

**ZUMTOBEL Group**

# Q1 2019/20

**Interim Report (May - July 2019)**



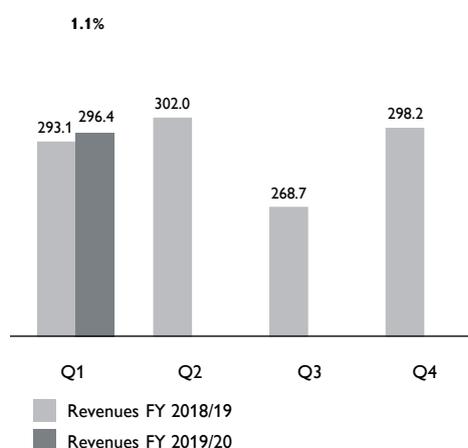
## Overview of the First Quarter 2019/20

Key Data in EUR million	Q1 2019/20	Q1 2018/19	Change in %
Revenues	296.4	293.1	1.1
EBITDA	30.9	20.9	47.3
as a % of revenues	10.4	7.1	
Adjusted EBIT	15.8	10.0	58.4
as a % of revenues	5.3	3.4	
EBIT	15.4	7.3	>100
as a % of revenues	5.2	2.5	
Net profit for the period	10.9	2.8	>100
as a % of revenues	3.7	1.0	
Cash flow from operating results	30.8	21.0	46.5
Investments	10.4	15.5	(32.7)
	<b>31 July 2019</b>	<b>30 April 2019</b>	<b>Change in %</b>
Total assets	990.8	920.9	7.6
Equity	274.7	262.8	4.5
Equity ratio in %	27.7	28.5	
Net debt	199.1	148.7	33.9
Headcount incl. contract worker (full-time equivalent)	5,915	5,878	0.6

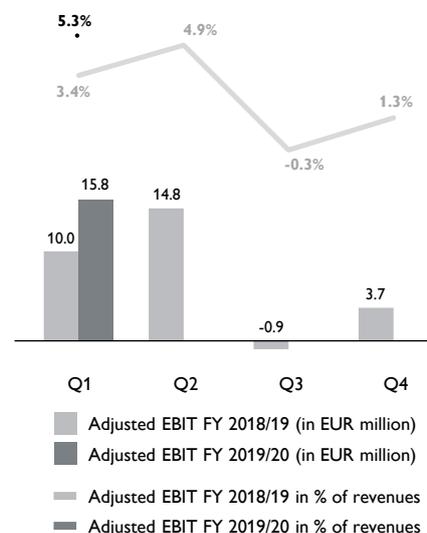
Note: The new standard IFRS 16 was initially applied in 2019/20. The main effects are as follows: EBITDA plus EUR 4.0 million, net profit minus EUR 0.1 million, increase in net liabilities/balance sheet total plus EUR 50.1 million

### Development of business by quarter

Revenues (in EUR million)



Adjusted EBIT



# Letter to Shareholders

Dear Shareholders,

The first quarter of the 2019/20 financial year has shown that we are back on the right track. We have successfully continued the growth course which began in the fourth quarter of the past financial year and closed the first three months of 2019/20 with a solid improvement in earnings:

## Slight increase in revenues

The ZUMTOBEL Group recorded a slight increase of 1.1% in revenues to EUR 296.4 million in the first quarter of 2019/20. This positive development was supported, above all, by the core markets in our DACH region with revenue growth of 5.6%.

## Solid improvement in earnings

Group EBIT, adjusted for special effects, rose by 58.4% year-on-year to EUR 15.8 million and led to an increase in the adjusted return on sales from 3.4% to 5.3%. The positive development of the Group's profitability was based on the slight growth in sales combined with cost savings. These factors led to an improvement in net profit from EUR 2.8 million to EUR 10.9 million.

We now want to continue this positive trend over the coming months, despite the growing weakness in the market environment. Our goal for the 2019/20 financial year is to generate moderate growth and a further improvement in our profitability.

Alfred Felder  
Chief Executive Officer (CEO)



Alfred Felder

# Group Management Report

## Development of revenues in the first quarter 2019/20

- >> Group revenues rise by 1.1% (FX-adjusted plus 0.9%)
- >> Lighting Segment revenues slightly higher year-on-year (plus 1.4%)
- >> Components Segment at prior year level (minus 0.1%)

### FX-adjusted increase of 0.9% in revenues

In the first three months of the 2019/20 financial year (1 May 2019 to 31 July 2019), Group revenues rose by 1.1% year-on-year to EUR 296.4 million (previous year: EUR 293.1 million). Revenue development was influenced by positive currency translation effects of EUR 0.5 million which resulted primarily from the decline in the euro versus the Swiss franc and the US dollar. A contrary factor was the increase in the euro versus the Turkish lira. After an adjustment for these effects, the increase in revenues equalled 0.9%.

Segment development in EUR million	Q1 2019/20	Q1 2018/19	Change in %	FX adjusted in %
Lighting Segment	222.6	219.5	1.4	0.9
Components Segment	89.3	89.4	(0.1)	0.6
Reconciliation	(15.4)	(15.7)	(1.9)	
Zumtobel Group	296.4	293.1	1.1	0.9

### Lighting Segment: FX-adjusted revenues 0.9% over prior year

In the Lighting Segment, the positive revenue trend from the fourth quarter of the previous year continued despite growing weakness in the market environment. Revenues in this segment rose by 1.4% to EUR 222.6 million during the reporting period (previous year: EUR 219.5 million).

### Components Segment: FX-adjusted revenues 0.6% over prior year

Revenues in the Components Segment fell by 0.1% in the first quarter of 2019/20, but increased slightly by 0.6% after foreign exchange adjustments. The development of revenues was negatively influenced by the devaluation of the Turkish lira versus the euro and by a decline in the demand for components from the Lighting Segment.

### Distribution of regional revenues

Revenues in EUR million	Q1 2019/20	Change in %	in % of Group
D/A/CH	92.9	5.6	31.3
Northern Europe	61.8	(1.9)	20.9
Benelux & Eastern Europe	46.1	2.1	15.5
Southern Europe	47.3	(3.1)	15.9
Asia & Pacific	30.3	0.7	10.2
Middle East & Africa	11.0	(13.3)	3.7
Americas	7.1	29.2	2.4
Total	296.4	1.1	100.0

### Satisfactory revenue development in DACH and USA

There were substantial regional differences in the development of revenues during the first three months of 2019/20, but the growth trend from the fourth quarter of the previous year was generally confirmed. In particular, the core markets in the DACH region recorded a sound increase of EUR 4.9 million in revenues. Revenue growth was also supported by Asia and the USA as well as the countries in Eastern Europe, while business development in the Middle Eastern countries remained below expectations.

## Development of earnings in the first quarter 2019/20

- >> Positive earnings development supported by slight revenue growth
- >> Fixed costs favourably influenced by efficiency improvement and savings measures
- >> Adjusted Group EBIT rises to EUR 15.8 million

Group EBIT adjusted for special effects rose to EUR 15.8 million in the first three months of 2019/20 (Q1 2018/19: EUR 10.0 million). This was reflected in a corresponding increase in the return on sales from 3.4% to 5.3%. The improvement in the Group's profitability during the reporting period is attributable to the Lighting Segment, where cost savings combined with moderate revenue growth led to an increase in earnings. Adjusted EBIT rose from EUR 8.1 million to EUR 13.5 million in the Lighting Segment and equalled EUR 6.4 million (Q1 2018/19: EUR 8.1 million) in the Components Segment.

**Adjusted Group EBIT rises to EUR 15.8 million**

The gross profit margin (after development costs) for the Zumtobel Group rose to 32.3% in the first three months of 2019/20 (previous year: 31.9%). Development costs included in the cost of goods sold fell by EUR 1.6 million to EUR 15.0 million (Q1 2018/19: EUR 16.6 million).

**Reduction of development costs**

Income statement in EUR million	Q1 2019/20	Q1 2018/19	Change in %
Revenues	296.4	293.1	1.1
Cost of goods sold	(200.8)	(199.7)	0.5
Gross profit	95.6	93.4	2.4
as a % of revenues	32.3	31.9	
SG&A expenses adjusted for special effects	(79.8)	(83.4)	(4.3)
Adjusted EBIT	15.8	10.0	58.4
as a % of revenues	5.3	3.4	
Special effects	(0.4)	(2.7)	84.9
EBIT	15.4	7.3	>100
as a % of revenues	5.2	2.5	
Financial results	(1.8)	(2.8)	35.4
Profit before tax	13.6	4.4	>100
Income taxes	(2.7)	(1.6)	64.9
Net profit for the period	10.9	2.8	>100
Earnings per share (in EUR)	0.25	0.06	>100

Note: EBITDA (EBIT plus depreciation and amortisation) amounted to EUR 30.9 million in the first quarter of 2019/20.

The efficiency improvement and cost savings measures implemented in spring 2018 led to a reduction in selling and administrative expenses during the reporting period. Selling expenses (incl. research) fell by EUR 0.3 million to EUR 73.9 million (Q1 2018/19: EUR 74.2 million) and administrative expenses declined by EUR 3.1 million to EUR 7.6 million (Q1 2018/19: EUR 10.7 million). This reduction was supported, above all, by the substantial streamlining of the management team and strict cost management. Other operating results, excluding special effects, were slightly higher at EUR 1.7 million (Q1 2018/19: EUR 1.5 million).

**Substantial decline in selling and administrative costs**

Negative special effects of EUR 0.4 million were recorded in the first quarter of 2019/20 (Q1 2018/19: EUR 2.7 million) and are related primarily to costs for the adjustment of the global plant network. In addition, the sale of plant and equipment and the chip-on-board business at the components plant in Jennersdorf led to non-recurring income.

**Negative special effects from transformation process**

### Improvement in financial results

Financial results improved by EUR 1.0 million year-on-year to minus EUR 1.8 million (Q1 2018/19: minus EUR 2.8 million). Interest expense is attributable primarily to the current credit agreement and to finance leases. Other financial income and expenses totalled EUR 0.1 million (Q1 2018/19: minus EUR 1.2 million) and include the interest expense on pension obligations as well as the income and expenses resulting from the high volatility on foreign exchange markets and the related exchange rate fluctuations.

Profit before tax amounted to EUR 13.6 million for the reporting period (Q1 2018/19: EUR 4.4 million), and income taxes totalled EUR 2.7 million (Q1 2018/19: EUR 1.6 million). As a result, net profit rose to EUR 10.9 million (Q1 2018/19: EUR 2.8 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 0.25 (Q1 2018/19: EUR 0.06).

### Cash flow and asset position

The renewed improvement in profitability led to a year-on-year increase in cash flow from operating results from EUR 21.0 million to EUR 30.8 million.

### Positive development of working capital

Working capital was further optimised during the reporting period, with a reduction of EUR 19.9 million below the level on 31 July 2018 to EUR 175.8 million as of 31 July 2019. As a percent of rolling 12-month revenues, working capital declined from 16.7% auf 15.1% year-on-year. Cash flow from operating activities therefore increased from EUR 8.3 million to EUR 19.6 million in the first quarter of 2019/20. Cash outflows from the changes in other operating positions totalled EUR 6.9 million (Q1 2018/19: cash outflows of EUR 3.4 million).

### Free cash flow at plus EUR 9.9 million

Cash flow from investing activities was at minus EUR 9.7 million (Q1 2018/19: minus EUR 14.5 million) in the reporting period. Investment volume declined to EUR 10.4 million (Q1 2018/19: EUR 15.5 million). Included here are investments for capitalised development costs of EUR 3.9 million (Q1 2018/19: EUR 3.2 million). Free cash flow rose to EUR 9.9 million in the reporting period (Q1 2018/19: minus EUR 6.2 million), primarily due to the higher cash flow from operating activities.

Balance sheet data in EUR million	31 July 2019	30 April 2019
Total assets	990.8	920.9
Net debt	199.1	148.7
Equity	274.7	262.8
Equity ratio in %	27.7	28.5
Gearing in %	72.5	56.6
Investments	10.4	66.2
Working capital	175.8	172.8
As a % of rolling 12-month revenues	15.1	14.9

### Solid balance sheet structure

The balance sheet structure has remained nearly unchanged since 30 April 2019. The equity ratio equalled 27.7% as of 31 July 2019. Net debt rose by EUR 50.4 million to EUR 199.1 million at the end of the reporting period, chiefly due to an increase of EUR 50.1 million in lease liabilities following the initial application of IFRS 16. Consequently, gearing – the ratio of net debt to equity – deteriorated from 56.6% to 72.5%.

## Outlook

- >> Cautious optimism for the 2019/20 financial year
- >> Guidance and medium-term goal confirmed

The Management Board of the ZUMTOBEL Group expects a slight increase in revenues as well as an improvement in the adjusted EBIT margin to 3 to 5% for the full 2019/20 financial year (2018/19 financial year: 2.4%). The medium-term goal remains intact to reach an EBIT margin of roughly 6% by 2020/21.

Dornbirn, 3 September 2019

The Management Board

Alfred Felder  
Chief Executive Officer (CEO)

Thomas Tschol  
Chief Financial Officer (CFO)

Bernard Motzko  
Chief Operating Officer (COO)

Zumtobel Group AG has adjusted the scope of the interim reports due to the changed requirements of the "Prime Market Rules" of the Vienna Stock Exchange for first and third quarter interim reporting. Financial information presented in the interim report for the first quarter of 2019/20 is fundamentally based on the same accounting and valuation methods underlying the consolidated financial statements of the Zumtobel Group AG for the 2018/19 financial year, with the exception from first time application of IFRS 16 Leases. IFRS 16 was initially applied for the financial year 2019/20.

## Consolidated Income Statement

in TEUR	Q1 2019/20	Q1 2018/19	Change in %
Revenues	296.391	293.109	1,1
Cost of goods sold	-200.769	-199.708	0,5
<b>Gross profit</b>	<b>95.622</b>	<b>93.401</b>	<b>2,4</b>
<i>as a % of revenues</i>	32,3	31,9	
Selling expenses	-73.853	-74.194	-0,5
Administrative expenses	-7.613	-10.740	-29,1
Other operating income	2.199	1.525	44,2
<i>thereof special effects</i>	412	0	
Other operating expenses	-943	-2.738	-65,6
<i>thereof special effects</i>	-826	-2.738	-69,8
<b>Operating profit</b>	<b>15.412</b>	<b>7.254</b>	<b>&gt;100</b>
<i>as a % of revenues</i>	5,2	2,5	
Interest expense	-1.955	-2.077	-5,9
Interest income	77	143	-46,2
Other financial income and expenses	56	-1.235	>100
Result from companies accounted for at-equity	0	348	-100,0
<b>Financial results</b>	<b>-1.822</b>	<b>-2.821</b>	<b>35,4</b>
<i>as a % of revenues</i>	-0,6	-1,0	
<b>Profit before tax</b>	<b>13.590</b>	<b>4.433</b>	<b>&gt;100</b>
Income taxes	-2.705	-1.640	64,9
<b>Net profit for the period</b>	<b>10.885</b>	<b>2.793</b>	<b>&gt;100</b>
<i>as a % of revenues</i>	3,7	1,0	
<i>thereof due to non-controlling interests</i>	-7	-58	88,2
<i>thereof due to shareholders of the parent company</i>	10.892	2.851	>100
Average number of shares outstanding – basic (in 1,000 pcs.)	43.147	43.147	
Average number of shares outstanding – diluted (in 1,000 pcs.)	43.147	43.147	
<b>Earnings per share (in EUR)</b>			
Earnings per share (diluted and basic)	0,25	0,06	

## Consolidated Balance Sheet

in TEUR	31 July 2019	in %	30 April 2019	in %
Goodwill	189.302	19,1	190.299	20,7
Other intangible assets	50.697	5,1	50.179	5,4
Property, plant and equipment	277.674	28,0	232.690	25,3
Financial assets accounted for at equity	3.863	0,4	3.863	0,4
Financial assets	997	0,1	993	0,1
Other assets	3.895	0,4	4.145	0,5
Deferred taxes	23.839	2,4	25.487	2,8
<b>Non-current assets</b>	<b>550.267</b>	<b>55,5</b>	<b>507.656</b>	<b>55,2</b>
Inventories	178.414	18,0	174.827	19,0
Trade receivables	160.045	16,2	162.829	17,7
Financial assets	1.810	0,2	700	0,1
Other assets	46.510	4,7	37.566	3,9
Liquid funds	53.762	5,4	37.332	4,1
<b>Current assets</b>	<b>440.541</b>	<b>44,5</b>	<b>413.254</b>	<b>44,8</b>
<b>ASSETS</b>	<b>990.808</b>	<b>100,0</b>	<b>920.910</b>	<b>100,0</b>
Share capital	108.750	11,0	108.750	11,8
Additional paid-in capital	335.316	33,8	335.316	36,4
reserves	-181.911	-18,4	-167.687	-18,2
Net profit for the period	10.892	1,1	-15.267	-1,7
Capital attributed to shareholders of the parent company	273.047	27,5	261.112	28,3
Capital attributed to non-controlling interests	1.669	0,2	1.666	0,2
<b>Equity</b>	<b>274.716</b>	<b>27,7</b>	<b>262.778</b>	<b>28,5</b>
Provisions for pensions	79.247	8,0	81.752	8,9
Provisions for severance compensation	47.720	4,8	47.479	5,2
Provisions for other employee benefits	9.849	1,0	9.671	1,1
Other provisions	10.380	1,0	10.580	1,1
Borrowings	187.267	19,0	126.167	13,7
Other liabilities	558	0,1	634	0,1
Deferred taxes	2.714	0,3	2.583	0,3
<b>Non-current liabilities</b>	<b>337.735</b>	<b>34,2</b>	<b>278.866</b>	<b>30,4</b>
Provisions for taxes	24.042	2,4	23.421	2,5
Other provisions	36.796	3,7	41.839	4,5
Borrowings	65.606	6,6	59.877	6,5
Trade payables	129.243	13,0	137.397	14,9
Other liabilities	122.670	12,4	116.732	12,7
<b>Current liabilities</b>	<b>378.357</b>	<b>38,1</b>	<b>379.266</b>	<b>41,1</b>
<b>EQUITY AND LIABILITIES</b>	<b>990.808</b>	<b>100,0</b>	<b>920.910</b>	<b>100,0</b>

## Consolidated Cash Flow Statement

in TEUR	Q1 2019/20	Q1 2018/19
Profit before tax	13.590	4.433
Depreciation and amortisation	15.440	13.683
Gain/loss on the disposal of property, plant and equipment and intangible assets	-25	102
Other non-cash financial results	-78	1.233
Interest income e/ Interest expense	1.899	1.934
Share of profit or loss in companies accounted for at equity	0	-348
<b>Cash flow from operating results</b>	<b>30.826</b>	<b>21.037</b>
Inventories	-5.688	-10.012
Trade receivables	3.804	-1.175
Trade payables	-6.832	-2.703
Prepayments received	5.075	5.529
<b>Change in working capital</b>	<b>-3.641</b>	<b>-8.361</b>
Non-current provisions	-542	-528
Current provisions	-4.887	5.112
Other assets	-8.781	-3.404
Other liabilities	7.290	-4.560
<b>Change in other operating items</b>	<b>-6.920</b>	<b>-3.380</b>
<b>Income taxes paid</b>	<b>-669</b>	<b>-964</b>
<b>Cash flow from operating activities</b>	<b>19.596</b>	<b>8.332</b>
Cash inflows from the disposal of property, plant and equipment and other intangible assets	614	167
Cash outflows for the purchase of property, plant and equipment and other intangible assets	-10.403	-15.465
Change in non-current and current financial assets	45	754
<b>Cash flow from investing activities</b>	<b>-9.744</b>	<b>-14.544</b>
<b>FREE CASH FLOW</b>	<b>9.852</b>	<b>-6.212</b>
Cash proceeds from non-current and current borrowings	39.680	6.496
Cash repayments of non-current and current borrowings	-25.000	-5.000
Interest paid	-1.793	-2.041
Interest received	82	143
<b>Cash flow from financing activities</b>	<b>12.969</b>	<b>-402</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>22.821</b>	<b>-6.614</b>
Cash and cash equivalents at the beginning of the year	19.605	72.446
Cash and cash equivalents at the end of the year	42.818	65.943
Effects of exchange rate changes on cash and cash equivalents	392	111
<b>Change absolute</b>	<b>22.821</b>	<b>-6.614</b>

# Service

## Financial Calendar

Report on the First Quarter 2019/20 (1 May 2019 - 31 July 2019)	3 September 2019
Report on the First Half-year 2019/20 (1 May 2019 - 31 October 2019)	3 December 2019
Report on the First Three Quarters 2019/20 (1 May 2019 - 31 January 2020)	3 March 2020

## Contact Information

### Investor Relations

Emanuel Hagspiel

Head of Investor Relations

Telephone +43 (0)5572 509-1125

E-Mail [emanuel.hagspiel@zumtobelgroup.com](mailto:emanuel.hagspiel@zumtobelgroup.com)

### Press / Corporate Communication

Marina Konrad-Märk

Head of Corporate Communications

Telephon +43 (0)5572 509-575

E-Mail [marina.konrad-maerk@zumtobelgroup.com](mailto:marina.konrad-maerk@zumtobelgroup.com)

## Financial Reports

Our financial reports are available in English and German for download under: <http://www.zumtobelgroup.com>.

## More Information

on Zumtobel Group AG and our brands can be found on the Internet under:

[www.zumtobelgroup.com](http://www.zumtobelgroup.com)

[www.zumtobel.com](http://www.zumtobel.com)

[www.thornlighting.com](http://www.thornlighting.com)

[www.tridonic.com](http://www.tridonic.com)

[www.acdclighting.co.uk](http://www.acdclighting.co.uk)

## Imprint

Publisher: Zumtobel Group AG, Investor Relations, Emanuel Hagspiel

Coordination Financials: Bernhard Chromy

Translation: Donna Schiller-Margolis

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Produced in-house with FIRE.sys

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