Announcements are made by publication in the Swiss Official Gazette of Commerce. The Board of Directors may designate other publication media.

Contact persons for communication with Zehnder Group are the Senior Manager Investor Relations & Communications, the CEO and CFO:

Zehnder Group AG
Investor Relations
Moortalstrasse 1
5722 Gränichen (CH)

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

The company calendar, including the date of the Annual General Meeting and the Media/Analyst Conference 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 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 programme 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 2023.

The Compensation Report was prepared in accordance with the Swiss Code of Obligations (CO), the “Directive on Information Relating to Corporate Governance” issued by SIX Exchange Regulation AG and the “Swiss Code of Best Practice for Corporate Governance” issued by *economiesuisse*.

Introductory note 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 2023.

The fiscal year 2023, the market environment proved to be challenging due to a slowdown in the construction industry, economic uncertainties, higher interest rates, and increased construction costs. The early implementation of differentiated cost management helped counteract reduced demand in the radiator and ventilation segment. Among other matters, this compensation report highlights how the business results in 2023 impact the compensation awarded to the members of the Group Executive Committee.

As part of its duties, the Nomination and Compensation Committee regularly reviews succession planning for the Board of Directors and Group Executive Committee. With the appointment of Dorien Terpstra as Chief Commercial Officer EMEA from 1 January 2024 by the Board of Directors, an internationally experienced manager from Zehnder Group has been appointed to the Group Executive Committee. The choice was made after careful evaluation and including external candidates. With this appointment, the percentage of women on the Group Executive Committee is now 20% from 1 January 2024.

In order to continue to increase the gender diversity, the Nomination and Compensation Committee has examined the addition of ESG-based performance indicators to the Long-Term Incentive (LTI) Plan and submitted ambitious and clearly measurable targets, such as increasing gender diversity and CO₂e emission reduction, to the Board of Directors for approval from the 2024 LTI plan onwards. The Board of Directors has agreed to include these two ESG targets in the 2024 LTI Plan with a total weighting of 30%. In addition, a review was carried out of the composition criteria for the peer group of companies with a view to preparing a benchmark for the compensation of the Board of Directors, and the necessary adjustments were made.

In other respects, the Nomination and Compensation Committee performed its regular activities, including the annual performance review of the CEO and the other members of the Group Executive Committee, the annual review of the compensation policy 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, and preparation of the compensation report and the compensation proposals for the Annual General Meeting.

Binding votes on the maximum total compensation for the Board of Directors and the Group Executive Committee as well as an advisory vote on the compensation report were held at the Annual General Meeting 2023, allowing shareholders to express their views on the compensation system directly. Approvals were again granted at a very high approval rate of 96% for the total

compensation of the Board of Directors for 2023 and 99% for the Group Executive Committee for 2023, as well as 97% for the compensation report for 2022, serving as proof of our constructive ongoing dialogue with shareholders.

In the future, we will continue to review the compensation programmes on a regular basis, maintaining an open dialogue with you to ensure that the compensation programmes are in line both with the sustainable development of the business and with 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 shown 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 15) envisage 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 31 ff.) include the following provisions on compensation:

- Principles of compensation and the allocation of listed shares to the Board of Directors (Articles 31 and 33);
- Principles of compensation and the allocation of listed shares to members of the Group Executive Committee (Articles 32, 33 and 35);
- Additional amount for payments to members of the Group Executive Committee appointed after the vote on compensation at the Annual General Meeting (Article 36);
- Loans, credit facilities, and post-employment benefits for members of the Board of Directors and of the Group Executive Committee (Article 34).

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. At the Annual General Meeting 2023, 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
Sandra Emme	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 0.34% 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 26) and Organisational Regulations (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 4.3.) and include the following:

- 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;
- Provision of information to the Board of Directors on all events relating to the Nomination and Compensation Committee that are not the direct responsibility 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 as well as the specific remuneration paid to each of the other members of the Group Executive Committee;
- Submission of proposals to the full Board of Directors relating to amendments to the articles of association affecting the remuneration system for compensating 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 appointment as a member of the Group Executive Committee;
- Assessment of potential members of the Board of Directors on the basis of the defined criteria and a statement made to the Board of Directors regarding their nomination, to 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;
- Approval of employment contracts with the CEO and the other members of the Group Executive Committee;
- Review of succession and contingency planning at the Group Executive Committee level;
- Authorisation of the acceptance of external mandates by members of the Board of Directors and members of the Group Executive Committee in accordance with the articles of association.

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 take place at least four times a year. In 2023, the Nomination and Compensation Committee met five times, for an average of one and a half hours, generally with the participation of all members and with technical support from the Group HR Director. Milva Inderbitzin-Zehnder was absent from two meetings due to maternity leave.

In general, the Chairman of the Board of Directors, the Vice Chairman and 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 2023, the Nomination and Compensation Committee commissioned Willis Towers Watson to prepare a benchmark for the compensation of the members of the Board of Directors. During the reporting year, the company also provided benchmark data for specific Group Executive Committee positions. The company fulfils further mandates for Zehnder Group on this topic.

The Nomination and Compensation Committee is also supported by internal experts such as the Group HR Director and the Group Compensation & Benefits Manager.

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 that feature similar market capitalisation, turnover, profitability, number of employees, and geographical reach as Zehnder Group. The companies used for comparison are as follows: 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. Executives who attain the defined performance objectives are generally awarded target compensation at a market median level of the relevant benchmark data.

These benchmarking data constitute just one of the factors taken into consideration by the Nomination and Compensation Committee when determining the compensation of members of the Group Executive Committee. Additional factors are also considered, such as the internal compensation structure (equality), the profile of the Group Executive Committee member (skill set, experience), and the responsibilities actually borne by that member. The performance of the company in any given year has a direct impact on the short- and long-term compensation paid to the member of the Group Executive Committee.

In 2023, the consulting firm Willis Towers Watson performed a benchmarking survey for the compensation of the Board of Directors. For this purpose, Willis Towers Watson used data from benchmark industrial companies from its existing database. To this end, the selection criteria for the benchmark companies were reviewed and adjusted. In addition to the existing selection criteria for benchmark companies that operate in the same or a similar industry, are listed on the stock exchange, and have their headquarters and business activities in Switzerland with the same or a similar geographical scope, the criteria of market capitalisation, turnover, and number of employees have been adjusted. Compared to Zehnder Group, these three numerical values can be up to 30% smaller, but no more than three times as large. If the values of the three criteria are all exceeded or fallen short of at a benchmark company, the comparable company is excluded from the peer group. The following companies were therefore used for comparison: Arbonia, Belimo, Bossard, Burckhardt Compression, Burkhalter, Bystronic, Daetwyler, Feintool, Forbo, Gurit, Huber+Suhner, Interroll, Kardex, Komax, Landis+Gyr, Meier Tobler, Phoenix Mecano, Rieter, Schweiter Technologies, Tecan, VAT-Group, Vetropack and V-Zug. The benchmark serves the Compensation Committee as a basis for analysing the compensation of the Board of Directors for the 2024/25 term of office.

¹ Bobst Group was delisted from the SIX Swiss Exchange on 30 December 2022 and will be replaced by V-Zug in the peer group in future.

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 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 the form of registered shares A of Zehnder Group. The number of shares awarded is determined based on the average volume-weighted share price in the period between 1 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, and most recently in the reporting year. The benchmark analysis carried out by Willis Towers Watson was used firstly to define the benchmark companies more clearly and secondly to review the compensation model since its introduction in the 2021/22 term of office in comparison to the market. This resulted in a confirmation of the existing compensation.

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 ²	210,000	210,000
Vice Chairman of the Board of Directors ³	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) ⁴	2,000	

1 Converted into shares on the basis of the average volume-weighted share price in the period between 1 to 31 December

2 Further duties of the Chairman of the Board of Directors are listed in the Corporate Governance Report.

3 The Vice Chairman of the Board of Directors also fulfils the role of Lead Independent Director.

4 The Chairman and Vice Chairman of the Board of Directors are paid an expense lump sum in line with the

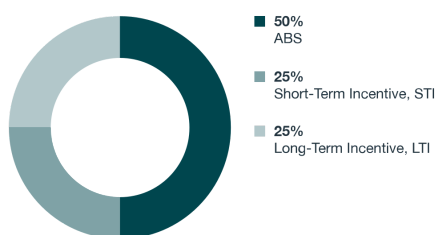
company's rules on executives' expenses depending on the work commitment (currently 50% for the Chairman of the Board of Directors and 25% for the Vice Chairman). No expense lump sum is paid to members of the Board of Directors based outside Switzerland. If the actual business expenses exceed CHF 2,000, 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 Zehnder Group Management Share Plan (ZGMSP), and occupational pension benefits and perquisites.

The target compensation mix includes 50% fixed compensation (Annual Base Salary, ABS), 25% variable short-term (short-term incentive, STI) and 25% variable long-term (long-term incentive, LTI) compensation, as well as the option to voluntarily purchase employee shares and other pension and fringe benefits.

Compensation mix fixed and variable



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, relevant benchmark data, 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 as a profit-sharing plan. For each position, a profit-sharing amount (as a factor) 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 (factor) 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. There is no formal target based on the profit-sharing model, but there is a contractually agreed maximum limit for the STI amount. This amounts to 100% of the annual base salary for all members of Group Executive Committee.

Calculation of the STI amount:

	Individual profit-sharing amount (EUR)/factor	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 the form of Performance Share Units (PSUs). The LTI rewards the long-term performance and the sustainable success of 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 2023, the allocation of the LTI target amount was 50% of the base salary for the CEO and no more than 50% of the 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 in the period between 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. The Board of Directors confirmed that the following companies were comparable:

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

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	Upper limit 150% vesting
rTSR (50%)	25% percentile rank	Median of the peer group	≥ 75% percentile rank
EPS growth (50%)	-1.7 PP of the target value	EPS growth target value	+1.7 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 reserves 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

At the end of 2023, all members of Group Executive Committee will have fulfilled the requirements of the shareholding provision, except for those who were appointed within the last four years and still have time to build up and fulfil the required shareholding.

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's 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 132,300). 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 882,000) 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 2023

5.1 Compensation to the Board of Directors in the business year 2023

In 2023, 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 0.8 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).

The compensation of the Board of Directors remained unchanged in the reporting year compared to the previous year.

In 2023, the total compensation paid to the Board of Directors was 1.5% higher than during the previous year as a result of the following factors:

- Following the addition of one member to the Board of Directors from the 2022/23 term of office, all members of the Board of Directors worked for Zehnder Group for the entire duration of the reporting year and were compensated accordingly.

Compensation for the members of the Board of Directors



	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Dr Hans-Peter Zehnder Chairman of the Board of Directors				
Fixed cash compensation for Board activity			210,000	210,000
Expense lump sum			12,000	12,000
Allocated shares for Board activity ²	4,033	3,419	215,149	218,309
Employer national insurance contributions			27,398	26,319
Other payments			14,279	14,269
Total compensation			478,826	480,897

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Jörg Walther Vice Chairman of the Board of Directors and Chairman of the Audit Committee				
Fixed cash compensation for Board activity			90,000	90,000
Fixed cash compensation for Audit Committee activity			50,000	50,000
Expense lump sum			6,000	6,000
Allocated shares for Board activity ²	1,728	1,465	92,194	93,521
Employer national insurance contributions			17,172	17,417
Total compensation			255,366	256,938

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Dr Urs Buchmann				
Member of the Board of Directors and member of the Audit Committee (up to 7 April 2022: member of the Compensation and Nomination Committee)				
Fixed cash compensation for Board activity			50,000	50,000
Fixed cash compensation for Nomination and Compensation Committee activity			-	6,250
Fixed cash compensation for Audit Committee activity			25,000	25,000
Allocated shares for Board activity ²	960	814	51,219	51,946
Employer national insurance contributions			5,490	5,962
Total compensation			131,709	139,157

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Riet Cadonau				
Member of the Board of Directors and Chairman of the Nomination and Compensation Committee				
Fixed cash compensation for Board activity			50,000	50,000
Fixed cash compensation for Nomination and Compensation Committee activity			50,000	50,000
Expense lump sum			2,000	2,000
Allocated shares for Board activity ²	960	814	51,219	51,946
Employer national insurance contributions			10,849	10,485
Total compensation			164,068	164,430

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
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			50,000	37,500
Fixed cash compensation for Nomination and Compensation Committee activity			25,000	18,750
Expense lump sum			2,000	1,500
Allocated shares for Board activity ²	960	675	51,219	39,218
Employer national insurance contributions			9,136	6,260
Total compensation			137,355	103,228

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
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	50,000
Fixed cash compensation for Nomination and Compensation Committee activity			25,000	25,000
Expense lump sum			2,000	2,000
Allocated shares for Board activity ²	960	814	51,219	51,946
Employer national insurance contributions			9,377	9,043
Total compensation			137,596	137,988

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Ivo Wechsler				
Member of the Board of Directors and member of the Audit Committee				
Fixed cash compensation for Board activity			50,000	50,000
Fixed cash compensation for Audit Committee activity			25,000	25,000
Expense lump sum			2,000	2,000
Allocated shares for Board activity ²	960	814	51,219	51,946
Employer national insurance contributions			9,377	9,043
Total compensation			137,596	137,988

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Total compensation paid to the members of the Board of Directors in the year of review				
Fixed cash compensation for Board activity			550,000	537,500
Fixed cash compensation for Nomination and Compensation Committee activity			100,000	100,000
Fixed cash compensation for Audit Committee activity			100,000	100,000
Expense lump sum			26,000	25,500
Allocated shares for Board activity ²	10,561	8,814	563,438	558,830
Employer national insurance contributions			88,799	84,528
Other payments			14,279	14,269
Total compensation			1,442,516	1,420,626

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 2023 approved a maximum budget of CHF 1.7 million for the Board of Directors for the period of office from the Annual General Meeting 2023 to the Annual General Meeting 2024. The compensation effectively paid during the period under consideration in this Compensation Report (1 January to 31 December 2023) is within this budget approved by the shareholders. The final reporting for the entire period from the Annual General Meeting 2023 to the Annual General Meeting 2024 is included in the Compensation Report 2024.

At the Annual General Meeting of 7 April 2022, the shareholders approved a maximum total compensation of CHF 1.7 million for the Board of Directors during the period of office from the Annual General Meeting 2022 to the Annual General Meeting 2023. The compensation effectively paid to the members of the Board of Directors over this period was CHF 1.4 million and therefore is within this approved budget.

5.2 Compensation of the Group Executive Committee in the business year 2023

For 2023, the members of the Group Executive Committee received a total compensation of CHF 3.9 million (previous year: CHF 4.8 million) in the form of fixed compensation of CHF 2.0 million (previous year: CHF 1.9 million), variable compensation of CHF 0.8 million (previous year: CHF 1.9 million), other benefits including a one-off recognition payment and the value of the discount on the shares of CHF 0.6 million (previous year: CHF 0.3 million), and employer social security and pension fund contributions of CHF 0.6 million (previous year: CHF 0.7 million).

The fixed compensation of the Group Executive Committee increased by 1.8% compared to the previous year due to a standard market adjustment.

In 2023, the Group achieved a net profit of EUR 44.6 million. With this result, the budget value for the payment of an STI amount for 2023 was not achieved and no STI payment could be made to the members of Group Executive Committee.

Due to the results actually achieved, which were nevertheless solid in view of the slowdown of the construction industry and the difficult market environment, the Board of Directors has decided to pay the members of Group Executive Committee a one-off payment in the form of an recognition payment. This is intended to recognise the performance achieved during this challenging year and environment and to document the trust placed in the management team. To determine this one-off payment, the calculation is based on the STI formula and corresponds to a maximum of 25% of the individual profit share amount for 2023. The rules for granting and determining the one-off recognition payment are also applied to the other Zehnder Group executives for whom the lower limit for an STI payment has not been reached.

The long-term incentive (LTI) increased by 3.9% compared to the previous year in order to harmonise the target compensation mix for the members of Group Executive Committee.

The PSU allocations made in 2021 as part of the LTI plan (LTI 2021-2023) can be transferred during the first quarter of 2024. 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). For the payout of the two performance conditions, rTSR of 128.8% and EPS growth of 0.0% were achieved, corresponding to a combined performance factor of 64.4%. Accordingly, 9,413 PSUs were converted into 9,413 Zehnder shares.

The PSU awards for the 2020-2022 LTI plan that were published in the previous year have been incorrectly allocated with a combined performance factor of 146.7% (instead of 146.4%). Accordingly, 16,350 PSUs were vested into 16,350 Zehnder shares, resulting in a difference of 34 shares compared to the 16,316 shares that were published in the Compensation Report 2022. As the difference is not material, the Nomination and Compensation Committee decided on 23 February 2024 not to reclaim the over-allocated shares.

In 2023, the total compensation paid to the Group Executive Committee was 18.2% lower than during the previous year as a result of the following factors:

- No STI payout for 2023 compared to the previous year due to a low Group net profit in 2023;
- This results in lower employer contributions to social security and pension schemes;
- EUR/CHF exchange rate differences compared to the previous year;

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 2023 authorised a maximum budget for the compensation of the Group Executive Committee of CHF 6.0 million for 2023. The total compensation amount of CHF 3.9 million paid to the Group Executive Committee for the fiscal year 2023 as disclosed in the following table is below this upper limit.

Compensation for the members of the Group Executive Committee



	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Highest-paid member of the Group Executive Committee: Matthias Huenerwadel				
Fixed cash compensation			538,450	527,500
Variable cash compensation (STI)			-	370,673
Long-term variable compensation (LTI)	4,965	2,815	270,300	265,000
Expense lump sum			24,000	24,000
Employer social security and pension contributions			164,479	158,903
Shares acquired ³	4,153	2,344	75,377	61,178
Other payments ⁴			103,713	34,369
Total compensation			1,176,319	1,441,623

	Units 2023	Units 2022	CHF ¹ 2023	CHF ¹ 2022
Total compensation paid to the Group Executive Committee including Matthias Huenerwadel				
Fixed cash compensation ²			1,861,370	1,779,415
Variable cash compensation (STI)			–	1,140,532
Long-term variable compensation (LTI)	14,186	7,899	772,225	743,500
Expense lump sum			96,000	96,000
Employer social security and pension contributions			593,597	694,080
Shares acquired ³	13,753	7,452	249,617	194,497
Other payments ⁴			327,693	121,704
Total compensation			3,900,502	4,769,728

1 These are gross amounts including employee national insurance contributions.

2 Including CHF 45,000 as cash compensation due to joining the company during the year 2020, which meant that participation in the 2020-2022 LTI plan was no longer possible and a cash compensation was agreed as an alternative if the member of the Group Executive Committee is still in the same position on 30 June 2023 and the employment relationship has not been terminated.

3 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, 10 January 2022 and 9 January 2023, less the purchase price. This value is included in the amount approved by the Annual General Meeting.

4 Includes the one-off payment in the form of a recognition payment of CHF 220,000 to the members of the Group Executive Committee and other benefits such as a car allowance, child allowance, employer contributions to accident and daily sickness benefits insurance, and a discount in the staff restaurant.

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 2023

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.

5.5 Shareholdings in the company

As at the balance sheet date, the members of the Board of Directors owned the following shares:

✓ PwC Switzerland

Board of Directors	Registered shares A 2023	Share of voting rights ¹ 2023	Registered shares A 2022	Share of voting rights ¹ 2022
Dr Hans-Peter Zehnder ²	224,665	1.1%	220,883	1.1%
Jörg Walther	12,752	0.1%	11,132	0.1%
Dr Urs Buchmann	22,075	0.1%	21,175	0.1%
Riet Cadonau	13,041	0.1%	12,141	0.1%
Sandra Emme	900	-	-	-
Milva Inderbitzin-Zehnder ³	9,337	-	8,437	-
Ivo Wechsler	4,478	-	3,578	-

Board of Directors	Registered shares B 2023	Share of voting rights 2023	Registered shares B 2022	Share of voting rights 2022
Dr Hans-Peter Zehnder ²	-	-	26,666	0.1%

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

2 Excluding Graneco AG, in which Dr Hans-Peter Zehnder holds a 57.9% stake.

3 Excluding Graneco AG, in which Milva Inderbitzin-Zehnder indirectly holds 0.5%.

As at the balance sheet date, the members of the Group Executive Committee owned the following shares:

✓ PwC Switzerland

Group Executive Committee	Registered shares A 2023	Share of voting rights ¹ 2023	Registered shares A 2022	Share of voting rights ¹ 2022
Matthias Huenerwadel	40,457	0.2%	27,868	0.1%
René Grieder	34,797	0.2%	28,670	0.1%
Johannes Bollmann	8,576	-	5,271	-
Jörg Metzger	5,280	-	2,958	-
Cyril Peysson	52,802	0.3%	50,318	0.3%

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

6. Activities at other companies

The activities of the members of the Board of Directors and Group Executive Committee in other companies with a commercial purpose in comparable functions as at the end of 2023 are listed below.

The Articles of Association of Zehnder Group (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 29 ff.) contain the provisions on other authorised mandates outside Zehnder Group.

✓ PwC Switzerland

Board of Directors	Activities at other companies
Dr Hans-Peter Zehnder	<ul style="list-style-type: none"> – Chairman of the Board of Directors of Granarium AG – Chairman of the Board of Directors of Graneco AG – Member of the Board of Directors of Lagerhäuser der Centralschweiz AG – Member of the Board of Directors of AZ Medien AG (until May 2023) – Member of the Board of Directors of Rouge + Blanc Concept AG
Jörg Walther	<ul style="list-style-type: none"> – Member of the Board of Directors and Chairman of the Audit Committee of SFS Group AG¹ – Member of the Board of Directors and Chairman of the Audit Committee of Huber+Suhner AG¹ – Vice Chairman of the Board of Directors and member of the Audit Committee of AEW Energie AG – Vice Chairman of the Board of Directors of Immobilien AEW AG – Member of the Board of Directors of Kraftwerk Augst AG – Member of the Board of Directors of Apotheke im Stadtspital Zürich AG – Member of the Board of Directors of Aare-Apotheke Rombach AG
Dr Urs Buchmann	<ul style="list-style-type: none"> – Member of the Board of Directors and member of the Audit Committees of Swiss Re Asia Ltd. – Member of the Supervisory Board of ICBC Credit Suisse Asset Management
Riet Cadonau	<ul style="list-style-type: none"> – Chairman of the Board of Directors of Swiss-American Chamber of Commerce
Sandra Emme	<ul style="list-style-type: none"> – Member of the Board of Directors of Belimo Holding AG¹
Milva Inderbitzin-Zehnder	<ul style="list-style-type: none"> – Member of the Board of Directors of martin Lenz ag (from Januar 2024) – Member of the Board of Directors of Granarium AG
Ivo Wechsler	<ul style="list-style-type: none"> – Member of the Board of Trustees of the Huber+Suhner AG¹ pension fund – Member of the Board of Trustees of the General Welfare Fund of Huber+Suhner AG¹

¹ Listed company at SIX Swiss Exchange


PwC Switzerland

Group Executive

Committee

Activities at other companies

Group Executive Committee	Activities at other companies
Matthias Huenerwadel	– Member of the Board of Directors of Daedalus Holding AG – Member of the Board of Directors of Spaeter AG
René Grieder	– Member of the Board of Directors of imiam AG
Johannes Bollmann	– Member of the Board of Directors of NSNW AG
Jörg Metzger	– Member of the Advisory Board of Engelmann Sensor GmbH (DE)
Cyril Peysson	None

The requirement to disclose other mandates held by members of the Board of Directors and Group Executive Committee in the compensation report is based on Art. 734e in conjunction with Art. 626 para. 2 no. 1 of the Swiss Code of Obligations; in the Corporate Governance section of the annual report, they are based on the Corporate Governance Directive of the SIX Exchange Regulation. These requirements are not completely congruent.

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 2023. The audit was limited to the information pursuant to article 734a-734f CO in the tables marked 'audited' on pages 67 to 69 and pages 71 to 75 of the remuneration report.

In our opinion, the information pursuant to article 734a-734f CO in the remuneration report (pages 67 to 69 and pages 71 to 75) complies 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 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. It 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 pursuant to article 734a-734f CO is 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

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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 judgement 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, 23 February 2024



Financial Report

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Five-year overview

		2023	2022	2021	2020	2019
Sales	EUR million	762.1	812.5	697.1	617.7	644.4
Change from prior year	%	-6.2	16.6	12.9	-4.1	7.1
EBITDA¹	EUR million	84.8	95.3	92.1	74.8	64.9
Change from prior year	%	-11.0	3.5	23.1	15.2	22.1
	% of sales	11.1	11.7	13.2	12.1	10.1
EBIT	EUR million	60.2	71.4	69.1	50.5	42.1
Change from prior year	%	-15.7	3.2	36.8	20.1	35.4
	% of sales	7.9	8.8	9.9	8.2	6.5
Net profit²	EUR million	44.6	56.7	60.3	39.9	31.9
Change from prior year	%	-21.3	-5.9	51.2	24.9	30.6
	% of sales	5.9	7.0	8.6	6.5	5.0
Cash flow from operating activities	EUR million	87.8	59.3	79.9	95.3	43.1
Change from prior year	%	48.1	-25.8	-16.2	121.0	41.2
	% of sales	11.5	7.3	11.5	15.4	6.7
Investments in property, plant and equipment & intangible assets	EUR million	23.1	27.1	21.9	16.7	26.0
Depreciation & amortisation	EUR million	-24.6	-23.9	-22.9	-24.3	-22.8
Total assets	EUR million	516.8	532.8	553.3	498.6	470.5
Non-current assets	EUR million	226.4	228.6	208.5	198.9	211.8
Net liquidity/(net debt)¹	EUR million	70.8	45.4	123.2	96.4	25.5
Shareholders' equity²	EUR million	347.3	340.8	364.4	326.9	303.0
	% of total assets	67.2	64.0	65.9	65.6	64.4
Employees	Ø full-time equivalents	3,772	3,827	3,554	3,340	3,413
Market closing price registered share A	CHF	53.50	55.80	93.10	59.10	45.60
Dividends³	CHF million	15.3	21.1	21.1	14.7	8.2
Payout ratio	%	35	37	33	35	24
Market capitalisation⁴	CHF million	521.9	544.4	908.3	576.6	444.9
Total market capitalisation⁵	CHF million	627.9	654.9	1,092.6	693.6	535.2

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

² Including minority interests

³ For 2023 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

			2023	2022	2021	2020	2019
Number of shares							
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	77.40	92.20	106.40	59.20	45.90
Registered share A	low	CHF	45.60	49.40	60.90	30.85	31.20
Registered share A	at year end	CHF	53.50	55.80	93.10	59.10	45.60
Consolidated net profit¹							
Per registered share A		EUR	3.84	4.84	5.13	3.34	2.64
Consolidated equity^{1,2}							
Per registered share A		EUR	29.55	28.20	29.76	26.77	24.81
Dividend (gross)							
Dividend per registered share A ³		CHF	1.30	1.80	1.80	1.25	0.70
Payout ratio	% of net profit per share		35	37	33	35	24

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 2023 as proposed by the Board of Directors

Consolidated balance sheet



EUR million	Notes	31 December 2023	31 December 2022	Change from prior year %
Assets				
Liquid assets	1	77.2	55.1	
Trade accounts receivable	2	97.9	120.3	
Other receivables	2	18.5	22.2	
Inventories	3	90.2	100.0	
Prepayments		1.5	1.6	
Accrued income		5.1	4.9	
Current assets		290.4	304.2	-4.5
Property, plant and equipment	4	203.1	203.9	
Financial assets	4	16.8	17.9	
Intangible assets	4	6.5	6.8	
Non-current assets		226.4	228.6	-1.0
Total assets		516.8	532.8	-3.0
Liabilities & shareholders' equity				
Short-term financial liabilities	5	1.7	2.1	
Trade accounts payable		41.8	51.6	
Other short-term liabilities		28.5	30.8	
Short-term provisions	6	9.2	7.5	
Accruals and deferred income		62.9	70.1	
Current liabilities		144.2	162.0	-11.0
Long-term financial liabilities	5	4.7	7.7	
Other long-term liabilities		0.6	0.6	
Long-term provisions	6	20.0	21.7	
Non-current liabilities		25.3	30.0	-15.5
Total liabilities		169.5	192.0	-11.7
Share capital		0.4	0.4	
Capital reserves		33.6	33.6	
Own shares		-39.9	-27.8	
Retained earnings		338.6	316.9	
Equity attributable to shareholders of Zehnder Group AG		332.6	323.1	
Minority interests		14.7	17.7	
Total equity	7	347.3	340.8	1.9
Total liabilities & equity		516.8	532.8	-3.0

Consolidated income statement



EUR million	Notes	2023	2022	Change from prior year %
Sales	16	762.1	812.5	-6.2
Changes in inventories		-2.8	0.5	
Own work capitalised		2.4	1.9	
Other operating income	17	4.0	4.9	
Cost of materials		-284.2	-329.6	
Personnel costs		-248.5	-239.0	
Depreciation of property, plant and equipment	4	-23.6	-23.0	
Amortisation of intangible assets	4	-1.0	-0.9	
Other operating expenses	18	-148.2	-155.9	
Operating result (EBIT)		60.2	71.4	-15.7
Financial result	19	-3.1	-0.8	
Earnings before taxes		57.1	70.6	-19.2
Income taxes	20	-12.4	-13.8	
Net profit		44.6	56.7	-21.3
Attributable to:				
– shareholders of Zehnder Group AG		43.2	55.4	
– minority interests		1.4	1.3	
Non-diluted net profit excluding minority interests per registered share A (EUR)	21	3.84	4.84	-20.6
Diluted net profit excluding minority interests per registered share A (EUR)	21	3.83	4.83	-20.6
Non-diluted net profit excluding minority interests per registered share B (EUR)	21	0.77	0.97	-20.6
Diluted net profit excluding minority interests per registered share B (EUR)	21	0.77	0.97	-20.6

Consolidated cash flow statement



EUR million	Notes	2023	2022
Net profit		44.6	56.7
Depreciation and amortisation of property, plant and equipment	4	23.6	23.0
Depreciation and amortisation of intangible assets	4	1.0	0.9
Other non-cash changes		2.2	9.0
(Gain)/loss on disposals of non-current assets		0.1	-0.1
(Increase)/decrease in trade accounts receivable		21.5	-11.0
(Increase)/decrease in other receivables, prepayments and accrued income		3.8	-3.4
(Increase)/decrease in inventories		8.1	-18.1
Increase/(decrease) in trade accounts payable		-8.7	5.6
Increase/(decrease) in other short-term liabilities, accruals and deferred income		-9.6	0.1
Increase/(decrease) in provisions	6	0.1	-5.6
(Increase)/decrease in deferred tax assets	4	1.0	2.3
Cash flow from operating activities		87.8	59.3
Investments in property, plant and equipment	4	-22.6	-26.3
Investments in intangible assets		-0.5	-0.8
Investments in subsidiaries	23	-0.1	-63.9
Divestment of property, plant and equipment		0.4	0.7
Cash flow from investing activities		-22.8	-90.3
Dividends paid to shareholders		-20.6	-20.2
Dividends paid to minority shareholders		-3.5	-1.6
Purchase of own shares		-17.3	-22.1
Sale of own shares		2.7	1.8
Increase/(decrease) in short-term financial liabilities	5	-3.2	-3.3
Increase/(decrease) in long-term financial liabilities	5	-	-6.3
Increase/(decrease) in other liabilities		-	-0.1
Cash flow from financing activities		-41.9	-51.9
Currency effects		-0.9	1.7
Increase/(decrease) in liquid assets		22.1	-81.2
Liquid assets at 1.1.		55.1	136.4
Liquid assets at 31.12.		77.2	55.1
Increase/(decrease)		22.1	-81.2

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 1.1.2023	0.4	33.6	-27.8	-187.0	509.7	-5.7	323.1	17.7	340.8
Purchase of own shares	-	-	-17.1	-	-	-	-17.1	-	-17.1
Sale of own shares	-	-	5.0	-	-1.1	-	3.9	-	3.9
Share-based compensation									
– Transfers	-	-	-	-	-0.8	-	-0.8	-	-0.8
– Granted	-	-	-	-	-	-	-	-	-
Net profit	-	-	-	-	43.2	-	43.2	1.4	44.6
Netted goodwill	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-20.6	-	-20.6	-3.5	-24.1
Currency effects	-	-	-	-	-	0.9	0.9	-0.9	-
Equity at 31.12.2023	0.4	33.6	-39.9	-187.0	530.4	-4.8	332.6	14.7	347.3
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
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

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:

- Merger of Ventener AB with Zehnder Group Nordic AB as of 2 March 2023 in Sweden;
- Sale of OOO "Zehnder GmbH" on 27 April 2023 in Russia;
- Foundation of Zehnder Corporate Americas, Inc. on 2 June 2023 in the USA;
- Foundation of Xi'An Nather HVAC Equipment Co., Ltd. on 27 November 2023 in China.

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							
2023	0.6840	1.0768	12.82	1.1537	23.04	8.99	0.9061
2022	0.6903	1.0108	13.55	1.1308	21.40	8.97	0.9347
Average exchange rates for the year							
2023	0.6857	1.0268	13.11	1.1491	21.94	8.70	0.9258
2022	0.7338	0.9943	14.19	1.1757	21.37	9.44	0.9514

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 as well as fixed-term deposits with an original maturity of 90 days or less. Liquid assets 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 77.2 million (previous year: EUR 55.1 million), whereas interest-bearing financial liabilities reached EUR 6.4 million (previous year: EUR 9.7 million). At year end, net liquidity¹ amounted to EUR 70.8 million (previous year: EUR 45.4 million).

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

2. Trade accounts receivable and other receivables

EUR million	31.12.2023	31.12.2022
Trade accounts receivable gross*	116.5	140.7
Value adjustments on trade accounts receivable	-18.6	-20.4
Trade accounts receivable net	97.9	120.3
Other receivables gross	18.6	22.3
Value adjustments on other receivables	-0.2	-0.1
Other receivables net	18.5	22.2
Total trade accounts receivable and other receivables	116.3	142.5
* Of which more than 12 months overdue gross	19.0	14.6

Due to the ongoing housing crisis in China and the associated outstanding loans, the related value adjustments on trade receivables amount to EUR 16.7 million (previous year: EUR 18.1 million).

As well as bad debt operating allowances for receivable risks that are specifically identifiable, 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	31.12.2023	31.12.2022
Raw materials	57.7	64.1
Semi-finished products and goods in process	10.4	12.7
Finished products	42.8	41.9
Valuation adjustments	-20.7	-18.7
Total inventories	90.2	100.0

Despite the reduction in the gross inventory value, the value adjustment on inventories was increased to EUR 20.7 million (previous year: EUR 18.7 million) due to the lower inventory turnover.

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 1.1.2023	125.7	49.0	7.8	21.5	203.9
Acquisition cost					
Status 1.1.2023	236.4	271.1	32.7	21.5	561.7
Investments	6.5	10.1	3.7	3.5	23.8
Disposals	-1.5	-19.1	-3.9	-	-24.5
Changes in consolidation scope	-	-	-	-	-
Reclassifications	15.9	4.5	0.7	-21.1	-
Currency effects	2.1	2.1	0.3	0.1	4.6
Status 31.12.2023	259.5	268.6	33.4	4.1	565.6
Accumulated valuation adjustments					
Status 1.1.2023	-110.8	-222.1	-25.0	-	-357.8
Ordinary depreciation	-7.2	-12.8	-3.3	-	-23.3
Extraordinary depreciation	-0.3	-	-	-	-0.3
Disposals	1.5	18.3	3.8	-	23.6
Changes in consolidation scope	-	-	-	-	-
Currency effects	-2.2	-2.2	-0.3	-	-4.6
Status 31.12.2023	-119.0	-218.8	-24.7	-	-362.5
Net book value at 31.12.2023	140.4	49.9	8.7	4.1	203.1
Net book value at 1.1.2022					
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	-	-	-	-	-
Reclassifications	-	-	-	-	-
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

¹ Net book values of EUR 1.2 million (previous year: EUR 1.6 million) are capitalised in land/buildings/installations in buildings and EUR 2.8 million (previous year: EUR 3.2 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 1.1.2023	0.1	0.3	3.0	14.5	17.9
Acquisition or current book value					
Status 1.1.2023	0.1	0.3	3.0	14.5	17.9
Increases	-	-	-	0.3	0.3
Decreases	-	-	-	-1.3	-1.3
Changes in consolidation scope	-	-	-	-	-
Currency effects	-	-	0.2	-0.3	-0.1
Status 31.12.2023	0.1	0.3	3.2	13.2	16.8
Accumulated valuation adjustments					
Status 1.1.2023	-	-	-	-	-
Status 31.12.2023	-	-	-	-	-
Net book value at 31.12.2023	0.1	0.3	3.2	13.2	16.8
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
Disposals	-	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

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	2023	2022
Net book value at 1.1.	6.8	3.0
Acquisition cost		
Status 1.1.	19.9	14.9
Investments	0.5	0.8
Disposals	-1.5	-0.1
Changes in consolidation scope	-	3.9
Currency effects	0.7	0.4
Status 31.12.	19.6	19.9
Accumulated valuation adjustments		
Status 1.1.	-13.0	-11.9
Ordinary amortisation	-1.0	-0.9
Disposals	1.5	0.1
Changes in consolidation scope	-	-
Currency effects	-0.5	-0.3
Status 31.12.	-13.1	-13.0
Net book value at 31.12.	6.5	6.8

Intangible assets include software licences amounting to EUR 1.2 million (previous year: EUR 1.2 million), patents amounting to EUR 3.7 million (previous year: EUR 4.0 million), and land use rights amounting to EUR 1.5 million (previous year: EUR 1.7 million).

5. Financial liabilities

Financial liabilities consists of:

EUR million	2023	2022
Bank loans	2.1	3.1
Other loans	0.3	0.4
Mortgages	-	1.4
Financial lease liabilities	4.0	4.9
Total	6.4	9.7

Financial lease liabilities have the following maturity structure:

EUR million	2023	2022
Less than 12 months	0.8	0.9
12 months to 60 months	2.0	2.6
More than 60 months	1.3	1.4
Total	4.0	4.9

Total financial liabilities have the following maturities and currencies:

EUR million	2023	2022
Split by maturity		
Less than 12 months	1.7	2.1
12 months to 60 months	3.5	6.3
More than 60 months	1.3	1.4
Total	6.4	9.7
Split by currency		
CAD	0.2	0.3
CHF	0.1	0.2
CNY	-	1.4
EUR	6.1	7.5
TRY	-	0.3
Total	6.4	9.7

Short-term loans are at average interest rates of 1.8% (previous year: 2.9%).
Long-term loans are at average interest rates of 1.9% (previous year: 2.4%).

6. Provisions

EUR million	Tax provisions	Pension commitments	Restructuring provisions	Warranty provisions	Other provisions	Total
Book value at 1.1.2023	6.8	2.9	1.1	6.4	12.0	29.2
New provisions	0.2	0.6	2.5	2.1	1.7	7.1
Use	-	-0.5	-0.8	-1.0	-1.2	-3.5
Reversals	-0.7	-0.3	-0.3	-0.4	-2.0	-3.6
Changes in consolidation scope	-	-	-	-	-	-
Currency effects	0.1	-	-	0.0	-0.1	0.1
Book value at 31.12.2023	6.4	2.7	2.6	7.1	10.4	29.2
Of which short-term	-	0.5	2.6	4.1	2.0	9.2
Book value at 1.1.2022	7.5	5.7	0.7	7.1	17.5	38.4
New provisions	0.2	0.8	0.9	1.7	2.0	5.7
Use	-	-0.6	-0.4	-1.2	-5.6	-7.8
Reversals	-1.0	-3.0	-0.1	-1.2	-2.1	-7.5
Changes in consolidation scope	-	-	-	0.1	0.1	0.2
Currency effects	0.1	-	-	-0.1	0.1	0.2
Book value at 31.12.2022	6.8	2.9	1.1	6.4	12.0	29.2
Of which short-term	-	0.5	1.1	3.4	2.5	7.5

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 3.5% (previous year: 4.0%).

Other provisions include mainly provisions for pending legal cases and personnel-related provisions.

7. Equity capital

At the balance sheet date, the equity ratio was 67% (previous year: 64%). 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 43.5 million (previous year: EUR 29.1 million).

	Registered shares A units 2023	Value per unit EUR 2023	Value thousand EUR 2023	Registered shares A units 2022	Value per unit EUR 2022	Value thousand EUR 2022
Own shares at 1.1.	401,948	69.15	27,794	126,276	59.07	7,460
Transfer at market price	-71,168	54.30	-3,865	-41,960	64.97	-2,726
Gain/(loss) from sale			-1,111			921
Purchase at acquisition price	252,368	67.88	17,130	317,632	69.70	22,140
Own shares at 31.12.	583,148	68.50	39,949	401,948	69.15	27,794

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).

The share buyback programme launched on 24 March 2021 was completed on 18 September 2023. A total of 487,800 registered shares A (as at 31 December 2022: 336,932 shares) were bought back, corresponding to 5% of all registered A shares. At the Annual General Meeting on 11 April 2024, the Board of Directors intends to propose that the registered shares A of Zehnder Group AG acquired under the buyback programme be cancelled by means of a capital reduction.

8. Contingent liabilities

At year end, guarantee obligations and contingent liabilities vis-à-vis third parties amounted to EUR 15.5 million (previous year: EUR 18.9 million).

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

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

Both options rights are exercisable from 2024. 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

None of the Group's assets were pledged in the reporting year. In the previous year, EUR 7.8 million served as collateral, whereby the pledged assets were exclusively land and buildings.

10. Liabilities to pension funds

At year end, there were liabilities to pension funds of EUR 1.0 million (previous year: EUR 0.9 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, 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	
	31.12.2023	31.12.2023	31.12.2023	31.12.2022	31.12.2022	31.12.2022	
Foreign exchange	5.8	0.1	–	5.1	–	–	Hedging
Total	5.8	0.1	–	5.1	–	–	

13. Operating leasing not recognised in the balance sheet

Current operating leasing contracts expire as follows:

EUR million	31.12.2023	31.12.2022
Within 12 months	5.9	5.9
In 13–60 months	8.2	10.1
In more than 60 months	2.4	2.7
Total	16.4	18.8

14. Employer contribution reserves and pension fund liabilities

Employer contribution reserve (ECR)

EUR thousands	Nominal value 31.12.2023	Balance sheet 31.12.2023	Currency gain (+)/ loss (-) on ECR 2023	Balance sheet 31.12.2022	Expense (-)/ income (+) in personnel expenses 2023	Expense (-)/ income (+) in personnel expenses 2022
					2023	2022
Pension trust fund	3,181	3,181	195	2,986	-	-
Total	3,181	3,181	195	2,986	-	-

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

Economic benefits/economic liabilities and pension expenses

EUR thousands	Excess/ (inadequate) cover 31.12.2023 ¹	Economic share of organization 31.12.2023	Economic share of organization 31.12.2022	Capitalised in business year 2023	Contributions accrued 2023	Pension expenses in personnel expenses 2023	Pension expenses in personnel expenses 2022
						2023	2022
Pension trust fund	1,888	-	-	-	-	-	-
Personnel pension fund collective fund	9,744	-	-	-	2,805	2,805	2,549
Pension plans abroad	-	-	-	-	11,274	11,274	8,266
Total	11,632	-	-	-	14,079	14,079	10,815

¹ The details regarding the excess coverage in 2023 are based on provisional financial statements as at 31 December 2023.

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. 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 Zehnder Group, the regions have been expanded accordingly to EMEA (Europe, Middle East and Africa), Asia-Pacific, and North America.

		Ventilation	Radiators	Total
2023				
Sales	EUR million	441.1	321.0	762.1
EBIT	EUR million	53.0	7.2	60.2
	% of sales	12.0	2.2	7.9
Number of employees	Ø full-time equivalents	1,930	1,843	3,772
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

16. Sales

Consolidated sales amounted to EUR 762.1 million (previous year: EUR 812.5 million), a decrease of 6.2%. Organic¹ sales decreased by 6.5%.

Sales include EUR 5.7 million (previous year: EUR 2.3 million) recognised on long-term contracts.

Sales by region and segments are classified as follows:

		2023	%	2022	%
Sales by region and segments					
Ventilation EMEA	EUR million	336.2	44.1	349.4	43.0
	Change from prior year in %	-3.8		20.8	
Ventilation North America	EUR million	69.1	9.1	59.4	7.3
	Change from prior year in %	16.4		202.3	
Ventilation Asia-Pacific	EUR million	35.8	4.7	41.6	5.1
	Change from prior year in %	-14.0		-5.2	
Total ventilation segment	EUR million	441.1	57.9	450.3	55.4
	Change from prior year in %	-2.1		27.7	
Radiators EMEA	EUR million	268.2	35.2	310.1	38.2
	Change from prior year in %	-13.5		4.6	
Radiators North America	EUR million	45.5	6.0	44.3	5.4
	Change from prior year in %	2.9		22.8	
Radiators Asia-Pacific	EUR million	7.2	1.0	7.8	1.0
	Change from prior year in %	-6.7		-35.0	
Total radiator segment	EUR million	321.0	42.1	362.1	44.6
	Change from prior year in %	-11.4		5.1	
Total region EMEA	EUR million	604.5	79.3	659.5	81.2
	Change from prior year in %	-8.3		12.6	
Total region North America	EUR million	114.6	15.0	103.6	12.8
	Change from prior year in %	10.6		86.1	
Total region Asia-Pacific	EUR million	43.0	5.6	49.3	6.1
	Change from prior year in %	-12.8		-11.6	
Total	EUR million	762.1	100.0	812.5	100.0
	Change from prior year in %	-6.2		16.6	

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	2023	2022
Licence income	0.1	0.3
Gain/(loss) on disposal of fixed assets	-0.1	0.2
Miscellaneous operating income	4.0	4.4
Total	4.0	4.9

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	2023	2022
Operating expenses	-52.5	-54.2
Marketing and distribution expenses	-62.9	-71.7
Administration and IT expenses	-32.8	-30.0
Total	-148.2	-155.9

19. Financial result

EUR million	2023	2022
Financial expenses	-1.1	-1.2
Financial earnings	0.4	0.3
Exchange gains/(losses)	-2.4	0.1
Total financial result	-3.1	-0.8

20. Income taxes

The tax ratio (=taxes as a percentage of earnings before taxes) was 21.8% (previous year: 19.6%).

EUR million	2023	2022
Current taxes	-11.7	-12.0
Deferred taxes	-0.7	-1.9
Total taxes	-12.4	-13.8

Zehnder Group anticipates that losses of EUR 0.5 million (previous year: EUR 1.7 million) can be utilised against future taxable profits. The deferred tax assets on these losses amount to EUR 0.1 million (previous year: EUR 0.4 million).

Total deferred tax assets not capitalised amount to EUR 6.5 million (previous year: EUR 6.8 million) and originate predominantly from the countries Canada and Finland.

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	2023	2022
Earnings before taxes	57.1	70.6
Expected tax rate in %	21.5	21.6
Expected tax expense	-12.3	-15.3
Effect from non-refundable tax credits/incentives	0.5	0.5
Effect of non-deductible expenses	-0.7	-1.0
Effect of non-recognition of tax loss carry-forwards	-0.3	-0.3
Effect of use of unrecognised tax loss carry-forwards	0.3	1.1
Other effects	0.1	0.9
Effective tax expense	-12.4	-13.8
Effective tax rate in %	21.8	19.6

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.

		2023	2022
Net profit excluding minority interests	EUR million	43.2	55.4
Notional number of shares	units	11,736,000	11,736,000
Average number of own shares	units	481,884	278,745
Notional number of shares excl. own shares	units	11,254,116	11,457,255
Non-diluted net profit excluding minority interests per registered share A	EUR	3.84	4.84
Notional number of shares excl. own shares	units	11,254,116	11,457,255
Eligible shares for share-based compensation plan (LTI)	units	24,606	23,518
Number of shares for calculating diluted net profit per share	units	11,278,722	11,480,773
Diluted net profit excluding minority interests per registered share A	EUR	3.83	4.83

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

As part of the Zehnder Group Management Share Plan (ZGMSP), the managers of operating units and members of Group management of Zehnder Group are given the opportunity 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 the case of the ZGMSP, the difference between the current value at the time of allocation and the issue price is recognised in personnel expenses.

Furthermore, 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.

		2023	2022
Shares for the Zehnder Group Management Share Plan			
Shares granted for the Zehnder Group Management Share Plan	units	44,916	19,486
Current value on the day of allocation	CHF	60.50	87.00
Personnel expenses for the Zehnder Group Management Share Plan	CHF	1,006,000	411,000
Shares for the compensation of the Board of Directors			
Shares granted for the compensation of the Board of Directors	units	9,902	5,543
Current value on the day of allocation	CHF	58.10	91.90
Personnel expenses for the compensation of the Board of Directors	CHF	575,000	509,000
Shares for the variable long-term compensation element for the Group Executive Committee			
Shares granted for the variable long-term compensation element for the Group Executive Committee (with 100% achievement of objectives)	units	14,186	7,899
Shares allocated for the variable long-term compensation element for the Group Executive Committee	units	16,350	16,931
Current value on the day of allocation	CHF	74.70	77.50
Personnel expenses for the variable long-term compensation element for the Group Executive Committee	CHF	-43,000	858,000
Total personnel expenses for shares granted	CHF	1,538,000	1,778,000

¹ Personnel expenses for the variable long-term compensation include the cost of the shares granted for the compensation plans launched in the reporting year and the result of the reassessment of the current plans. The net result of the two factors led to negative personnel expenses for the variable long-term compensation of the Group Executive Committee in 2023.

23. Acquisitions

In the year under review, no acquisitions were made.

The following acquisitions were made in the previous year:

- As of 21 February 2022, Zehnder Group acquired ventilation company Airia Brands Inc., Canada.
- As of 29 April 2022, 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.

24. Goodwill

In accordance with the consolidation principles, 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

		31.12.2023	31.12.2022
Disclosed equity including minority interests	EUR million	347.3	340.8
Equity ratio	%	67.2	64.0
Acquisition value of goodwill			
Status at beginning of business year	EUR million	187.1	149.5
Additions ¹	EUR million	-	37.5
Disposals	EUR million	-	-
Status at end of business year	EUR million	187.1	187.1
Accumulated amortisation			
Status at beginning of business year	EUR million	-138.4	-125.6
Amortisation in current year	EUR million	-13.6	-12.8
Status at end of business year	EUR million	-151.9	-138.4
Theoretical net book value of goodwill	EUR million	35.1	48.7
Theoretical equity including minority interests and net book value of goodwill	EUR million	382.5	389.5
Theoretical equity ratio	%	69.3	67.0

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

Impact of theoretical capitalisation of goodwill on results

		31.12.2023	31.12.2022
Disclosed net profit	EUR million	44.6	56.7
Theoretical amortisation of goodwill	EUR million	-13.6	-12.8
Net profit after amortisation of goodwill	EUR million	31.1	44.0

25. Global minimum tax pillar II

As part of the BEPS Pillar Two project led by the OECD, Switzerland, together with around 140 other countries, has committed to implementing the global OECD minimum tax for multinational groups with a consolidated turnover of EUR 750 million or more (also known as Pillar Two or GloBE Rules). This is intended to ensure that multinational corporations pay at least 15% tax in every country in which they operate. Taking international developments into account and weighing up the associated advantages and disadvantages for Switzerland, the Federal Council decided on 22 December 2023 to take the initial step of implementing the minimum taxation for financial years beginning on or after 1 January 2024.

Many of the countries in which Zehnder Group operates have now decided to implement the OECD minimum tax rate or are likely to do so in the future. Zehnder has carried out an assessment of the potential income tax burden. If the minimum taxation had already been applicable for 2023, there would have been no significant impact on the 2023 financial statements. The situation and developments will continue to be monitored and assessed on an ongoing basis.

26. Events after the balance sheet date

The option to acquire the remaining 25% stake in Zehnder Caladair International SAS was exercised in January 2024. The local financial statements for determining the definitive sales price are not yet available. A contingent liability of EUR 5.0 million was recognised in the 2023 annual financial statements.

Apart from this, there were no extraordinary pending transactions, risks or further events after the balance sheet date which would require disclosure in the financial statements.

The financial statements 2023 were approved by the Board of Directors on 23 February 2024.

Overview of companies



As at 31 December 2023, the consolidation scope of 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
Xi'An City	Xi'An Nather HVAC Equipment Co., Ltd.	S	1,000,000	15	At equity
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	6,261,866	100	Fully
Évry	Zehnder Group Participations SAS	O	7,744,000	100	Fully
Évry	Zehnder Climate Ceiling Solutions SAS	S	1,000,000	100	Fully
Mâcon	Zehnder 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
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Italy

Campogalliano	Zehnder Group Italia S.r.l.	S	80,000	100	Fully
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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	Core Trading B.V.	O	1	100	Fully
Waalwijk	Metis B.V.	S	18,000	100	Fully

Norway

Bekkestua	Exvent AS	S	300,000	100	Fully
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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

Spain

Sabadell	Zehnder Group Iberica Indoor Climate, S.A.U.	S	300,500	100	Fully
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Sweden

Motala	Zehnder Group Nordic AB	S	6,400,000	100	Fully
Motala	Zehnder Group Motala AB	P	120,000	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	81,981,674	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 Corporate Americas, Inc.	O	1,000	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 2023, 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 81 to 111) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 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 7'600'000

We conducted full scope audit work at 18 group companies in 9 countries. These group companies contributed 72% of the group's sales. Specified procedures were performed for three additional group companies, which addressed a further 7% of the group's sales.

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

- Valuation of trade accounts receivable
- Valuation of inventories

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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 7'600'000
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.

We agreed with the Audit Committee that we would report to them misstatements above EUR 400'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

The Group comprises two business divisions and it is active in three regions – in 'EMEA', 'North America' and 'Asia-Pacific'. The group financial statements are a consolidation of 63 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 also included telephone conferences with the component auditors, an examination of the risk assessment and working paper reviews of 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 2023, Zehnder Group disclosed trade accounts receivable in the net amount of EUR 97.9 million (prior year: EUR 120.3 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 87 of the annual report for information on the accounting and valuation principles and to page 92 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 the following audit procedures we tested how Group Management and the Board of Directors made the accounting estimates regarding trade 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.

Valuation of inventories

Key audit matter

As of 31 December 2023, Zehnder Group inventories in the net amount of EUR 90.2 million (previous year: EUR 100.0 million).

Inventories are valued on the lower of cost or market principle. Purchased products are valued at acquisition cost and manufactured goods at production cost. Valuation adjustments are undertaken for risks arising from time in storage or reduced marketability. Group Management and the Board of Directors make assumptions to calculate the necessary valuation adjustments on the inventories. We consider the valuation of inventories to be a key audit matter because it is complex and subject to estimation uncertainties. Furthermore, at 17.5% (previous year: 18.8%) of the balance sheet total, inventories represent a significant amount of the group's assets.

How our audit addressed the key audit matter

We tested the appropriateness of the Group's financial reporting in relation to the valuation of inventories, including the accounting policies for the valuation adjustments.

Based on the following audit procedures we tested how Group Management and the Board of Directors made the accounting estimates regarding the valuation of inventory:

- Obtaining an understanding of the process of inventory valuation and the relevant controls for identifying inventory value adjustments.
- Recalculation of the value adjustments on the inventories based on the inventory turnover and reach analysis.
- Sample-based testing of the standard price calculation and analysis of the standard cost variance.



Please refer to page 87 of the annual report for information on the accounting and valuation principles and to page 93 for the notes on inventories.

- Sample-based testing of whether individual items in the inventory can be reconciled with the standard price calculation.
- Data and sample-based testing of adherence to the lower of cost or market principle.

We consider the methods used to be an appropriate basis for the valuation of inventories. The results of our audit support the assumptions and data 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, the remuneration report 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 consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and 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 para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.



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, 23 February 2024



Alternative performance measures

In this Annual Report, 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 Zehnder Group may differ from those employed by other companies.

Alternative performance measure	Definition	Calculation basis/reconciliation EUR million	2023	2022
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 which took place at constant exchange rates.	Sales	762.1	812.5
		Currency effects	10.1	-13.8
		Acquisition effects	-12.7	-55.0
		Organic sales	759.6	743.7
		Organic sales growth/(decline) in %	-6.5	6.7
EBITDA	Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a key figure used to measure the performance of the Group.	Operating result (EBIT)	60.2	71.4
		Depreciation of property, plant and equipment	23.6	23.0
		Amortisation of intangible assets	1.0	0.9
		EBITDA	84.8	95.3
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	97.9	120.3
		Other receivables	18.5	22.2
		Inventories	90.2	100.0
		Prepayments	1.5	1.6
		Accrued income	5.1	4.9
		Trade accounts payable	-41.8	-51.6
		Other short-term liabilities	-28.5	-30.8
		Accruals and deferred income	-62.9	-70.1
		Short-term provisions	-9.2	-7.5
		Long-term provisions	-20.0	-21.7
		Other long-term liabilities	-0.6	-0.6
		Non-current assets	226.4	228.6
		Capital employed (CE)	276.6	295.4
		Operating result (EBIT)	60.2	71.4
		Expected income taxes	-12.9	-15.4
		Net operating profit after tax (NOPAT)	47.2	55.9
ROCE in %	17.1	18.9		
Net liquidity/(net debt)	Net liquidity or debt is a key figure used to measure the Group's financial liquidity or debt.	Liquid assets	77.2	55.1
		Short-term financial liabilities	-1.7	-2.1
		Long-term financial liabilities	-4.7	-7.7
		Net liquidity/(net debt)	70.8	45.4

Balance sheet of Zehnder Group AG



CHF million	Notes	31 December 2023	31 December 2022
Assets			
Liquid assets		4.1	1.2
Other short-term receivables	1	1.5	4.8
Current assets		5.6	6.0
Financial assets	2	57.4	59.4
Participations	3	347.6	346.2
Non-current assets		405.0	405.5
Total assets		410.6	411.5
Liabilities & shareholders' equity			
Short-term interest-bearing liabilities	4	8.2	1.9
Other short-term liabilities	5	0.1	0.5
Accruals and deferred income		0.6	0.5
Short-term provisions		0.1	0.2
Current liabilities		9.0	3.1
Non-current liabilities		-	-
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		365.3	336.5
– Net profit for the year		25.2	49.3
Own shares	7	-40.2	-28.7
Shareholders' equity		401.6	408.4
Total liabilities and shareholders' equity		410.6	411.5

Income statement of Zehnder Group AG



CHF million	Notes	2023	2022
Dividend income		29.1	36.0
Other operating income		1.5	2.1
Operating income		30.6	38.1
Personnel expenses		-1.0	-0.9
Other operating expenses		-4.1	-3.8
Reversal of impairment losses on loans and participations		-	14.6
Operating profit		25.6	47.9
Financial income		2.4	4.7
Financial expenses		-2.8	-3.2
Direct taxes		-	-0.1
Net profit for the year		25.2	49.3

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 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 Zehnder Group to its shareholders.

1. Other short-term receivables

CHF million	31.12.2023	31.12.2022
Accounts receivable from third parties	-	0.2
Accounts receivable from Group companies	1.5	4.5
Total	1.5	4.8

2. Financial assets

CHF million	31.12.2023	31.12.2022
Loans to Group companies	57.4	59.4
Total	57.4	59.4

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	31.12.2023	31.12.2022
Loans from Group companies	8.2	1.9
Total	8.2	1.9

5. Other short-term liabilities

CHF million	31.12.2023	31.12.2022
Other short-term liabilities to third parties	0.1	0.5
Total	0.1	0.5

6. Share capital

	Registered shares A units 2023	Registered shares B units 2023	Nominal value CHF 2023	Registered shares A units 2022	Registered shares B units 2022	Nominal value CHF 2022
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 (nominal value CHF 0.01) are held by Graneco AG, which is controlled by the Zehnder families. On the balance sheet date, Graneco AG and its shareholders held 52.1% of the company's registered shares and voting rights.

The share buyback programme launched on 24 March 2021 was completed on 18 September 2023. A total of 487,800 registered shares A (as at 31 December 2022: 336,932 shares) were bought back, corresponding to 5% of all registered A shares. At the Annual General Meeting on 11 April 2024, the Board of Directors intends to propose that the registered shares A of Zehnder Group AG acquired under the buyback programme be cancelled by means of a capital reduction.

7. Own shares

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

	Registered shares A units 2023	Value per share CHF 2023	Value CHF 2023	Registered shares A units 2022	Value per share CHF 2022	Value CHF 2022
Own shares at 1.1., trading portfolio	401,948	71.28	28,651,233	126,276	64.50	8,145,093
Shares sold	-71,168	56.55	-4,024,809	-41,960	66.00	-2,769,333
Gain/(loss) from sale			-1,081,616			926,122
Shares bought	252,368	66.17	16,698,071	317,632	70.36	22,349,351
Own shares at 31.12., trading portfolio	583,148	69.01	40,242,880	401,948	71.28	28,651,233

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 2023** 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 52.8 million (previous year: CHF 58.0 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 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. Net release of hidden reserves The total net release of hidden reserves amounts to CHF 5.5 million (previous year: CHF 13.5 million).

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	365,331,657
Net profit for 2023 according to the income statement	25,218,155
Balance sheet profit	390,549,812

The Board of Directors proposes the following appropriation of earnings:

Payment of a dividend ¹	15,256,800
To be carried forward to new account	375,293,012
Total appropriation of earnings	390,549,812

¹ Corresponds to a dividend of CHF 1.30 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 2023, 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 118 to 123) 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 participations

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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 participations

Key audit matter	How our audit addressed the key audit matter
<p>The Company as at 31 December 2023 had direct and indirect participations in the amount of CHF 347.6 million (prior year: CHF 346.2 million).</p> <p>The value of these participations 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 participations as a key audit matter owing to their significance on the balance sheet and the corresponding estimation uncertainty.</p> <p>Please refer to page 120 of the annual report for information on the accounting and valuation principles and to page 121 for the notes on the participations.</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 participations. 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 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 para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

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, 23 February 2024



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 2024	11.4.2024
Ex-dividend date	15.4.2024
Dividend payout	17.4.2024
Six-month Report 2024	26.7.2024
End of business year	31.12.2024
Sales for 2024	17.1.2025
Annual Report 2024 and Media/Analyst Conference 2025	26.2.2025
Annual General Meeting 2025	3.4.2025

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.