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Zumtobel AG: Interim Financial Report 2011/12 (May - October 2011)

Continued investments in the future despite increasingly unfavourable outlook

Dornbirn (pta008/06.12.2011/07:30) - The demand for energy-efficient lighting solutions and the considerable potential of LED technology are, and will remain, the major growth drivers of the professional lighting industry. Against this backdrop and despite an increasingly unsettled business environment on account of the current euro crisis, the Zumtobel Group was able to post revenue growth of 8.4% in the first six months of the 2011/12 financial year (May-October). Consolidated first-half revenues totalled EUR 666.8 million (prior year period [PY] EUR 615.4 million). Implementation of the growth strategy presented in April 2011 brought initial successes in the European markets of the Lighting Segment (Zumtobel / Thorn). Segment revenues rose 11.0% to EUR 488.8 million in the first six months (PY: EUR 440.3 million). By comparison, the Components Segment (Tridonic / Ledon) with its higher margins showed significantly weaker development. Revenues rose just 1.8% to EUR 218.5 million in the first half of 2011/12 (PY: EUR 214.7 million). Revenues from the sale of LED products continued their gratifying upward trend, reaching almost twice their prior-year level at EUR 82.2 million (+ 96.6%; PY: EUR 41.8 million).

Adjusted operating earnings before interest and taxes (EBIT) amounted to EUR 43.6 million for the first half of 2011/12, which is 10.1% below the comparable prior year level (PY: EUR 48.5 million), and the adjusted EBIT margin fell from 7.9% to 6.5%. This decline resulted on the one hand from the planned growth-driving investments in research & development and sales. On the other hand, earnings in the weak Components Segment were further reduced by the under-utilisation of newly expanded production capacity, declining demand for high-margin electronic ballasts and rising pressure on prices. The year-on-year improvement in the profitability of the lower-margin Lighting Segment was unable to completely offset the marked decline in earnings recorded by the Components Segment. Net profit declined from EUR 39.6 million in the prior year period to EUR 34.3 million (-13.5%). This equates to earnings per share of EUR 0.79 (PY: EUR 0.92).

Working capital rose from EUR 231.4 million in the prior-year period to EUR 279.8 million on October 31, 2011. This reflected the rising volume of business in the Lighting Segment as well as higher inventories in the Components Segment which could not be reduced as required on account of weakening demand. Investment activity was stepped up in line with the growth strategy, amounting to EUR 25.9 million in the first half of 2011/12 (PY: EUR 22.3 million). Together, these two factors led to a negative free cash flow amounting to minus EUR 21.6 million, which is slightly below the prior year value of minus EUR 19.6 million. With an equity ratio of 37.2% (compared to 37.1% on 30 April 2011) and a gearing of 47.5% (37.3% on 30 April 2011), the Zumtobel Group's balance sheet structure remained solid.

The economic environment continued to deteriorate throughout the past quarter. Business in the Lighting Segment remains sound, but recent developments in the Components Segment lead the Management Board of Zumtobel AG to assume that the necessary growth momentum will not return during the coming six months. Against this backdrop, the Management Board can no longer confirm the previous guidance for the 2011/12 financial year, which called for an increase of approximately 10% in Group revenues and an adjusted EBIT margin of slightly over 6.4%. The Management Board now expects an increase of substantially less than 10% in revenues and a year-on-year decline in the EBIT margin, in particular due to the Components Segment. In view of macroeconomic developments and the related uncertainty over sales volumes and capacity utilisation, exact guidance on the expected EBIT margin for the full year cannot be provided at the present time. Despite the more pessimistic outlook, Management will continue to invest in the implementation of the global growth strategy.

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