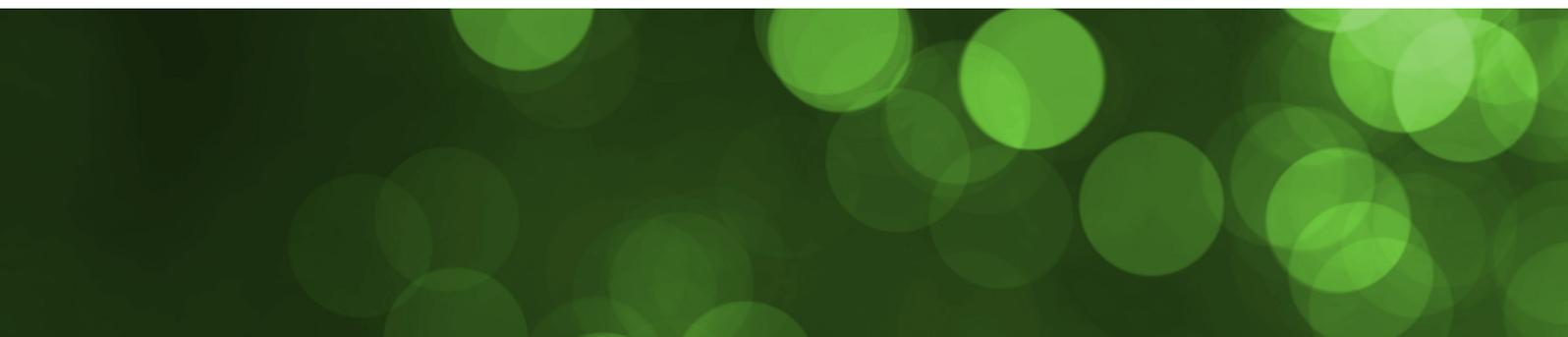


zumtobel group

H1 (May–October 2018)

Report on the First Half-Year 2018/19 of Zumtobel Group AG

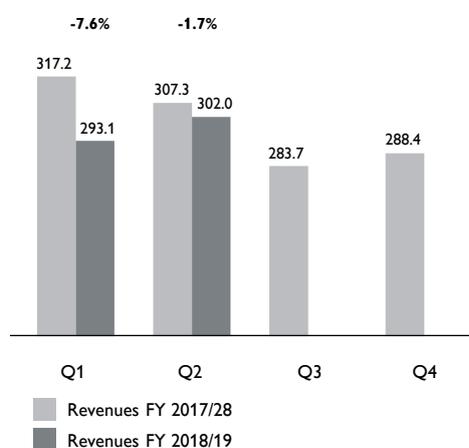


Overview of the First Half-Year 2018/19

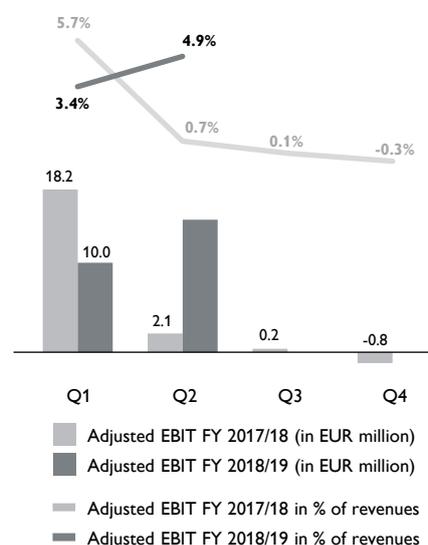
Key Data in EUR million	Q2 2018/19	Q2 2017/18	Change in %	1 HY 2018/19	1 HY 2017/18	Change in %
Revenues	302.0	307.3	(1.7)	595.1	624.4	(4.7)
EBITDA	24.2	10.7	>100	45.1	40.5	11.5
as a % of revenues	8.0	3.5		7.6	6.5	
Adjusted EBIT	14.8	2.1	>100	24.8	20.3	22.0
as a % of revenues	4.9	0.7		4.2	3.3	
EBIT	11.9	(0.9)	>100	19.1	16.1	18.9
as a % of revenues	3.9	(0.3)		3.2	2.6	
Net profit/loss for the period	6.0	(2.0)	>100	8.8	7.7	14.3
as a % of revenues	2.0	(0.7)		1.5	1.2	
Cash flow from operating results	45.3	11.7	>100	45.3	41.4	9.5
Investments	17.8	12.7	40.7	33.3	33.3	0.1
				31 Oct 2018	30 April 2018	Change in %
Total assets				977.3	986.1	(0.9)
Equity				283.3	268.3	5.6
Equity ratio in %				29.0	27.2	
Net debt				142.1	146.3	(2.9)
Headcount incl. contract worker (full-time equivalent)				6,105	6,224	(1.9)

Development of Business by Quarter

Revenues (in EUR million)



Adjusted EBIT



Letter to Shareholders

Dear Shareholders,

In the first six months of the 2018/19 financial year, we set a number of strategic milestones for the repositioning of the Zumtobel Group. The continuous ramp-up of our plant in Niš, Serbia, to strengthen the global production network and the ongoing implementation of restructuring, efficiency improvement and cost saving measures represent important steps to improve our profitability over the medium-term.

We are on the right track to make the company shine again. During the first half of our 2018/19 financial year we managed to improve profitability despite declining revenues. However, we have not reached a competitive cost base yet. Therefore, we will continue to push measures to strengthen our competitiveness throughout the Group in order to generate profitable growth in the long-term.

In addition to improving the cost base and in line with the strategic repositioning, the Zumtobel Group relies on Services and Turnkey Solutions as the driver of future growth, on the components business as a response to intelligent lighting systems as well as on strong core brands for a clear positioning in focus markets and applications.



Alfred Felder

Improvement in profitability despite decline in revenues

Group revenues totalled EUR 595.1 million in the first half year of 2018/19 (minus 4.7% compared with the previous year). After an adjustment for foreign exchange effects – which resulted from the increase of the euro versus the Swiss franc, Turkish lira and British pound – revenues declined by 3.2%. Further reasons for this decline are the intense price competition in the lighting industry and substantially lower revenues in Great Britain (roughly minus 15%), the Zumtobel Group's most important single market. In Great Britain, the development of revenues is negatively impacted by the uncertain outcome of the BREXIT negotiations as well as the resulting decline in incoming orders in the British non-residential construction sector.

The measures introduced by the new Management Board for the strategic repositioning resulted in an improved earnings situation despite a decline in revenues in the first half year of 2018/19. This development is primarily attributable to a significantly streamlined management team and strict cost management. Adjusted Group EBIT increased by 22% to EUR 24.8 million (H1 2017/18: EUR 20.3 million). Net profit for the period improved by 14.3% compared with the first half of 2017/18 to EUR 8.8 million.

Outlook for 2018/19 & mid-term goal

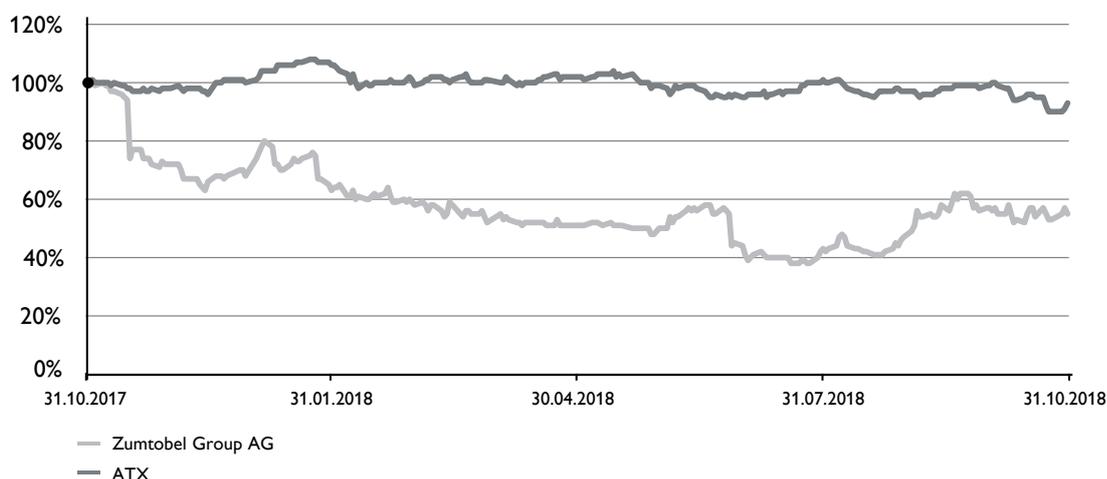
The Management Board of the Zumtobel Group considers 2018/19 a year of transition and confirms the previously issued guidance. In view of the ongoing low visibility as well as the generally intensive price competition in the lighting industry and numerous macroeconomic issues (e.g. BREXIT, trade conflicts), a statement on the development of revenues in the second half-year is connected with substantial uncertainty. For the full year of 2018/19, adjusted Group EBIT is expected to improve slightly year-on-year (FY 2017/18: EUR 19.7 million). The company has set a medium-term target to generate an EBIT margin of approx. 6% by the 2020/21 financial year.

Alfred Felder
Chief Executive Officer (CEO)

The Zumtobel Group Share

Based on an unchanged number of 43,5 million common shares outstanding, the market capitalisation of Zumtobel Group AG totalled EUR 349 million at the end of October 2018. The shareholder structure has changed slightly since the end of the 2017/18 financial year. The Zumtobel family increased its holding from 35.5% to over 36.0% of the voting rights and has therefore remained the stable core shareholder of Zumtobel Group AG since the IPO. The stakes held by institutional investors as of 31 October 2018 were as follows: Lazard Freres Gestion SAS with an investment of over 5% and Wellington Management Group LLP with an investment of over 4%. The remaining shares are held primarily by other institutional investors. The average daily turnover on the Vienna Stock Exchange amounted to 311,682 shares in the first half of 2018/19 (double-count, as published by the Vienna Stock Exchange). The company held an unchanged number of 353,343 treasury shares as of 31 October 2018.

Development of the Zumtobel Group Share



Key Data on the Zumtobel Group Share for the 1st half year 2018/19

Closing price at 30.04.2018	EUR 7.500	Currency	EUR
Closing price at 31.10.2018	EUR 8.020	ISIN	AT0000837307
Performance H1 2018/19	6.9%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 31.10.2018	EUR 349 Mio	Market segment	ATX Prime
Share price - high at 19.09.2018	EUR 9.170	Reuters symbol	ZUMV.VI
Share price - low at 26.07.2018	EUR 5.550	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	311,682	Number of issued shares	43,500,000

Group Management Report

The Economic Environment

The October 2018 report by the International Monetary Fund (IMF) includes a slight downward adjustment to this year's outlook for the global economy. Annual growth of 3.7% per year is now expected in 2018 and 2019, which represents a reduction of 0.2 percentage points compared with the April 2018 forecast. The risks for worldwide growth – for example, increasing trade barriers – have become greater in recent months and, in part, already materialised. Momentum has weakened, especially in the Eurozone and Great Britain, and the forecasts were adjusted accordingly. The IMF lowered its growth expectations for the Eurozone from 2.4% to 2.0% in 2018. The forecast for Great Britain – the most important single market for the Zumtobel Group – was reduced to 1.4% in 2018 and 1.5% in 2019. A major, ongoing uncertainty factor here is the unclear outcome of the BREXIT negotiations and the potential economic effects. The IMF has projected stronger development for the USA in 2018 (plus 2.9%), but the diminishing effects of loose fiscal policies in recent years are expected to lead to slower growth beginning in 2019. For the emerging and developing countries, the IMF still expects high growth rates of 6.5% in 2018 and 6.3% in 2019. Global employment and incomes have improved substantially as a result of the worldwide recovery, but the IMF sees increasing pressure on policymakers to drive growth through common solutions due the increasing risks (e.g. BREXIT, trade conflicts).

Significant Events since 30 April 2018

A resolution was passed by 42nd annual general meeting on 21 July 2018 to waive the payment of a dividend for the 2017/18 financial year.

**No dividend for
FY 2017/18**

The new strategy for the Zumtobel Group was presented in connection with the publication of the first quarter report on 4 September 2018. It comprises five key elements which are derived from "Focus", the core of the new strategy. The clearly defined goal of this strategy is to create sustainable added value for all stakeholders (shareholders, customers, employees). The company has set a goal to generate an EBIT margin of approximately 6% by the 2020/21 financial year.

**Management Board
presents new
"Focus" strategy**

The new production plant in Niš, Serbia, was officially opened on 28 September 2018. The plant houses two main areas: Production area 1 for components (Tridonic) started series production at the end of July 2018, and Production area 2 for lighting started operations at the beginning of September. With a total investment volume of over EUR 30 million and 40,000 square metres, this plant represents an important addition to the Zumtobel Group's international production network.

**Zumtobel Group
opens new plant
in Serbia**

In November 2018, the Zumtobel Group approved the gradual shutdown of production in the components plant (Tridonic) in Jennersdorf, Austria, by November 2019. This economically necessary reorganisation will primarily affect approximately 90 employees in the production area. The research and development location in Jennersdorf with roughly 30 jobs will remain the LED competence centre for the Zumtobel Group. The production of the LED modules in Jennersdorf will be transferred to Niš and Dornbirn.

**Gradual shutdown of
production at the
components plant
in Jennersdorf**

No other significant events occurred after the balance sheet date on 30 April 2018.

Development of revenues in the first half-year 2018/19

- >> Group revenues decline by 4.7% (FX-adjusted: minus 3.2%)
- >> LED share of Group revenues rises to 81.5% (H1 2017/18: 79.4%)
- >> Lighting Segment revenues (FX-adjusted) 5.1% below previous year
- >> Revenues in Components Segment reflect previous year (FX-adjusted: plus 0.7%)

FX-adjusted decline of 3.2% in Group revenues

In the first half of the 2018/19 financial year (1 May 2018 to 31 October 2018), Group revenues fell by 4.7% year-on-year to EUR 595.1 million (previous year: EUR 624.4 million). Revenue development was influenced by negative currency translation effects of EUR 9.5 million, which resulted primarily from the increase in the euro versus the Swiss franc, Turkish lira and British pound. After an adjustment for these effects, the decline equalled 3.2% for the reporting period. The LED share of Group revenues increased from 79.4% to 81.5% within 12 months.

Segment development in EUR million	Q2 2018/19	Q2 2017/18	Change in %	1 HY 2018/19	1 HY 2017/18	Change in %	FX adjusted in %
Lighting Segment	230.5	234.7	(1.8)	450.0	479.4	(6.1)	(5.1)
Components Segment	86.6	90.2	(4.0)	176.0	179.0	(1.7)	0.7
Reconciliation	(15.1)	(17.7)	(14.6)	(30.8)	(34.1)	(9.5)	
Zumtobel Group	302.0	307.3	(1.7)	595.1	624.4	(4.7)	(3.2)

Lighting Segment- FX-adjusted revenues 5.1% below previous year

Business in the Lighting Segment is still influenced by the difficult industry environment. The development of revenues was adversely affected, in particular, by a sharp drop in revenues in Great Britain, the most important single market for the Zumtobel Group, and by very intensive price competition. Revenues in the Lighting Segment therefore fell by 6.1% to EUR 450.0 million (previous year: EUR 479.4 million). After an adjustment for negative foreign exchange effects, revenues were 5.1% lower than the first half of the previous year.

FX-adjusted revenues in Components Segment at prior year level

Revenues in the Components Segment fell by 1.7% in the first half of 2018/19, but increased slightly by 0.7% after an adjustment for foreign exchange effects. Two factors had a negative influence on this development: the devaluation of the Turkish lira versus the reporting currency (euro) and a decrease in the demand for components from the Lighting Segment. In addition, a stronger decline was recorded in sales of conventional electronic ballasts. Positive factors included a substantial improvement in the demand for intelligent, integrated LED components and Tridonic system solutions.

Distribution of regional revenues

Revenues in EUR million	Q2 2018/19	Change in %	1 HY 2018/19	Change in %	in % of Group
D/A/CH	96.1	(0.9)	184.1	(3.5)	30.9
Northern Europe	63.7	(2.5)	126.7	(11.4)	21.3
Benelux & Eastern Europe	47.3	(4.1)	92.4	(0.4)	15.5
Southern Europe	41.9	2.9	90.7	1.4	15.2
Asia & Pacific	31.6	(7.7)	61.7	(5.3)	10.4
Middle East & Africa	14.8	20.5	27.4	2.5	4.6
Americas	6.7	(20.7)	12.1	(27.4)	2.0
Total	302.0	(1.7)	595.1	(4.7)	100.0

The trend from previous quarters continued to a certain extent during the first half of 2018/19. The D/A/CH region, the strongest market for the Zumtobel Group, recorded a 3.5% decline (FX-adjusted: minus 2.6%) in revenues to EUR 184.1 million. Revenues exceeded the previous year in Switzerland, but were lower in Austria and Germany. Revenues in Northern Europe fell by 11.4% to EUR 126.7 million. The Lighting Segment, in particular, recorded a further revenue decline in Great Britain during the first half of 2018/19 (approx. 15%). The Benelux & Eastern Europe region was only able to connect in part with the positive development from the first quarter of this financial year. The sound trend in Eastern Europe continued from the previous year, but business in Benelux remained disappointing. Revenues in this region declined by 0.4% to EUR 92.4 million (FX-adjusted: plus 1.6%). The Southern European region consists primarily of Italy, Spain and France. Italy again reported solid year-on-year revenue growth during the first six months of 2018/19, but business development in France and Spain was slightly weaker than the previous year. Revenues in this region rose by a total of 1.4% to EUR 90.7 million. The Middle East & Pacific region reported an FX-adjusted decrease of 3.7% in revenues. The Middle East & Africa region offset the first quarter decline and recorded an increase of 2.5% in revenues to EUR 27.4 million. Revenues in the America region fell by 27.4% (FX-adjusted: minus 26.4%) to EUR 12.1 million.

Substantial declines in Great Britain and the USA

Development of earnings in the first half-year 2018/19

- >> Profitability negatively affected by revenue declines and ongoing intensive price competition
- >> Efficiency and cost savings measures with a significant impact on fixed costs
- >> Adjusted Group EBIT rises to EUR 24.8 million
- >> Net profit for the period clearly positive at EUR 8.8 million

Group EBIT adjusted for special effects rose to EUR 24.8 million in the first half of 2018/19 (H1 2017/18: EUR 20.3 million), and the return on sales increased from 3.3% to 4.2%. The improvement in Group profitability during the reporting period was supported primarily by the Lighting Segment, where adjusted EBIT increased from EUR 12.8 million to EUR 19.4 million. In the Components Segment, adjusted EBIT equalled EUR 15.9 million (H1 2017/18: EUR 19.0 million). The results of the cost reduction measures are now visible, especially in the Lighting Segment, and earnings improved during the reporting period despite the ongoing intensive price competition. The first half of the previous year was also influenced by higher warranty provisions, above all for long-term road lighting projects.

Adjusted Group EBIT rises to EUR 24.8 million

The gross profit margin (after development costs) for the Zumtobel Group fell to 31.7% in the first half of 2018/19 (previous year: 32.0%). Development costs included in the cost of goods sold fell by EUR 4.4 million to EUR 30.0 million (H1 2017/18: EUR 34.3 million).

Decline in development costs

Income statement in EUR million	Q2 2018/19	Q2 2017/18	Change in %	1 HY 2018/19	1 HY 2017/18	Change in %
Revenues	302.0	307.3	(1.7)	595.1	624.4	(4.7)
Cost of goods sold	(206.8)	(219.6)	(5.8)	(406.5)	(424.6)	(4.3)
Gross profit	95.2	87.6	8.6	188.6	199.8	(5.6)
as a % of revenues	31.5	28.5		31.7	32.0	
SG&A expenses adjusted for special effects	(80.4)	(85.5)	(6.0)	(163.8)	(179.5)	(8.7)
Adjusted EBIT	14.8	2.1	>100	24.8	20.3	22.0
as a % of revenues	4.9	0.7		4.2	3.3	
Special effects	(2.9)	(3.0)	(100.0)	(5.6)	(4.2)	(100.0)
EBIT	11.9	(0.9)	>100	19.1	16.1	18.9
as a % of revenues	3.9	(0.3)		3.2	2.6	
Financial results	(4.7)	(2.7)	(74.0)	(7.6)	(7.0)	(7.9)
Profit/loss before tax	7.2	(3.6)	>100	11.6	9.1	27.3
Income taxes	(1.2)	1.6	<(100)	(2.8)	(1.4)	97.2
Net profit/loss for the period	6.0	(2.0)	>100	8.8	7.7	14.3
Earnings per share (in EUR)	0.14	(0.05)	>100	0.20	0.18	14.3

Note: EBITDA (plus depreciation and amortisation) amounted to EUR 45.1 million in the first half of 2018/19.

Substantial reduction in selling and administrative costs

The efficiency and cost reduction measures implemented in spring 2018 led to a significant reduction in selling and administrative costs. Selling expenses (incl. research) fell by EUR 8.2 million to EUR 149.2 million in the first half of 2018/19 (H1 2017/18: EUR 157.4 million), and administrative expenses were EUR 5.7 million lower at EUR 19.4 million (H1 2017/18: EUR 25.1 million). This development was supported, above all, by the streamlining of the management team and strict cost controls. Other operating income, excluding special effects, amounted to EUR 4.8 million (H1 2017/18: EUR 3.1 million) due to higher license income from the LED business and government grants.

Negative special effects from transformation process

Negative special effects of EUR 5.6 million (H1 2017/18: EUR 4.2 million) were recorded in the first half of 2018/19. These effects are related primarily to restructuring measures involving management and the write-off of a capitalised development project in connection with the adjustment of the product portfolio.

Adjusted EBIT in EUR million	Q2 2018/19	Q2 2017/18	Change in %	1 HY 2018/19	1 HY 2017/18	Change in %
Reported EBIT	11.9	(0.9)	>100	19.1	16.1	18.9
thereof special effects	(2.9)	(3.0)	(5.1)	(5.6)	(4.2)	(100.0)
Adjusted EBIT	14.8	2.1	>100	24.8	20.3	22.0
as a % of revenues	4.9	0.7		4.2	3.3	

Financial results slightly below previous year

Financial results declined by EUR 0.6 million year-on-year to minus EUR 7.6 million (H1 2017/18: minus EUR 7.0 million). Interest expense is attributable primarily to the current credit agreement and to finance leases. Other financial income and expenses totalled minus EUR 4.4 million (H1 2017/18: minus EUR 3.7 million). The fluctuations in the fair value measurement of financial instruments reflect the high volatility on the foreign exchange market, above all in connection with the Swiss franc, Turkish lira, British pound and US dollar.

Financial result in EUR million	Q2 2018/19	Q2 2017/18	Change in %	1 HY 2018/19	1 HY 2017/18	Change in %
Interest expense	(1.7)	(1.5)	14.1	(3.8)	(3.2)	19.2
Interest income	0.1	0.1	41.4	0.2	0.2	52.5
Net financing costs	(1.6)	(1.5)	(12.8)	(3.6)	(3.0)	(17.5)
Other financial income and expenses	(3.2)	(1.1)	<(100)	(4.4)	(3.7)	17.9
Result from companies accounted for at-equity	0.1	(0.1)	>100	0.4	(0.2)	>100
Financial results	(4.7)	(2.7)	(74.0)	(7.6)	(7.0)	(7.9)

Profit before tax amounted to EUR 11.6 million for the reporting period (H1 2017/18: EUR 9.1 million), and income taxes totalled EUR 2.8 million (H1 2017/18: EUR 1.4 million). Net profit therefore rose to EUR 8.8 million (H1 2017/18: EUR 7.7 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 0.20 (H1 2017/18: plus EUR 0.18).

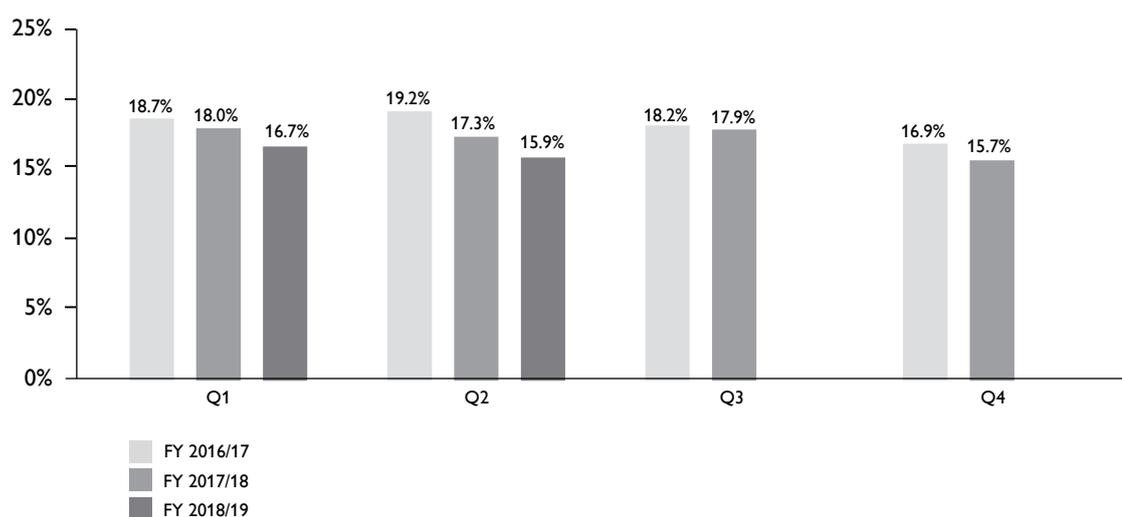
Cash flow and asset position

The improvement in profitability was reflected in an increase in cash flow from operating results from EUR 41.4 million in the previous year to EUR 45.3 million.

The optimisation of working capital continued during the reporting period with a reduction of EUR 33.1 million below the level on 31 October 2017 to EUR 185.5 million as of 31 October 2018. Accordingly, cash flow from operating activities increased from EUR 13.9 million to EUR 41.6 million in the first half of 2018/19.

Positive development of working capital

Working Capital as % of rolling 12-month revenues



Cash flow investing activities reflected the comparable prior year period with an investment volume of EUR 33.3 million in the first half of 2018/19. This amount includes investments of EUR 13.4 million for the new plant in Serbia (H1 2017/18: EUR 3.6 million). Free cash flow improved to plus EUR 9.0 million during the reporting period (H1 2017/18: minus EUR 22.5 million), primarily due to the increase in cash flow from operating activities.

Free cash flow at plus EUR 9.0 million

Further details on the cash flow statement are provided in the consolidated interim financial statements under "Notes to the Cash Flow Statement".

Balance sheet data in EUR million	31 Oct 2018	30 April 2018
Total assets	977.3	986.1
Net debt	142.1	146.3
Debt coverage ratio	2.42	2.70
Equity	283.3	268.3
Equity ratio in %	29.0	27.2
Gearing in %	50.2	54.5
Investments	33.3	69.0
Working capital	185.5	188.1
As a % of rolling 12 month revenues	15.9	15.7

Solid balance sheet structure

The quality of the balance sheet structure has remained nearly unchanged since 30 April 2018. The equity ratio equalled 29.0% as of 31 October 2018. Net debt fell EUR 4.2 million below the level on 30 April 2018 to EUR 142.1 million and gearing – the ratio of net debt to equity – therefore improved from 54.5% to 50.2%.

Major risks and uncertainties during the second half-year 2018/19

Risk management for early identification of opportunities and risks

The Zumtobel Group is well aware that an effective risk management system represents an important factor for maintaining and expanding its competitive position. The goal of risk management is to identify risks and opportunities at an early point in time through a systematic approach and thereby permit the prompt implementation of suitable measures to deal with changes in the operating environment.

Risks arising from economic developments and competitive risks

A major risk factor is the uncertainty over the future development of the relevant market and industry environment for interior and exterior lighting. It is questionable whether the solid to good growth in the European lighting industry during recent years will continue over the near term. Incoming orders are currently at a lower level, above all in the components business, and there are currently no indications that this situation will ease during the second half of 2018/19. In addition, the increasing competition over prices and conditions can have a negative effect on the quality of margins. Political developments (e.g. BREXIT, budget disputes, new elections and the escalation of trade conflicts) in key markets like Great Britain, Italy and Germany can also have a negative influence on projects and lead to the postponement or cancellation of existing orders. The outcome of the BREXIT (follow-up) negotiations is still unclear and, consequently, preparations can only be based on possible scenarios together with the resulting economic and legal effects and appropriate measures. Although the chances of an orderly BREXIT have increased, negative effects from added costs are expected over the short-term.

Risks arising from restructuring

In any event, necessary measures to bring structural costs and capacity in line with a more difficult market environment or the strategic reorientation of the Zumtobel Group could lead to additional restructuring costs and thereby have a negative effect on earnings. The new production plant for lighting and components in Niš (Serbia) which was opened in September 2018, not only brings opportunities, but also short-term risks. The adjustment of plant capacity and the shift of products to other locations lead to temporary production and/or logistics inefficiencies and, in turn, can result in delivery problems.

Market acceptance of new products

Differentiation from the competition can strengthen a company's market position and protect appropriate margins. In both the lighting and components businesses, the Zumtobel Group must regularly defend its strong technology position in the industry and adapt new developments to meet the changing requirements of

various applications. This challenge is met with a steady focus on innovation and close cooperation between development and sales. "Services & Solutions" (formerly Zumtobel Group Services), a corporate function which supports both segments, strengthens the Zumtobel Group's positioning as a service-oriented company. Innovative turnkey solutions for products, systems and services represent an important driver for future growth.

The price levels for steel, copper, aluminium and plastic granulate are very high. The market for multi-layer ceramic capacitors (MLCC) is also strained and the shortage is expected to continue into 2019. The Zumtobel Group concludes fixed-term delivery contracts, where possible, to minimise the risks arising from unexpected price fluctuations. Nonetheless, the higher costs caused by rising raw material prices must be passed on to customers. The tense market situation can also lead to temporary delays in supplier deliveries which, in turn, can influence the reliability of the Zumtobel Group's deliveries to its end customers.

Raw material price and supply risk

In order to protect the ability to meet its payment obligations at all times, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset seasonal liquidity fluctuations arising from business activities. The Zumtobel Group had short-term, unsecured lines of credit totalling EUR 67.7 million at its disposal as of 31 October 2018 (previous year: EUR 84.7 million). An important source of financing for the Zumtobel Group is the consortium credit agreement concluded on 1 December 2015 with seven banks, which has a term ending in November 2022 and a current maximum line of EUR 220 million. The amount drawn by the Zumtobel Group under this credit agreement totalled EUR 90 million as of 31 October 2018 (previous year: EUR 95 million). The consortium credit agreement includes a change of control clause that would take effect if there were a change in the absolute majority of voting rights as well as a clause covering an increase of up to EUR 200 million. In addition to the consortium credit agreement, the Zumtobel Group concluded two bank credit agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in January 2020, respectively in September 2024; both credits were fully drawn as of 31 October 2018. The consortium credit agreement requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). A deterioration in these financial indicators could lead to a gradual increase in the credit margin, while failure to comply with the covenants could cause the lending banks to call existing loans. These financial covenants were met in full as of 31 October 2018 with a debt coverage ratio of 2.42 (30 April 2018: 2.70) and an equity ratio of 29.0% (30 April 2018: 27.2%).

Low liquidity risk

A EUR 40.0 million loan with a term ending in January 2020 has a fixed interest rate and is therefore not exposed to interest rate risk. A further EUR 40.0 million loan (maturity: September 2024) and the balance of EUR 90 million currently outstanding under the consortium credit agreement carry variable interest rates (EURIBOR money market interest rates). In order to reduce the interest rate risk on the consortium credit agreement, the Zumtobel Group has concluded EUR-interest rate swaps with various banks for a current effective nominal volume of approximately EUR 40 million. These instruments are structured over various terms (up to June 2021 at the latest) and convert the variable interest payments on the financing into fixed interest payments and limit the interest rate to a maximum of 1.446%.

Interest rate risk

The foreign exchange markets are characterised by high uncertainty and volatility. The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when local companies buy and/or sell their products in a currency other than their local currency. Intragroup dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (euro) for consolidation – is of lesser importance for the Zumtobel Group and is not hedged. Transaction risk is generally hedged with forward exchange contracts that have a term of up to one year and, in selected cases, by options. The Group's main currencies are the EUR, GBP, USD (as well as the Asian currencies that are

Foreign exchange risk

pegged to the USD), AUD and CHF. Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met. Currently available information indicates that negative transaction effects from exchange rate fluctuations can also be expected in the second half of 2018/19.

**Variable remuneration
adjusted for FY
2018/19**

The variable remuneration for participants in the Global Reward Bonus Programme was adjusted for the 2018/19 financial year. In contrast to previous years, it is no longer based on the total shareholder return of Zumtobel Group AG in comparison with a defined peer group. The addition to the bonus provision beginning in 2018/19 will be dependent on adjusted EBIT and free cash flow in the respective segment. The previous indicator, the total shareholder return of Zumtobel Group AG compared with a defined peer group, remains in effect for the evaluation of accrued LTI credits from earlier years for the participants in the Long-Term Incentive Programme.

Product liability risks

The risks arising from regress claims and the subsequent damage to the Group's image as a result of quality defects can be caused by errors in the internal and/or external supply chain. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. The Zumtobel Group also carries product liability insurance. The lighting industry has recently experienced a trend towards longer warranty periods, above all for road lighting projects. This can lead to higher guarantee costs and/or provisions for warranties.

Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The Group's asset and earnings positions are directly influenced by foreign exchange effects as well as the necessary use of estimates and judgment in valuing non-financial assets, deferred tax assets, inventories, receivables, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill, the valuation of capitalised development costs and inventories, and the valuation of the pension fund in Great Britain.

Additional information on the potential risks and opportunities facing the Zumtobel Group is provided in the 2017/18 annual financial report. Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

Cautious optimism for FY 2018/19 – Guidance confirmed

The Management Board of the Zumtobel Group considers 2018/19 a year of transition and confirms the previously issued guidance. In view of the ongoing low visibility as well as the generally intensive price competition in the lighting industry and numerous macroeconomic issues (e.g. BREXIT, trade conflicts), a statement on the development of revenues in the second half-year is connected with substantial uncertainty. For the full year of 2018/19, adjusted Group EBIT is expected to improve slightly year-on-year (FY 2017/18: EUR 19.7 million). The company has set a medium-term target to generate an EBIT margin of approx. 6% by the 2020/21 financial year.

Dornbirn, 4 December 2018

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Income Statement

in TEUR	Q2 2018/19	Q2 2017/18	Change in %	1 HY 2018/19	1 HY 2017/18	Change in %
Revenues	302,013	307,251	(1.7)	595,122	624,414	(4.7)
Cost of goods sold	(206,830)	(219,611)	(5.8)	(406,537)	(424,618)	(4.3)
Gross profit	95,183	87,640	8.6	188,585	199,796	(5.6)
<i>as a % of revenues</i>	31.5	28.5		31.7	32.0	
Selling expenses	(75,043)	(75,861)	(1.1)	(149,238)	(157,412)	(5.2)
Administrative expenses	(8,654)	(12,095)	(28.4)	(19,395)	(25,143)	(22.9)
Other operating income	3,417	2,741	24.6	4,940	3,463	42.6
<i>thereof special effects</i>	0	284	(100.0)	0	284	(100.0)
Other operating expenses	(3,007)	(3,333)	(9.8)	(5,743)	(4,596)	25.0
<i>thereof special effects</i>	(2,894)	(3,333)	(13.2)	(5,632)	(4,483)	25.6
Operating profit/loss	11,896	(908)	>100	19,149	16,108	18.9
<i>as a % of revenues</i>	3.9	(0.3)		3.2	2.6	
Interest expense	(1,743)	(1,527)	14.1	(3,819)	(3,204)	19.2
Interest income	99	70	41.4	242	159	52.5
Other financial income and expenses	(3,150)	(1,129)	<(100)	(4,385)	(3,719)	17.9
Result from companies accounted for at-equity	59	(136)	>100	407	(238)	>100
Financial results	(4,735)	(2,722)	(74.0)	(7,555)	(7,002)	(7.9)
<i>as a % of revenues</i>	(1.6)	(0.9)		(1.3)	(1.1)	
Profit/loss before tax	7,161	(3,630)	>100	11,594	9,106	27.3
Income taxes	(1,184)	1,596	<(100)	(2,825)	(1,433)	97.2
Net profit/loss for the period	5,977	(2,034)	>100	8,769	7,673	14.3
<i>as a % of revenues</i>	2.0	(0.7)		1.5	1.2	
<i>thereof due to non-controlling interests</i>	(16)	(47)	65.3	(75)	(22)	<(100)
<i>thereof due to shareholders of the parent company</i>	5,993	(1,987)	>100	8,844	7,695	14.9
Average number of shares outstanding – basic (in 1,000 pcs.)	43,147	43,147		43,147	43,147	
Average number of shares outstanding – diluted (in 1,000 pcs.)	43,147	43,147		43,147	43,147	
Earnings per share (in EUR)						
Earnings per share (diluted and basic)	0.14	(0.05)		0.20	0.18	
Earnings per share from continuing operations (in EUR)						
Earnings per share (diluted and basic)	0.14	(0.05)		0.20	0.18	

Statement of Comprehensive Income

in TEUR	Q2 2018/19	Q2 2017/18	Change in %	1 HY 2018/19	1 HY 2017/18	Change in %
Net profit/loss for the period	5,977	(2,034)	>100	8,769	7,673	14.3
Actuarial gain/loss	3,951	4,789	(17.5)	3,951	4,789	(17.5)
Deferred taxes due to actuarial gain/loss	(172)	(198)	13.1	(172)	(198)	(12.9)
Total of items that will not be reclassified ("recycled") subsequently to the income statement	3,779	4,591	(17.7)	3,779	4,591	(17.7)
Currency differences	836	(3,144)	>100	3,110	(3,144)	>100
Currency differences arising from loans	437	2,117	(79.4)	(1,230)	(3,533)	(65.2)
Hedge accounting	91	98	(7.1)	226	396	(42.9)
Deferred taxes due to hedge accounting	(23)	(25)	8.0	(56)	(99)	(42.9)
Total of items that will be reclassified ("recycled") subsequently to the income statement	1,341	756	77.4	2,050	(6,380)	>100
Subtotal other comprehensive income	5,120	5,347	(4.2)	5,829	(1,789)	>100
<i>thereof due to non-controlling interests</i>	75	23	>100	141	(188)	>100
<i>thereof due to shareholders of the parent company</i>	5,045	5,324	(5.2)	5,688	(1,601)	>100
Total comprehensive income	11,098	3,313	>100	14,598	5,884	>100
<i>thereof due to non-controlling interests</i>	57	(25)	>100	66	(210)	>100
<i>thereof due to shareholders of the parent company</i>	11,041	3,338	>100	14,532	6,094	>100

Balance Sheet

in TEUR	31 Oct 2018	in %	30 April 2018	in %
Goodwill	189,527	19.4	187,895	19.1
Other intangible assets	49,783	5.1	47,824	4.8
Property, plant and equipment	226,648	23.1	222,159	22.4
Financial assets accounted for at equity	4,214	0.4	3,807	0.4
Financial assets	1,025	0.1	1,012	0.1
Other assets	4,430	0.5	4,468	0.5
Deferred taxes	25,304	2.6	25,597	2.6
Non-current assets	500,931	51.2	492,762	49.9
Inventories	194,404	19.9	198,735	20.2
Trade receivables	159,791	16.4	157,694	16.0
Financial assets	930	0.1	1,664	0.2
Other assets	58,823	6.0	50,161	5.1
Liquid funds	62,441	6.4	85,090	8.6
Current assets	476,389	48.8	493,344	50.1
ASSETS	977,320	100.0	986,106	100.0
Share capital	108,750	11.1	108,750	11.0
Additional paid-in capital	335,316	34.3	335,316	34.0
Reserves	(173,460)	(17.7)	(132,835)	(13.5)
Net profit/loss for the year	8,844	0.9	(46,690)	(4.7)
Capital attributed to shareholders of the parent company	279,450	28.6	264,541	26.8
Capital attributed to non-controlling interests	3,868	0.3	3,802	0.4
Equity	283,318	28.9	268,343	27.2
Provisions for pensions	78,846	8.1	83,313	8.4
Provisions for severance compensation	49,497	5.1	49,330	5.0
Provisions for other employee benefits	9,497	1.0	9,534	1.0
Other provisions	9,592	1.0	8,717	0.9
Borrowings	189,939	19.4	175,656	17.8
Other liabilities	1,941	0.2	2,544	0.3
Deferred taxes	3,062	0.3	3,087	0.3
Non-current liabilities	342,374	35.1	332,181	33.7
Provisions for taxes	23,484	2.4	22,096	2.2
Other provisions	34,565	3.5	39,996	4.1
Borrowings	14,616	1.5	55,763	5.7
Trade payables	144,754	14.8	153,758	15.6
Other liabilities	134,209	13.8	113,969	11.5
Current liabilities	351,628	36.0	385,582	39.1
EQUITY AND LIABILITIES	977,320	100.0	986,106	100.0

Cash Flow Statement

in TEUR	1 HY 2018/19	1 HY 2017/18
Profit/loss before tax	11,594	9,106
Depreciation and amortisation	25,982	24,368
Gain/loss on the disposal of property, plant and equipment and intangible assets	157	897
Other non-cash financial results	3,565	3,719
Interest income/ Interest expense	3,582	3,045
Share of profit or loss in companies accounted for at equity	407	238
Cash flow from operating results	45,287	41,373
Inventories	3,206	4,958
Trade receivables	(2,589)	6,391
Trade payables	(8,720)	(18,581)
Prepayments received	8,642	4,172
Change in working capital	539	(3,060)
Non-current provisions	(1,058)	(1,596)
Current provisions	(5,424)	(9,650)
Other current and non-current assets and liabilities	3,793	(11,024)
Change in other operating items	(2,689)	(22,270)
Income taxes paid	(1,559)	(2,162)
Cash flow from operating activities	41,578	13,881
Cash inflows from the disposal of property, plant and equipment and other intangible assets	612	3,865
Cash outflows for the purchase of property, plant and equipment and other intangible assets	(33,309)	(33,268)
Cash outflows for the acquisition of associates	0	(3,462)
Change in non-current and current financial assets	146	(303)
Change in liquid funds from changes in the consolidation range	0	(3,179)
Cash flow from investing activities	(32,551)	(36,347)
FREE CASH FLOW	9,027	(22,466)
Cash proceeds from non-current and current borrowings	41,432	35,000
Cash repayments of non-current and current borrowings	(69,873)	(6,812)
Dividend paid to shareholders of the parent	0	(9,924)
Interest paid	(3,776)	(3,142)
Interest received	242	158
Cash flow from financing activities	(31,975)	15,280
CHANGE IN CASH AND CASH EQUIVALENTS	(22,948)	(7,186)
Cash and cash equivalents at the beginning of the year	72,446	77,205
Cash and cash equivalents at the end of the year	50,896	67,433
Effects of exchange rate changes on cash and cash equivalents	1,398	(2,586)
Change absolute	(22,948)	(7,186)

Statement of Changes in Equity

1st Half-Year 2018/19

in TEUR	Attributed to shareholders of the parent company						Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve IAS 19			
30 April 2018	108,750	335,316	(10,900)	(42,987)	(432)	(125,206)	264,541	3,802	268,343
Adjustment IFRS 9	0	0	377	0	0	0	377	0	377
1 May 2018	108,750	335,316	(10,523)	(42,987)	(432)	(125,206)	264,918	3,802	268,720
+/- Net profit/loss for the year	0	0	8,844	0	0	0	8,844	(75)	8,769
+/- Other comprehensive income	0	0	0	1,739	170	3,779	5,688	141	5,829
+/- Total comprehensive income	0	0	8,844	1,739	170	3,779	14,532	66	14,598
+/- Dividends	0	0	0	0	0	0	0	0	0
31 October 2018	108,750	335,316	(1,679)	(41,248)	(262)	(121,427)	279,450	3,868	283,318

1st Half-Year 2017/18

in TEUR	Attributed to shareholders of the parent company						Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve IAS 19			
30 April 2017	108,750	335,316	45,714	(27,419)	(1,040)	(131,990)	329,331	4,659	333,990
+/- Net profit/loss for the year	0	0	7,695	0	0	0	7,695	(22)	7,673
+/- Other comprehensive income	0	0	0	(6,489)	297	4,591	(1,601)	(188)	(1,789)
+/- Total comprehensive income	0	0	7,695	(6,489)	297	4,591	6,094	(210)	5,884
+/- Dividends	0	0	(9,924)	0	0	0	(9,924)	0	(9,924)
31 October 2017	108,750	335,316	43,485	(33,908)	(743)	(127,399)	325,501	4,449	329,950

The balance sheet position "reserves" comprises other reserves as well as the currency reserve, the reserve for hedge accounting, the reserve for stock options and the IAS 19 reserve for "employee benefits".

Notes

Accounting and Valuation Methods

The condensed consolidated interim financial statements as of 31 October 2018 were prepared in accordance with the principles set forth in International Financial Reporting Standards (IAS 34, Interim Financial Reporting). The company has elected to make use of the option set forth in IAS 34 and provide selected explanatory notes.

These condensed consolidated interim financial statements were prepared in accordance with all IAS/IFRS issued by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and Standing Interpretations Committee that were adopted by the European Union through its endorsement procedure and were applicable as of the balance sheet date

The accounting and valuation methods applied as of 31 October 2018 reflect the methods applied in preparing the consolidated financial statements as of 30 April 2018, with the exception of the IFRSs which require mandatory application as of 1 January 2018.

In order to improve the transparency and explanatory power of the condensed consolidated interim financial statements, certain items were combined on the balance sheet and income statement and are presented separately in the notes. The amounts in the tables are presented in thousand euros (TEUR), unless stated otherwise. The use of automatic data processing equipment can lead to rounding differences.

The quarterly financial statements of the companies included in the condensed consolidated financial statements were prepared on the basis of uniform accounting and valuation principles.

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires the use of estimates and assumptions by management, which have an influence on the amount and reporting of recognised assets and liabilities, income and expenses, and the disclosures on contingent liabilities in the interim financial report. Actual values may differ from these assumptions and estimates.

On 26 October 2018 the High Court in Great Britain issued a decision on the gender-neutral equalisation of claims from certain pension commitments. The resulting adjustment of pension obligations will be recorded as a subsequent service cost with recognition through profit or loss. At the time these consolidated interim financial statements were prepared, the actuaries did not have access to a model which would permit the calculation, with sufficient certainty, of the effects on the defined benefit plans in the English group companies. The Zumtobel Group currently expects an additional charge on operating profit in 2018/19 equal to 1–2% of the gross pension obligation in the English group companies; this amount is not reflected in the half-year financial statements.

Effects of new and revised standards and interpretations

The following standards and interpretations were adopted by the European Union and require mandatory application as of the last balance sheet date:

Standard/Interpretation	Mandatory application in financial years beginning on or after	
IAS 40	Investment Property: Changes	1 January 2018
IFRS 1 and IAS 18	Annual Improvements to IFRS (Cycle 2014 – 2016)	1 January 2018
IFRS 2	Share-based Payment – Changes	1 January 2018
IFRS 4	Application of IFRS 9 with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15	Clarification: Revenue from Contracts with Customers	1 January 2018
IFIRC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

An analysis of the effects of the changes resulting from the new standards and interpretations indicated that they do not have a material influence on these consolidated interim financial statements.

IFRS 9 – Financial Instruments

The IASB issued IFRS 9 “Financial Instruments” in July 2014 as a replacement for IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 includes, among others, a comprehensive model for classification and the determination of the valuation method (including impairment losses) applied to financial instruments. It also includes rules for general hedge accounting.

This standard was applied for the first time as of 1 May 2018. The changes in classification and measurement led to only immaterial changes in presentation. Financial assets are recognised at amortised cost or fair value (through other comprehensive income or through profit or loss). Most of the financial assets meet the criteria for recognition at amortised cost.

The new impairment model, which is based on expected losses, generally has an effect on the valuation of the Group’s financial assets and, in particular, on trade receivables. IFRS 9 replaces the incurred loss model defined by IAS 39 with the future-oriented expected loss model. The Zumtobel Group has implemented a system to determine a simplified expected credit loss for trade receivables. This system uses the default risks for individual customers – based on their actual payment behaviour towards the Group and external credit ratings – to develop an appropriate assessment of the future default risk. Due to the Zumtobel Group’s broad and diversified customer structure and the related insurance policies currently in effect, there is no concentration of default risks.

Zumtobel is applying the new requirements of IFRS 9 for the classification and measurement of financial assets retrospectively in 2018/19 and, in accordance with the exception rule, will not adjust prior year data. Therefore, only the opening balance sheet as of 1 May 2018 was adjusted. The application of the new impairment rules led to an adjustment of the opening balance sheet through the release of the TEUR 377 provision for accounts receivable risks. Following the book value of trade receivable increased from TEUR 157,694 as per 30 April 2018 to TEUR 158,071 as per 1 May 2018. The Zumtobel Group takes the option to evaluate hedge accounting under IAS 39 ongoing. There were no other material valuation differences. In presentation, the valuation categories “upon initial recognition at fair value”, “HFT” and “hedge accounting” were combined into the category “accounting at fair value”. The valuation categories “L&R” and “at amortised cost” are included under “accounting at amortised cost”.

in TEUR	Classification		Book value		
	IAS 39	IFRS 9	at 30.04.2018	IFRS 9 Adjustment	at 01.05.2018
Securities and similar rights	upon initial recognition at fair value	at fair value	577	0	577
Loans originated and other receivables	L&R	at amortised cost	471	0	471
Positive market values of derivatives held for trading	HFT	at fair value	1,628	0	1,628
Trade receivables	L&R	at amortised cost	157,694	377	158,071
Liquid funds	Cash	at fair value	85,090	0	85,090
Sum			245,460	377	245,837

in TEUR	Classification		Book value		
	IAS 39	IFRS 9	at 30.04.2018	IFRS 9 Adjustment	at 01.05.2018
Loans received	at amortised cost	at amortised cost	213,737	0	213,737
Finance lease	at amortised cost	at amortised cost	17,682	0	17,682
other non-current liabilities	upon initial recognition at fair value	at fair value	355	0	355
Trede payables	at amortised cost	at amortised cost	153,758	0	153,758
Negative market values of derivatives held for trading	HFT	at fair value	221	0	221
Negative market values of derivatives (hedge accounting)	upon initial recognition at fair value	at fair value	3,825	0	3,825
Other	at amortised cost	at amortised cost	97	0	97
Sum			389,675	0	389,675

IFRS 15 – Revenue from Contracts with Customers

The IASB issued IFRS 15 “Revenue from Contracts with Customers” in May 2014. It replaces the existing guidelines for the recognition of revenue, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes”. The new standard presents a comprehensive framework for determining whether, at what amount and at which time revenues should be recognised.

IFRS 15 defines a uniform, five-step model that is generally applicable to all contracts with customers. It also introduces new balance sheet positions for contract assets and contract liabilities which can arise through a performance surplus or performance obligation at the contract level. The disclosure requirements for the notes were also expanded.

IFRS 15 was initially applied at the beginning of the 2018/19 financial year. The Zumtobel Group decided in favour of the modified retrospective approach, and the comparable prior year data (i.e. 2017/18) is therefore not adjusted in the year of initial application (i.e. 2018/19).

Revenues recorded by the Zumtobel Group in the first half of 2018/19 were generated by the sale of lighting (74%), components (25%) and services (1%). Lighting and component sales are recognised at a point in time, while the sale of services is recognised over time (i.e. monthly).

During the past financial year, the Zumtobel Group extensively analysed the effects of IFRS 15 with regard to the sale of lighting and components. This evaluation covered the effects of all material contract constellations.

IFRS 15 requires the recognition of revenue when the customer obtains control over the products. In this connection, special attention was given to consignment stocks and return rights. The Zumtobel Group concluded that IFRS 15 will have no effect on its asset, financial or earnings position because there are no consignment stocks or material contracts with return rights.

An analysis was also performed to determine whether warranties and guarantees should be viewed as separate performance obligations. Revenue-based guarantee services are, as a rule, not purchased separately. They represent an assurance that the sold products meet the agreed specifications. Therefore, guarantees will still be recorded in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and there are no effects from the application of IFRS 15 in this area at the present time.

In cases where a service or expanded guarantee is sold separately to the customer, the service is billed monthly or accrued and released over the performance period. There is no other reciprocal subsidising of product and service transactions which would require an adjustment of the transaction prices for revenue recognition. Therefore, IFRS 15 also has no effect on the sale of services for the Group and no adjustments were recorded directly in equity without recognition through profit or loss.

The following new or revised IAS/IFRS/IFRIC interpretations were not applied prematurely. These standards and interpretations were published, but do not yet require mandatory application. Consequently, they will not be applied by the Zumtobel Group in 2018/19.

IFRS 16 – Leases

The IASB issued IFRS 16 “Leases” in January 2016. It is intended, among others, to replace IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”. IFRS 16 changes the previous classification of leases for lessees and eliminates the designation as operating leases or finance leases. As a replacement, it introduces a standard accounting model which requires lessees to recognise assets for the usage right and corresponding liabilities for leases with a term of more than 12 months.

A Group-wide IFRS 16 conversion project was started during the first half of 2018. The next phase will cover the preparation of documentation for various accounting issues and material estimates required for IFRS 16, e.g. the determination of the lease term and the exercise or non-exercise of possible extension or cancellation options. The final phase will involve the introduction of a Group-wide system solution for the recognition and measurement of the relevant contracts and the adjustment of existing and the introduction of new process steps.

IFRS 16 – in contrast to the rules currently applicable to leases – will lead to an increase in the balance sheet, a reduction in operating expenses and an increase in depreciation and interest expense (above all at the beginning of the respective lease term). The actual effects of IFRS 16 on the consolidated financial statements at the initial application date will depend on future economic conditions, for example the Group's incremental borrowing rate as of 1 May 2019, the composition of the lease portfolio at that time, the Group's estimate for the exercise of extension options and the extent to which the Group decides to utilise the related exception rules and exemptions. According to the latest available information, a reliable estimate of the quantitative effects of the initial application of IFRS 16 is not yet possible.

The Zumtobel Group plans to initially apply IFRS 16 as of 1 May 2019 based on the modified retrospective approach. The prior year data will not be adjusted.

The other published standards, which have not yet been adopted by the EU, are not expected to have a material effect on the Group's earnings, financial or asset position.

Possible Effects of the Brexit

Great Britain is one of the most important markets for the Zumtobel Group and, for that reason, the current negotiations between the EU member states and the British government are being followed very closely. Since it is still not clear how “soft” or “hard” the Brexit will really be, the Zumtobel Group can only deal with the possible legal and economic consequences at the present time. A project group created especially for the Brexit is evaluating the effects of various scenarios.

The Brexit discussions have already had an effect on the economic environment of the Zumtobel Group: The development of revenues in Great Britain has weakened because investment decisions – also in the construction and lighting industry – have been postponed. In addition to foreign currency fluctuations from the British pound, the Zumtobel Group also sees risks in connection with increased administrative expenses for customs and logistics on the delivery of goods to and from Great Britain. The Zumtobel Group is currently evaluating the possibility of a temporary increase in certain inventories to protect its production and delivery capabilities.

However, the Brexit also has a positive aspect for the Zumtobel Group: In contrast to many of its competitors, the Zumtobel Group operates three plants in Great Britain and could therefore service this market from a local base in the future.

Foreign Currency Translation

The most important currencies for the conversion of the subsidiaries' financial statements into EUR are listed in the following table:

1 EUR equals	Average exchange rate:			
	Income Statement		Closing rate: Balance Sheet	
	31 October 2018	31 October 2017	31 October 2018	30 April 2018
AUD	1.5865	1.4909	1.5972	1.6013
CHF	1.1511	1.1210	1.1399	1.1968
USD	1.1640	1.1550	1.1318	1.2079
SEK	10.3719	9.6224	10.4015	10.4993
NOK	9.5414	9.3886	9.5528	9.6620
GBP	0.8861	0.8863	0.8887	0.8796

Scope of consolidation

The condensed consolidated interim financial statements include all major Austrian and foreign companies that are controlled by Zumtobel Group AG. The changes in the scope of consolidation during the interim financial period are shown below:

	Consolidation Method		
	full	at equity	Total
30 April 2018	96	3	99
Included during reporting year for first time	1	0	1
<i>thereof newly founded</i>	1	0	1
<i>thereof acquisition</i>	0	0	0
Liquidated during reporting year	(2)	0	(2)
31 October 2018	95	3	98

- >> ACDC Corp., USA, was liquidated and deconsolidated in June 2018.
- >> Thorn Lighting Tianjin Ltd., China, was liquidated and deconsolidated in July 2018.
- >> In October 2018, the newly founded Tridonic Portugal Unipessoal LDA, Portugal, was included in the scope of consolidation as a wholly owned subsidiary of Tridonic Holding GmbH, Austria.

The changes in the consolidation range did not have a material effect on the interim consolidated financial statements.

Notes to the Income Statement

The following comments explain the major changes to individual items in relation to the comparable prior year period.

Seasonality

Sales volumes are generally higher during the first two quarters than in the second half-year for seasonal reasons; in particular, the third quarter falls significantly below the average. This distribution reflects the Group's dependency on developments in the construction industry as well as the seasonal distribution of business in this sector.

Revenues

Revenues include an adjustment of TEUR 23,651 (previous year: TEUR 26,084) for sales deductions (primarily customer discounts). Gross revenues total TEUR 618,772 (previous year: TEUR 650,498).

Expenses

The income statement was prepared in accordance with the cost of sales method. The following categories of income and expenses are included in the cost of goods sold (incl. development costs), selling expenses (incl. research costs), administrative expenses and other operating results:

1st Half-Year 2018/19

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(265,996)	(2,434)	(31)	-2	(268,463)
Personnel expenses	(95,302)	(83,370)	(17,397)	(2,846)	(198,915)
Depreciation	(20,921)	(2,892)	(505)	(1,664)	(25,982)
Other expenses	(34,881)	(59,506)	(7,963)	(1,231)	(103,581)
Own work capitalised	10,039	132	12	0	10,183
Internal charges	(3,655)	(2,720)	6,375	0	0
Total expenses	(410,716)	(150,791)	(19,509)	(5,743)	(586,759)
Other income	4,179	1,553	114	4,940	10,786
Total	(406,537)	(149,238)	(19,395)	(803)	(575,973)

1st Half-Year 2017/18

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(271,603)	(3,124)	(35)	0	(274,762)
Personnel expenses	(99,178)	(89,269)	(19,037)	(196)	(207,680)
Depreciation	(20,143)	(3,550)	(617)	(58)	(24,368)
Other expenses	(46,461)	(60,915)	(8,462)	(4,342)	(120,180)
Own work capitalised	6,793	274	19	0	7,086
Internal charges	487	(3,165)	2,678	0	0
Total expenses	(430,105)	(159,749)	(25,454)	(4,596)	(619,904)
Other income	5,487	2,337	311	3,463	11,598
Total	(424,618)	(157,412)	(25,143)	(1,133)	(608,306)

The cost of goods sold includes development costs of TEUR 29,953 (previous year: TEUR 34,436).

Development costs of TEUR 9,391 (previous year: TEUR 5,519) were capitalised during the reporting period. The amortisation of capitalised development costs amounted to TEUR 6,290 (previous year: TEUR 6,401).

Other Operating Results

in TEUR	Q2 2018/19	Q2 2017/18	1 HY 2018/19	1 HY 2017/18
Government grants	2,164	811	2,164	811
License revenues	909	1,562	2,285	1,562
Gains on sale	0	0	0	0
Changes in the scope of consolidation	0	284	0	284
Other income	343	84	491	806
Other operating income	3,417	2,741	4,940	3,463
Impairment charges to non-current assets	0	0	(1,432)	0
Restructuring	(2,894)	(3,359)	(3,931)	(4,457)
Litigation	0	0	0	0
Changes in the scope of consolidation	0	0	(269)	0
Losses on sale	0	(19)	0	(19)
Impairment charges to current assets	0	45	0	-7
Other expenses	(113)		(111)	(113)
Other operating expenses	(3,007)	(3,333)	(5,743)	(4,596)

As in the previous year, government grants for the first half of 2018/19 represent subsidies recognised directly to income.

License income for the reporting period comprises income from the LED business, similar to the first half of the previous year.

The special effects reported in the first half of 2018/19 include TEUR 2,820 of personnel expenses, TEUR 1,596 of depreciation and amortisation and TEUR 1,216 of other expenses.

The restructuring projects are classified as follows:

in TEUR	Q2 2018/19	Q2 2017/18	1 HY 2018/19	1 HY 2017/18
Shutdown of Usingen	0	(604)	0	(610)
Restructuring of Global Operation	(11)	(588)	(38)	(845)
Restructuring of Les Andelys	(97)	(597)	(242)	(1,432)
Reorganisation of management	(2,598)	(568)	(3,268)	(568)
Deconsolidation of Les Andelys	0	(716)	0	(716)
Lighting Segment	(2,706)	(3,073)	(3,548)	(4,171)
Restructuring of Global Operations at Tridonic	(188)	(286)	(383)	(286)
Components Segment	(188)	(286)	(383)	(286)
Total	(2,894)	(3,359)	(3,931)	(4,457)

Interest Expense

Interest expense consists primarily of interest on the current credit agreement and interest expense from a finance lease.

Other Financial Income and Expenses

in TEUR	Q2 2018/19	Q2 2017/18	1 HY 2018/19	1 HY 2017/18
Interest component as per IAS 19 less income on plan assets	(806)	(820)	(1,616)	(1,656)
Foreign exchange gains and losses	(1,735)	(2,433)	(1,770)	(3,570)
Market valuation of financial instruments	(609)	2,124	(999)	1,507
Total	(3,150)	(1,129)	(4,385)	(3,719)

The change in foreign exchange gains and losses is attributable primarily to the valuation of foreign currency receivables and liabilities which resulted from the appreciation or devaluation of the most important currencies for the Zumtobel Group versus the euro during the reporting period.

The substantial fluctuations in the market valuation of financial instruments reflect the high volatility on the foreign exchange market.

Income Taxes

The classification of income taxes into current and deferred taxes is shown in the following table:

in TEUR	Q2 2018/19	Q2 2017/18	1 HY 2018/19	1 HY 2017/18
Current taxes	(1,152)	60	(2,784)	(681)
<i>thereof current year</i>	(1,172)	60	(2,802)	(1,069)
<i>thereof prior years</i>	20	0	18	388
Deferred taxes	(32)	1,536	(41)	(752)
Income taxes	(1,184)	1,596	(2,825)	(1,433)

Earnings per Share

Basic earnings per share are calculated by dividing net profit for the period by the weighted average number of shares outstanding as of the balance sheet date for these interim financial statements (43,146,657 shares).

Notes to the Statement of Comprehensive Income

Actuarial Gains/Losses

The reported actuarial gains represent revaluation effects from the Group's pension obligations, which are primarily attributable to the increase in interest rates in Switzerland and Great Britain during the first half of 2018/19.

Currency Differences

This position comprises translation effects resulting from the conversion of subsidiaries' financial statements as well as the effects of foreign currency-related adjustments to goodwill following the application of IAS 21 ("The Effects of Changes in Foreign Exchange Rates").

Currency Differences arising from Loans

These currency differences result from long-term SEK, GBP and USD loans that qualify for classification as a net investment in a foreign operation and must therefore be reported under comprehensive income. This position also includes currency differences resulting from an interest rate hedge.

Hedge Accounting

The TEUR 226 reported under hedge accounting (previous year: TEUR 396) resulted from a change in the market value of derivatives that qualify for hedge accounting and were concluded to hedge interest rate risk.

Deferred Taxes

The deferred taxes of TEUR -229 recognised to comprehensive income in the first half of 2018/19 (previous year: TEUR -297) include TEUR -172 (previous year: TEUR -198) from the provisions for pensions and severance compensation based on actuarial gains/losses in accordance with IAS 19 "Employee Benefits" as well as TEUR -56 (previous year: TEUR -99) from the hedge accounting reserve. Deferred tax assets were not recognised for the actuarial gains related to a pension plan in a British subsidiary because the amounts are immaterial.

Notes to the Balance Sheet

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2018.

Goodwill

The goodwill arising from the acquisition of the Thorn Lighting Group is allocated to the "CGU Lighting" to reflect the organisational structure and tested annually, or more frequently if required, for indications of impairment at the Lighting Segment level. The "CGU Lighting" represents the operating Lighting Segment in the sense of IFRS 8.5.

The application of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") led to foreign currency-based adjustments of TEUR 1,632 to goodwill in the first half of 2018/19 (previous year: TEUR -3,002) which were not recognised through profit or loss. These foreign exchange effects are allocated to assets in the Lighting Segment for segment reporting.

Financial Assets accounted for at Equity

The increase in the financial assets accounted for at equity reflected the proportional share of profits from Inventron AG, Switzerland.

Other Current Assets

The increase in other current assets resulted, above all, from a higher balance of prepayments to suppliers as of 31 October 2018.

Non-current Provisions

The decline in the provision for pensions is attributable primarily to revaluation effects of TEUR 3,951 (IAS 19) from pension obligations which resulted, in particular, from the increase in interest rates in Great Britain and Switzerland during the first half of 2018/19. The increase in other non-current provisions is related to higher warranty provisions.

Other Current Provisions

The change in other current provisions is attributable chiefly to the use of the guarantee provision.

Trade Payables

The decline in trade payables resulted from a year-on-year decline in the volume of business during the second quarter of the financial year.

Other Current Liabilities

The increase in other current liabilities was related primarily to tax liabilities and prepayments received.

Determination of Fair Value

The determination of fair value is based on a three-level hierarchy that reflects the valuation certainty.

- Level 1: Listed prices on active markets for identical instruments
- Level 2: Valuation based on input factors that can be monitored on the market
- Level 3: Valuation based on input factors that cannot be monitored on the market

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels on the fair value hierarchy. It does not include any information on the fair value of financial assets or financial that are not carried at fair value when the carrying amount represents an approximation of fair value.

31 October 2018

Assets

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current financial assets	1,025	578	447				
<i>Securities and similar rights</i>	578	578	-	578			578
<i>Loans originated and other receivables</i>	447	-	447				
Current financial assets	928	893	35				
<i>Loans originated and other receivables</i>	35	-	35				
<i>Positive market values of derivatives held for trading</i>	893	893	-	893		893	
Trade receivables	159,791	-	159,791				
Liquid funds	62,441	62,441	-				
Total	224,185	63,912	160,273				

Liabilities

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current borrowings	189,939	-	189,939				
<i>Loans received</i>	173,914	-	173,914	174,816			
<i>Finance leases</i>	16,025	-	16,025				
Other non-current liabilities	338	338	-	338			338
Current borrowings	14,616	-	14,616				
<i>Loans received</i>	13,650	-	13,650	13,650			
<i>Finance leases</i>	966	-	966				
Trade payables	144,754	-	144,754				
Other current liabilities	4,584	4,512	72				
<i>Negative market values of derivatives held for trading</i>	118	118	-	118		118	
<i>Negative market values of derivatives (hedge accounting)</i>	4,394	4,394		4,394		4,394	
<i>Other</i>	72	-	72				
Total	354,230	4,850	349,381				

30 April 2018

Assets

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current financial assets	1,012	577	435				
<i>Securities and similar rights</i>	577	577	-	577			577
<i>Loans originated and other receivables</i>	435	-	435				
Current financial assets	1,664	1,628	36				
<i>Loans originated and other receivables</i>	36	-	36				
<i>Positive market values of derivatives held for trading</i>	1,628	1,628	-	1,628		1,628	
Trade receivables	157,694	-	157,694				
Liquid funds	85,090	85,090	-				
Total	245,460	87,295	158,165				

Liabilities

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current borrowings	175,656	-	175,656				
<i>Loans received</i>	158,920	-	158,920	160,093			
<i>Finance leases</i>	16,736	-	16,736				
Other non-current liabilities	355	355	-	355			355
Current borrowings	55,763	-	55,763	-			
<i>Loans received</i>	54,817	-	54,817	-			
<i>Finance leases</i>	946	-	946	-			
Trade payables	153,758	-	153,758	-			
Other current liabilities	4,143	4,046	97				
<i>Negative market values of derivatives held for trading</i>	221	221	-	221		221	
<i>Negative market values of derivatives (hedge accounting)</i>	3,825	3,825	-	3,825		3,825	
<i>Other</i>	97	-	97				
Total	389,675	4,401	385,274				

Various balance sheet positions also include assets and liabilities that do not represent financial instruments as defined in IAS 32 "Financial Instruments – Presentation" (Non-FI). Included here, for example, are prepaid expenses, deferred charges, suppliers with debit balances and social security or tax payments.

In Zumtobel Group AG, the calculation of fair value is based primarily on input factors that can be monitored on the market (Level 2). The fair value of forward exchange contracts is determined by calculating the present value of the related cash flows based on the observable market interest rate curves for the respective currency and the exchange rates in effect on the valuation date. The fair value of the remaining derivative financial instruments can be reliably determined as of each balance sheet date because these measurements are based on input factors that can be monitored on the market. These valuations reflect the Level 2 criteria. The financial instruments classified under Level 2 represent the derivatives included under financial assets and financial liabilities. The risks arising from the non-fulfilment of financial assets and liabilities are reflected in discounts, in cases where these risks are material.

The other non-current liabilities of TEUR 338 (previous year: TEUR 355) reflect obligations arising from the call/put option for the purchase of the remaining 40% of accdc in 2020 and were adjusted in the first half of 2016/17 as part of the initial accounting. The purchase price for the remaining share is linked to the future development of accdc's revenues. The valuation of this obligation is based on accdc's forecasted revenues.

The consolidated interim financial statements of Zumtobel Group AG as of 31 October 2018 also include an insignificant amount of financial instruments whose valuation is not based on listed prices or input factors that can be monitored on the market (Level 3). These items consist primarily of minor shareholdings in various companies. There were no significant changes in these shareholdings since 30 April 2018, and no profit distributions were received on these investments during the reporting period.

These consolidated interim financial statements do not include any financial instruments whose valuation is based on listed prices on active markets (Level 1).

Notes to the Cash Flow Statement

Cash flow is determined on a monthly basis in accordance with the indirect method. The resulting monthly cash flows are translated at the applicable average monthly exchange rate and then aggregated, while the balance sheet positions are translated at the exchange rate in effect on the respective closing date. This procedure leads to currency translation differences, above all in individual positions under cash flow from operating activities, and therefore to material differences compared with the respective balance sheet positions. Cash flow from operating results rose from TEUR 41,373 in the first half of the previous year to TEUR 45,287, chiefly due to the improvement in profitability.

Working capital was further optimised during the reporting period based on strict inventory management and higher prepayments received during the first half of 2018/19. The receivables sold on the basis of a factoring agreement totalled TEUR 66,892 as of 31 October 2018 (H1 2017/18: TEUR 46,462). Working capital totalled TEUR 185,523 as of 31 October 2018 and was TEUR 33,112 lower than on 31 October 2017. As a per cent of rolling 12-month revenues, working capital declined from 17.3% in the previous year to 15.9%. Cash outflows for changes in other operating positions totalled TEUR 2,689 (H1 2017/18: minus TEUR 22,270), whereby the comparable prior period was influenced by high cash outflows which were related primarily to the use of provisions for restructuring and for bonus claims. There were no similar high payments in the first half of 2018/19. Cash flow from operating activities rose from TEUR 13,881 to TEUR 41,578 in the first half of 2018/19.

Cash flow from investing activities consists mainly of investments in various production facilities and also includes investments in tools for new products, expansion projects, maintenance and capitalised development costs (TEUR 9,391). The volume of investments totalled TEUR 33,309 and was comparable to the first half of the previous year. It includes investments of TEUR 13,384 for the new plant in Serbia (H1 2017/18: TEUR 3,574). The positive cash flow effect in the first half of 2018/19 under the "change in non-current and current financial assets" resulted primarily from realised gains on interest rate hedges. The higher cash flow from operating activities and the lower investment activity led to an improvement in free cash flow to plus TEUR 9,027 (H1 2017/18: minus TEUR 22,466).

Cash flow from financing activities consists primarily of the replacement and refinancing of a TEUR 40,000 loan with a fixed interest rate up to 2024 as well as the reduced use of the facilities provided by the consortium credit agreement. In view of the substantially weaker operating development in the 2017/18 financial year and unappropriated earnings of EUR 0 as of 30 April 2018, a dividend was not distributed to shareholders during the reporting period – in contrast to the previous year.

Transition to Cash and Cash Equivalents

in TEUR	31 October 2018	30 April 2018
Liquid funds	62,441	85,090
Not available for disposal	(687)	(260)
Overdrafts	(10,858)	(12,384)
Cash and cash equivalents	50,896	72,446

Notes to the Statement of Changes in Equity

Dividend

In view of the substantially weaker operating development in the 2017/18 financial year and unappropriated earnings of EUR 0 as of 30 April 2018, a dividend was not distributed to shareholders.

Other Reserves

This position includes profit carried forward and the results for the year. The initial application of IFRS 9 led to an effect of TEUR 377.

Currency Translation Reserve

This reserve includes the currency differences resulting from the application of the historical exchange rate on the initial consolidation date and the exchange rate in effect on the balance sheet date for companies that do not report in the euro as well as differences resulting from the translation of the income statement at the monthly average exchange rate and the exchange rate in effect on the balance sheet date. Also included here are the currency differences arising from long-term Group loans granted in SEK, GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21. This reserve also contains the foreign currency effects of an interest rate hedge and foreign currency-related adjustments to goodwill.

Hedge Accounting

The changes in equity from the application of hedge accounting reflect the changes in the fair value of derivative contracts that are recorded directly in equity as well as amounts transferred from equity to profit or loss following the exercise or realisation of contracts and the related deferred taxes.

Share Programme and Development of Treasury Shares

in Stk.	Total
Share buyback (to 30 April 2018)	1,539,211
Exercised (to 30 April 2018)	(1,185,868)
30 April 2018 = 31 October 2018	353,343

The Stock Option Programme (SOP) was terminated during the first quarter of 2015/16.

IAS 19 Reserve

This position includes the actuarial losses arising from the application of IAS 19. The change during the first half of 2018/19 resulted primarily from revaluation effects in the Group's pension obligations which were caused by an increase in interest rates in Great Britain and Switzerland during the first half of the reporting year.

Segment Reporting

The Zumtobel Group comprises two operating segments, which also form the basis for the corporation's management: the Lighting Segment and the Components Segment. The Lighting Segment covers the Indoor, Outdoor und Zumtobel Group Services business areas and markets lighting solutions, interior and exterior lighting as well as electronic-digital lighting and room management systems. The Components Segment includes the Tridonic business, which develops, produces and markets electronic lighting components and LED lighting components. The transfer of goods and services between the two divisions is based on ordinary market conditions.

Segment reporting is principally based on the same presentation, accounting and valuation methods used to prepare the consolidated financial statements. In accordance with the management approach prescribed by IFRS 8 (Operating Segments), operating profit (EBIT) – a key indicator used for internal reporting – is included as part of the segment data.

The assets allocated to the individual segments include property, plant and equipment that can be directly assigned as well as intangible assets and working capital (excluding accrued interest, tax receivables and tax liabilities).

The column "Reconciliation" comprises the assets and related income statement items that could not be allocated to either segment as well as property, plant and equipment, financial liabilities and taxes that involve both segments.

2nd Quarter 2018/19

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	Q2 2018/19	Q2 2017/18	Q2 2016/17	Q2 2018/19	Q2 2017/18	Q2 2016/17	Q2 2018/19	Q2 2017/18	Q2 2016/17	Q2 2018/19	Q2 2017/18	Q2 2016/17
Net revenues	230,505	234,688	265,970	86,601	90,233	93,415	(15,094)	(17,670)	(17,773)	302,013	307,251	341,612
External revenues	228,760	234,678	265,914	73,250	72,562	75,691	3	11	7	302,012	307,251	341,612
Inter-company revenues	1,746	10	56	13,351	17,671	17,724	(15,097)	(17,681)	(17,780)	0	0	0
Adjusted EBIT	11,235	(389)	(24,140)	7,805	8,940	12,712	(4,251)	(6,410)	(4,901)	14,789	2,141	31,951
Special effects	(2,206)	3,036	5,545	(213)	0	(248)	(476)	13	172	(2,895)	3,050	5,469
Operating profit/loss	9,029	(3,425)	18,595	7,593	8,940	12,960	(4,727)	(6,423)	(5,073)	11,894	(908)	26,482
Investments	8,931	7,456	6,419	7,783	3,207	2,875	1,130	1,988	1,029	17,845	12,651	10,323
Depreciation	(9,742)	(7,368)	(8,863)	(3,055)	(2,897)	(5,652)	(1,098)	(1,377)	(1,105)	(13,895)	(11,641)	(15,620)

1st Half-Year 2018/19

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	1 HY 2018/19	1 HY 2017/18	1 HY 2016/17	1 HY 2018/19	1 HY 2017/18	1 HY 2016/17	1 HY 2018/19	1 HY 2017/18	1 HY 2016/17	1 HY 2018/19	1 HY 2017/18	1 HY 2016/17
Net revenues	449,998	479,424	514,633	175,957	179,041	190,674	(30,832)	(34,051)	(38,039)	595,122	624,414	667,268
External revenues	448,127	479,362	514,448	146,981	145,033	152,805	15	19	14	595,121	624,414	667,268
Inter-company revenues	1,871	62	185	28,976	34,008	37,869	(30,847)	(34,070)	(38,054)	0	0	0
Adjusted EBIT	19,382	12,842	39,856	15,889	18,997	21,467	(10,490)	(11,532)	(9,298)	24,781	20,307	52,025
Special effects	(4,791)	4,171	7,653	(407)	0	(248)	(435)	28	322	(5,632)	4,199	7,728
Operating profit/loss	14,591	8,671	32,203	15,481	18,997	21,715	(10,923)	(11,560)	(9,621)	19,149	16,108	44,297
Investments	18,663	15,058	10,775	12,409	7,242	6,551	2,238	10,968	2,347	33,309	33,268	19,673
Depreciation	(17,766)	(15,238)	(17,866)	(6,163)	(6,426)	(11,125)	(2,053)	(2,704)	(2,174)	(25,982)	(24,368)	(31,165)

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	31 October 2018	30 April 2018	30 April 2017									
Assets	642,945	646,377	690,327	185,561	173,640	172,920	148,814	166,089	156,382	977,320	986,106	1,019,629

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	31 October 2018	30 April 2018	30 April 2017									
Headcount (full-time equivalent)	4,084	4,325	4,767	1,837	1,690	1,590	184	209	205	6,105	6,224	6,562

The number of employees reported in the above table includes temporary employees working in the Zumtobel Group.

The elimination of inter-segment revenues is shown in the reconciliation column.

The reconciliation column comprises the following:

in TEUR	Q2 2018/19	Q2 2017/18	1 HY 2018/19	1 HY 2017/18
Group parent companies	(4,713)	(6,826)	(11,108)	(12,334)
Group entries	(14)	403	183	774
Operating profit/loss	(4,727)	(6,423)	(10,925)	(11,560)

The Group parent companies represent companies that provide administrative or financing services for the entire Group and cannot be allocated to a specific segment. The reconciliation to operating profit includes Group entries for the elimination of interim profits in current and non-current assets.

in TEUR	31 October 2018	30 April 2018
Assets used by more than one segment	129,709	148,108
Group parent companies	46,474	48,664
Group entries	(27,369)	(30,683)
Assets	148,814	166,089

All revenues generated by sales to individual external customer represent, in each case, less than 10% of total revenues.

Related Party Transactions

Closely related persons are persons who hold key positions with Zumtobel Group AG (active members of the Management Board and Supervisory Board of Zumtobel Group AG) as well as their close family members. In 2017/18 payments to management in key positions for consulting services amounted to TEUR 67. No goods were sold to management in key positions. Remuneration totalling TEUR 240 was paid to management in key positions. The Group also holds liabilities of TEUR 43 due from management in key positions. No advances or loans were granted to management in key positions. The members of management in key positions hold positions in other companies which result in control or significant influence over the financial and business policies of these companies. Transactions of TEUR 326 were carried out with these companies in 2018/19. As of 31 October 2018 the Group held liabilities of TEUR 65 due from these companies. There were no transactions with owners.

The Group has concluded supply and delivery agreements with associated companies which reflect third party conditions. Revenues from the provision of materials and services to associated companies totalled TEUR 5,255 in the first half of 2018/19 (previous year: EUR 6,477). Expenses for products purchased from associated companies amounted to TEUR 16,580 during the reporting period (previous year: TEUR 7,424). Trade receivables due from associated companies totalled TEUR 1,400 as of 31 October 2018 (30 April 2018: TEUR 1,182) and trade payables equalled TEUR 3,893 (30 April 2018: TEUR 3,627). No receivables due from associated companies were derecognised due to failed collection in the first half of 2018/19. A provision of TEUR 3,696 remains on the balance sheet for an onerous contract involving a purchase obligation. In addition, a receivable of TEUR 48 is due from an unconsolidated company.

As of 31 October 2018, a financial liability of TEUR 1,432 was due to an associated company (30 April 2018: financial liability of TEUR 1,207).

Contingent Liabilities and Guarantees

The Zumtobel Group has accepted bank guarantees totalling TEUR 9,087 (30 April 2018: TEUR 7,331) for various purposes.

Subsequent Events

In November 2018, the Zumtobel Group approved the gradual shutdown of production in the components plant (Tridonic) in Jennersdorf, Austria, by November 2019. This economically necessary reorganisation will primarily affect approximately 90 employees in the production area. The research and development location in Jennersdorf with roughly 30 jobs will remain the LED competence centre for the Zumtobel Group. The production of the LED modules in Jennersdorf will be transferred to Nis and Dornbirn.

No other significant events occurred after the balance sheet date on 31 October 2018.

Dornbirn, 4 December 2018

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Statement by the Management Board in accordance with § 125 (1) of the Austrian Stock Corporation Act

We hereby confirm to the best of our knowledge that these condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report for the first half-year gives a true and fair view of the major events occurring during the first six months of the financial year and their effects on the condensed consolidated interim financial statements as well as the principal risks and uncertainties faced by the group during the remaining six months of the financial year and the transactions with related companies and persons which require disclosure.

Dornbirn, 4 December 2018

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of

Zumtobel Group AG,

Dornbirn,

for the period from 1 May 2018 to 31 October 2018. These condensed interim consolidated financial statements comprise the balance sheet as of 31 October 2018 and the income statement, statement of comprehensive income, the cash flow statement and statement of changes in equity for the period from 1 May 2018 to 31 October 2018 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 275 par. 2 of the Austrian Commercial Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements" and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the consolidated interim management report for the 6 month period ended 31 October 2018 and on management's statement in accordance with § 125 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 125 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 4 Dezember 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Note: The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us.

Service

Financial Terms

Adjusted EBIT	EBIT adjusted for special effects
Adjusted EBIT margin	= Adjusted EBIT as a percentage of revenues
CAPEX	Capital expenditure
Debt coverage ratio	= Net debt divided by EBITDA (of the last twelve months)
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Equity ratio	= Equity as a percentage of assets
Gearing	= Net debt as a percentage of equity
Net debt	= Non-current borrowings + current borrowings - liquid funds - current financial receivables from associated companies
WACC	Weighted average cost of capital (debt and equity)
Working capital	= Inventories + trade receivables - trade payables - prepayments received

Financial Calendar

Report on the First Three Quarters 2018/19 (1 May 2018 - 31 January 2019)	5 March 2019
Annual Results 2018/19	27 June 2019
Record Date for the Annual General Meeting	16 July 2019
43 rd Annual General Meeting	26 July 2019
Ex-Dividend Day	30 July 2019
Record Date Dividend	31 July 2019
Dividend Payout Day	2 August 2019
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 2018 - 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

Press / Corporate Communication

Marina Konrad-Märk
Head of Corporate Communications
Telephon +43 (0)5572 509-575
E-Mail 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
www.zumtobel.com
www.thornlighting.com
www.tridonic.com
www.acdclighting.co.uk

Imprint

Publisher: Zumtobel Group AG, Investor Relations, Emanuel Hagspiel
Coordination Financials: Jan Güstemeyer
Translation: Donna Schiller-Margolis
Copyright: Zumtobel Group AG 2018
Produced in-house with FIRE.sys

Disclaimer

This quarterly financial report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. These statements on future developments are not to be understood as guarantees. On the contrary, future developments and results are dependent on a wide range of factors and connected with various risks and incalculable events. Moreover, they are based on assumptions that may prove to be incorrect. Included here, for example, are unforeseeable changes in the political, economic and business environment, especially in the regions where the Zumtobel Group operates, as well as the competitive situation, interest rates and foreign exchange rates, technological developments and other risks and incalculable events. Other risks may arise as a result of price developments, unforeseeable events in the operating environments of acquired companies or Group companies as well as ongoing cost optimisation programmes. The Zumtobel Group does not plan to update these forward-looking statements. This interim financial report is also presented in English, but only the German text is binding.

acdc

THORN

THORNECO

TRIDONIC

zgs zumtobel group
services

 **ZUMTOBEL**