Financial Report

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
EBITDA [1]	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 profit [2]	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' equity [2]	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
Dividends [3]	CHF million	**15.3**	21.1	21.1	14.7	8.2
Payout ratio	%	**35**	37	33	35	24
Market capitalisation [4]	CHF million	**521.9**	544.4	908.3	576.6	444.9
Total market capitalisation [5]	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 profit [1]							
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

PwC Switzerland

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

PwC Switzerland

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

✔ PwC Switzerland

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

PwC Switzerland

EUR million	Share capital	Capital reserves	Own shares	Goodwill offset (Retained earnings)	Other retained earnings (Retained earnings)	Translation differences (Retained earnings)	Equity attributable to shareholders of Zehnder Group AG	Minority interests	Total equity
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

✓ PwC Switzerland

Consolidation scope

The consolidated financial statements are presented in euros and include all domestic and foreign companies which Zehnder Group AG controls directly or indirectly by either holding more than 50% of the voting rights or by otherwise having the power to control their operating and financial policies. Assets and liabilities as well as revenues and expenses are included 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

PwC Switzerland

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

1. Liquid assets

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

✔ PwC Switzerland

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 liquidity[1] 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**

EUR million	Land/ buildings/ installations in buildings[1]	Machinery/ plant[1]	Other fixed assets	Plant under con- struction	Total
Net book value at 1.1.2022	123.4	44.2	8.0	12.1	187.7
Acquisition cost					
Status 1.1.2022	226.5	255.7	31.4	12.1	525.6
Investments	1.2	8.1	2.9	14.4	26.7
Disposals	–1.0	–3.0	–2.1	–	–6.0
Changes in consolidation scope	7.5	6.4	0.1	–	13.9
Reclassifications	0.6	4.1	0.2	–4.9	–
Currency effects	1.5	–0.2	0.2	–	1.5
Status 31.12.2022	236.4	271.1	32.7	21.5	561.7
Accumulated valuation adjustments					
Status 1.1.2022	–103.1	–211.5	–23.4	–	–337.9
Ordinary depreciation	–7.1	–12.8	–3.2	–	–23.0
Extraordinary depreciation	–	–	–	–	–
Disposals	0.9	2.3	1.8	–	5.1
Changes in consolidation scope	–	–	–	–	–
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 contri-butions	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 commit-ments	Restruc-turing 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 value 31.12.2023	Positive fair value 31.12.2023	Negative fair value 31.12.2023	Contract value 31.12.2022	Positive fair value 31.12.2022	Negative fair value 31.12.2022	Purpose
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
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 organisation 31.12.2023	Economic share of organisation 31.12.2022	Capitalised in business year 2023	Contributions accrued 2023	Pension expenses in personnel expenses 2023	Pension expenses in personnel expenses 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%. Organic[1] 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[1]	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

PwC Switzerland

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
Italy					
Campogalliano	Zehnder Group Italia S.r.l.	S	80,000	100	Fully
Netherlands					
Zwolle	Zehnder Group Zwolle B.V.	P	908,000	100	Fully
Zwolle	Zehnder Group Nederland B.V.	S	18,000	100	Fully
Udenhout	Filtech Nederland B.V.	S/P	5,000	100	Fully
Udenhout	Filtech clean-air filters International Holding B.V.	S/P	n/a	100	Fully
Waalwijk	Core Production Waalwijk B.V.	S/P	114,000	100	Fully
Waalwijk	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
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
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	How our audit addressed the 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.	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	How our audit addressed the 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.	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 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 consolidated financial statements.

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

PricewaterhouseCoopers AG

Thomas Ebinger	Fabian Stalder
Licensed audit expert Auditor in charge	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

PwC Switzerland

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

PwC Switzerland

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

✓ PwC Switzerland

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

1. Income from participations

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

2. Own shares

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

3. Share-based compensation

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

4. Participations

Participations are valued at acquisition cost less impairments.

5. Receivables and liabilities

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

Notes to the financial statements of Zehnder Group AG

PwC Switzerland

General comments

As Zehnder Group AG has a pure holding company function, the point must be made that the income development of this company in no way reflects the present or future profitability of Zehnder Group. Hence the development of the Group as set out in the consolidated financial statements – and not the individual financial statements of Zehnder Group AG – is decisive for the Board of Directors for their dividend proposal. The aim of the dividend policy laid down by the Board of Directors is to pay out some 30–50% 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
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). 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. 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. 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.	In order to test the appropriateness of the valuation procedures undertaken by Management and the Board of Directors, we performed the following audit procedures: • Assessment whether a methodologically correct valuation process had been chosen and whether the calculations were mathematically correct. • Reconciliation of the budget figures with the current business plans of 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	Fabian Stalder
Licensed audit expert Auditor in charge	Licensed audit expert

Luzern, 23 February 2024