zumtobel group

H1 (May – October 2017)

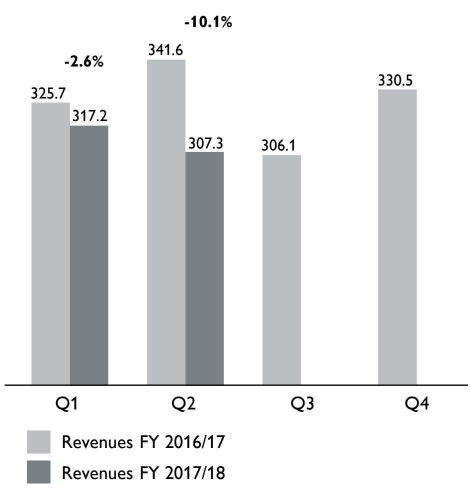
Report on the First Half-Year 2017 / 18 of Zumtobel Group AG

Overview of the First Half-Year 2017/18

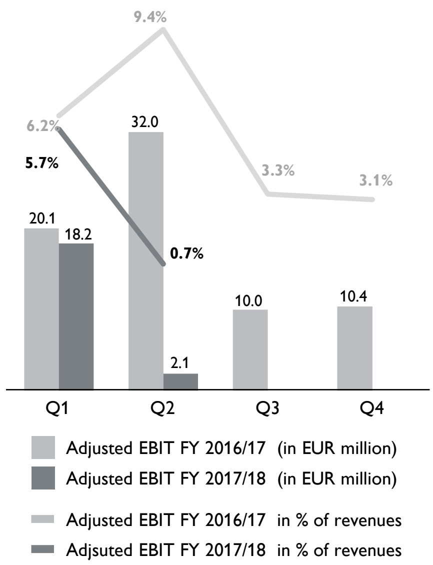
Key Data in EUR million	Q2 2017/18	Q2 2016/17	Change in %	1 HY 2017/18	1 HY 2016/17	Change in %
Revenues	307.3	341.6	(10.1)	624.4	667.3	(6.4)
Adjusted EBIT	2.1	32.0	(93.3)	20.3	52.0	(61.0)
as a % of revenues	*0.7*	*9.4*		*3.3*	*7.8*	
EBIT	(0.9)	26.5	<(100)	16.1	44.3	(63.6)
as a % of revenues	*(0.3)*	*7.8*		2.6	6.6	
Net profit/loss for the period	(2.0)	15.0	<(100)	7.7	27.6	(72.2)
as a % of revenues	*(0.7)*	*4.4*		*1.2*	*4.1*	
Cash flow from operating results	11.7	42.1	(72.3)	41.4	75.5	(45.2)
Investments	12.7	10.3	22.9	33.3	19.7	69.1
				31 October 2017	30 April 2017	Change in %
Total assets				1,005.7	1,019.6	(1.4)
Equity				330.0	334.0	(1.2)
Equity ratio in %				32.8	32.8	
Net debt				135.8	91.0	49.2
Headcount incl. contract worker (full-time equivalent)				6,360	6,761	(5.9)

Development of Business by Quarter

Revenues (in EUR million)



Adjusted EBIT



Letter to Shareholders

Dear Shareholders,

Ulrich Schumacher

The first six months of the 2017/18 financial year brought major strategic steps to improve the competitive position of the Zumtobel Group. The start of construction on the new plant in Serbia during July 2017 and the sale of the Zumtobel Group's production facility in Les Andelys (France) which was finalised in October as well as the decision to gradually relocate the components production in Dornbirn (Austria) to Serbia over the coming years represent further important milestones to strengthen profitability over the medium-term.

We must, however, note that the general development of the professional lighting industry still remains below our original expectations and there are no signs of the hoped-for recovery in the near future. Demand appears to be generally stable, but the Zumtobel Group has been negatively affected by increasingly aggressive price competition in both the lighting and the components business, revenue growth that has not yet been realised due to internal operating challenges and substantially higher warranty provisions – above all for long-term road lighting projects. These effects were further amplified in past weeks by a growing number of project postponements in Great Britain, the most important single market for the Zumtobel Group.

The above factors led to a year-on-year decline of 6.4% in Group revenues to EUR 624.4 million (H1 2016/17: EUR 667.3 million), while Group EBIT, adjusted for special effects, fell to EUR 20.3 million (H1 2016/17: EUR 52.0 million). Revenue growth was hampered by strong negative currency translation effects of EUR 12.1 million, which resulted primarily from the increase in the euro versus the British pound and Swiss franc. After an adjustment for these effects, the revenue decline equalled 4.6% for the reporting period. Our newly established Zumtobel Group Services business division – which bundles our entire project and software offering under a single roof – recorded sound development during the reporting period with an increase of 13.7% in revenues to EUR 96.8 million.

Outlook for 2017/18: operating results (adjusted EBIT) of EUR 50 to 60 million and a decline of roughly 5% in revenues

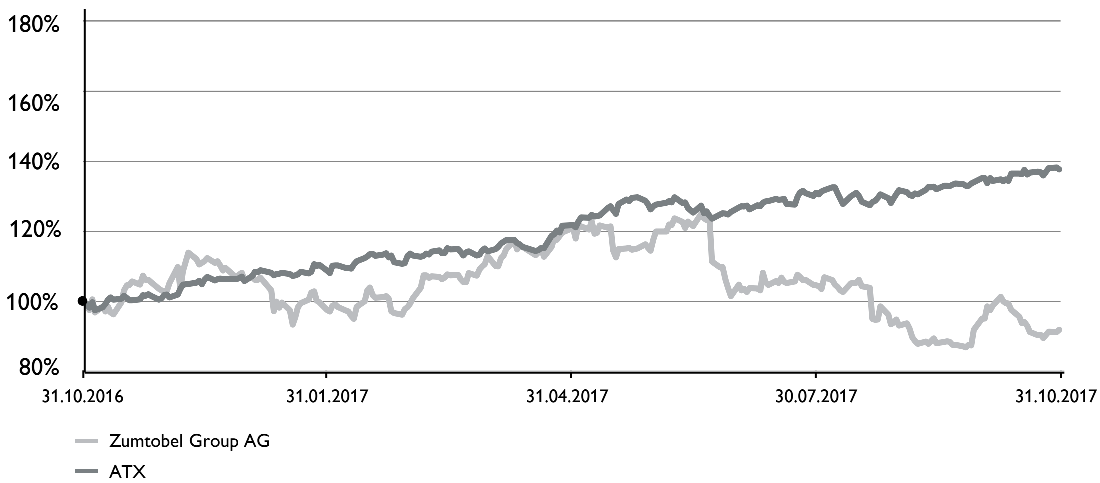
As a result of the unsatisfactory development of business during the first six months, the Management Board of Zumtobel Group AG issued an adjusted forecast for the 2017/18 financial year (1 May 2017 to 30 April 2018) in connection with the announcement of preliminary half-year results on 15 November 2017. Significant cost reduction measures were immediately introduced in all functional areas to improve profitability during the second half-year. The Management Board now expects operating results (adjusted EBIT) of EUR 50 to 60 million and a decline of roughly 5% in revenues. The previous forecast showed a slight year-on-year improvement in revenues (FY 2016/17: EUR 1,303.9 million) and adjusted Group EBIT (FY 2016/17: EUR 72.4 million).

Ulrich Schumacher
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 640 million at the end of October 2017. There have been no major changes in the shareholder structure since the end of the 2016/17 financial year. The Zumtobel family has remained the stable core shareholder of Zumtobel Group AG since the initial public offering with a stake of roughly 35.5%. The stakes held by institutional investors as of 31 October 2017 were as follows: Lazard Freres Gestion SAS with an investment of over 5% as well as Erste Asset Management GmbH and SYZ Asset Management (OYSTER SIVAV) each with an investment of over 4%. In addition, Wellington Management Group LLP informed Zumtobel Group AG that its investment had been increased to over 4% as of 6 November 2017. The remainder of the shares is held predominately by other institutional investors. In the ATX, the leading index of the largest listed companies in Austria, the Zumtobel Group share ranked 23rd based on market capitalisation and 16th based on trading volume as of 31 October 2017. The average daily turnover on the Vienna Stock Exchange totalled 184,514 in the first half of 2017/18 (double-count, as published by the Vienna Stock Exchange). The company held 353,343 treasury shares as of 31 October 2017.

Development of the Zumtobel Group Share



Key Data on the Zumtobel Group Share for the 1st half-year 2017/18

Closing price at 29.04.2017	EUR 19.150	Currency	EUR
Closing price at 31.10.2017	EUR 14.705	ISIN	AT0000837307
Performance H1 FY 2016/17	(23.2)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 31.10.2017	EUR 640 Mio	Market segment	Prime Market
Share price - high at 19.06.2017	EUR 19.990	Reuters symbol	ZUMV.VI
Share price - low at 26.09.2017	EUR 13.900	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	184,514	Number of issued shares	43,500,000

Group Management Report

The Economic Development

The October 2017 report by the International Monetary Fund (IMF) presented an improved outlook for the global economy with an increase of 0.1 percentage points over the April 2017 forecast to 3.6% this year and growth of 3.7% in 2018. The main drivers for this development are the eurozone (plus 2.1%), Japan (plus 1.5%), China (plus 6.8%), the emerging countries in Eastern Europe (plus 4.5%) and Russia (plus 1.8%). In contrast, the IMF is predicting difficult times ahead for the USA, Great Britain and India. The economy in BREXIT-torn Great Britain – the most important single market for the Zumtobel Group – was characterised by very weak performance during the first half of 2017, which led to a downward adjustment of the IMF forecast from 2.0% to 1.7%. This worldwide recovery has been reflected in a sound improvement in financial stability. The IMF has, however, identified increasing risks for the medium-term, especially as a consequence of loose monetary policies, the global inequality between rich and poor, significant political uncertainties and efforts to further deregulate the financial markets.

Significant Events since 30 April 2017

EUR 0.23 dividend for 2016/17

The 41st annual general meeting on 21 July 2017 authorised the payment of a EUR 0.23 dividend per share for the 2016/17 financial year. This dividend was distributed to shareholders on 2 August 2017.

Zumtobel Group starts construction on a new plant in Serbia

The ground-breaking ceremony for the new production plant in Serbia took place on 28 July 2017. This plant will be located in the southern industrial zone of Niš and will be built at a cost of EUR 30 million over the next two and one-half financial years. It will cover 40,000 square metres when completed. The first products are scheduled to come off the production line in 2018/19.

Zumtobel Group sells Les Andelys plant

The contract for a long-term partnership between the Zumtobel Group and the French industrial group Active'Invest was signed on 28 September 2017. This agreement also covers the sale of the Zumtobel Group's plant in Les Andelys (France) with more than 200 employees. The Zumtobel Group will remain a 10% minority shareholder in the new company.

Gradual transfer of Tridonic production to Serbia

The Zumtobel Group took another step to optimise its production network and improve its competitive position with a decision in October 2017 to combine the two lighting and components plants in Dornbirn (Austria). Plans call for the company to focus on the production of luminaires at the corporate headquarters in the future, while the Tridonic production equipment will be gradually relocated to the Group's new location in Niš (Serbia) over the coming years.

Increased expertise for Management Board

In October 2017 the Supervisory Board of Zumtobel Group AG announced the expansion of the Managing Board to include an additional member. Bernard Motzko will take on the position of Chief Operating Officer (COO) in February 2018. Alfred Felder, the current COO, will remain on the Management Board with responsibility for luminaire sales.

No other significant events occurred after the balance sheet date on 30 April 2017.

Development of revenues in the first half-year 2017/18

- Group revenues decline by 6.4% (FX-adjusted: minus 4.6%)
- LED share of Group revenues rises to 79.3% (H1 2016/17: 71.8%)
- Lighting Segment revenues (FX-adjusted) 5.4% below previous year – revenues in new Zumtobel Group Services business division increase by 13.7%
- Further decline in Components Segment revenues (FX-adjusted: minus 3.8%)

FX-adjusted decline of 4.6% in Group revenues

In the first half of the 2017/18 financial year (1 May 2017 to 31 October 2017), Group revenues fell by 6.4% year-on-year to EUR 624.4 million (previous year: EUR 667.3 million). Revenue development was influenced by strong negative currency translation effects of EUR 12.1 million, which resulted primarily from the increase in the euro versus the British pound and the Swiss franc. After an adjustment for these effects, the revenue decline equalled 4.6% for the reporting period. The dynamic growth with LED products remains unbroken: revenues from the sale of LED products rose by 3.4% year-on-year to EUR 478.8 million and the LED share of Group revenues increased from 71.8% to 79.3% within 12 months.

Segment development in EUR million	Q2 2017/18	Q2 2016/17	Change in %	1 HY 2017/18	1 HY 2016/17	Change in %	FX adjusted in %
Lighting Segment	234.7	266.0	(11.8)	479.4	514.6	(6.8)	(5.4)
Components Segment	90.2	93.4	(3.4)	179.0	190.7	(6.1)	(3.8)
Reconciliation	(17.7)	(17.8)	(0.6)	(34.1)	(38.0)	(10.5)	
Zumtobel Group	307.3	341.6	(10.1)	624.4	667.3	(6.4)	(4.6)

Lighting Segment- FX-adjusted revenues 5.4% below previous year

In the Lighting Segment, the industry trend still remains below original expectations. Generally stable demand in most of the sales regions has been negatively affected by increasingly aggressive price competition and revenue growth that has not yet been realised due to internal operating challenges, above all in logistics. These effects were further amplified in past weeks by a growing number of project postponements in Great Britain, the most important single market for the Zumtobel Group. Revenues in the Lighting Segment therefore fell by 6.8% to EUR 479.4 million (previous year: EUR 514.6 million). After an adjustment for negative foreign exchange effects, revenues were 5.4% lower than the first half of the previous year. Sound development was recorded by the recently established Zumtobel Group Services, which is allocated to the Lighting Segment. This business division, which bundles all project- and software-oriented services under a single roof, recorded a year-on-year increase of 13.7% to EUR 96.8 million and generated 15.5% of Group revenues in the first six months of 2017/18.

Further revenue decline in Components Segment

Revenues in the Components Segment fell by 6.1% (FX-adjusted: minus 3.8%) in the first half of 2017/18. The concentration on margins in an increasingly competitive environment obviously generates high earnings contributions, but is also accompanied by substantial revenue declines. Price adjustments in the second quarter led to a gain in market shares and the growing stabilisation of FX-adjusted revenues.

Distribution of regional revenues

	Q2 2017/18		1 HY 2017/18		
	Revenues in EUR million	Change in %	Revenues in EUR million	Change in %	in % of Group
D/A/CH	97.0	(7.6)	190.7	(5.7)	30.5
Northern Europe	65.3	(26.2)	142.9	(17.0)	22.9
Benelux & Eastern Europe	49.3	7.5	92.8	9.0	14.9
Southern Europe	40.7	(8.8)	89.4	(5.3)	14.3
Asia & Pacific	34.2	5.7	65.1	0.3	10.4
Middle East & Africa	12.3	(16.7)	26.8	(7.3)	4.3
Americas	8.4	(20.2)	16.7	(14.9)	2.7
Total	**307.3**	**(10.1)**	**624.4**	**(6.4)**	**100.0**

Substantial declines in Great Britain

The trend from the previous quarters generally continued during the second quarter of 2017/18 with the exception of Great Britain. The D/A/CH region, the strongest market in the Zumtobel Group, recorded a 5.7% decline (FX-adjusted: minus 4.9%) in revenues to EUR 190.7 million. Revenues reflected the previous year in Austria, but were slightly lower in Switzerland and Germany. Above all in Switzerland, there are growing signs of an improvement during the coming months. Revenues in Northern Europe fell by 17.0% to EUR 142.9 million, chiefly due to strong negative foreign exchange effects from the British pound. After an adjustment for these foreign exchange effects, revenues were 13.0% below the high prior year level. All above the Lighting Segment in Great Britain recorded a sharp drop of nearly 35% in revenues during the second quarter due to a more difficult market environment and an exceptionally good second quarter in the previous year. The Benelux & Eastern Europe region also continued the sound trend from previous years during the reporting period with an increase of 9.0% in revenues (FX-adjusted: plus 10.2%) to EUR 92.8 million. The Southern European region consists primarily of Italy, Spain and France. Italy and Spain continued the solid revenue growth from the previous year during the first half year, but business development in France remained disappointing with a nearly double-digit minus. Revenues in this region fell by 5.3% to EUR 89.4 million. In the Asia & Pacific region, improved revenue growth in Asia more than offset the continuing negative development in Australia. Revenues in this region increased by 0.3% (FX-adjusted: plus 2.9%). The Middle East & Africa region saw a stabilisation of the difficult political and economic environment in several Middle East countries during recent months. The substantial revenue declines in 2016/17 were followed by a decline of 7.3% (FX-adjusted: minus 6.0%) in the first half of 2017/18. The America region reported a largely market-based decline of 14.9% (FX-adjusted: 12.4%) to EUR 16.7 million.

Development of earnings in the first half-year 2017/18

- >> Adjusted Group EBIT falls to EUR 20.3 million
- >> Profitability negatively affected by substantial decline in revenues, increasingly aggressive price competition and higher warranty provisions
- >> Selling expenses at prior year level and improvement in financial results
- >> Net profit totals EUR 7.7 million

Adjusted Group EBIT declines to EUR 20.3 million

Group EBIT adjusted for special effects fell to EUR 20.3 million in the first half of 2017/18 (previous year: EUR 52.0 million). This decline was also reflected in the return on sales, which fell from 7.8% to 3.3%. The Components Segment nearly matched the very good previous year's results with an adjusted EBIT of EUR 19.0 million (H1 2016/17: EUR 21.5 million), but the Lighting Segment was largely responsible for the deterioration in the Group's profitability during the first half year. Adjusted EBIT in the Lighting Segment dropped from EUR 39.9 million to EUR 12.8 million due to a substantial second quarter decline in revenues, increasingly aggressive price competition and higher warranty provisions – above all for long-term road lighting projects.

As a result, the gross profit margin (after development costs) for the Zumtobel Group declined to 32.0% (previous year: 34.7%). Development costs included in the cost of goods sold fell by EUR 5.8 million to EUR 34.3 million (previous year: EUR 40.2 million). The central bundling of R&D activities and the streamlining of the plant landscape supported the realisation of additional synergy effects.

Income statement in EUR million	Q2 2017/18	Q2 2016/17	Change in %	1 HY 2017/18	1 HY 2016/17	Change in %
Revenues	307.3	341.6	(10.1)	624.4	667.3	(6.4)
Cost of goods sold	(219.6)	(222.4)	(1.3)	(424.6)	(435.7)	(2.6)
Gross profit	87.6	119.2	(26.5)	199.8	231.5	(13.7)
as a % of revenues	*28.5*	*34.9*		*32.0*	*34.7*	
SG&A expenses adjusted for special effects	(85.5)	(87.2)	(2.0)	(179.5)	(179.5)	0.0
Adjusted EBIT	2.1	32.0	(93.3)	20.3	52.0	(61.0)
as a % of revenues	*0.7*	*9.4*		*3.3*	*7.8*	
Special effects	(3.0)	(5.5)	(44.3)	(4.2)	(7.7)	(45.7)
EBIT	(0.9)	26.5	<(100)	16.1	44.3	(63.6)
as a % of revenues	*(0.3)*	*7.8*		*2.6*	*6.6*	
Financial results	(2.7)	(6.9)	60.3	(7.0)	(8.3)	15.5
Profit/loss before tax	(3.6)	19.6	<(100)	9.1	36.0	(74.7)
Income taxes	1.6	(4.7)	>100	(1.4)	(8.4)	(83.0)
Result from discontinued operations	0.0	0.0	>100	0.0	0.0	
Net profit/loss for the year	(2.0)	15.0	<(100)	7.7	27.6	(72.2)
Earnings per share (in EUR)	(0.05)	0.35	<(100)	0.18	0.64	(72.2)

Note: EBITDA (plus depreciation and amortisation) amounted to EUR 40.5 million in the first half of 2017/18.

Selling expenses at prior year level

Selling expenses amounted to EUR 158.2 million in the first half of 2017/18 (H1 2016/17: EUR 157.4 million) and reflected the prior year level in spite of salary increases required by collective agreements. The cost reduction measures implemented in the first quarter were reflected in a second quarter reduction of EUR 3.1 million in selling expenses. Administrative expenses were slightly lower than the previous year at EUR 25.1 million (previous year: EUR 26.7 million). Other operating results, excluding special effects, amounted to EUR 3.1 million (previous year: EUR 5.4 million) and include, among others, license income from the LED business and government grants.

Negative special effects from transformation process

Negative special effects of EUR 4.2 million were recorded in the first half of 2017/18 (previous year: EUR 7.7 million). These effects are related primarily to adjustments in the global production network, e.g. the sale of the Zumtobel Group's plant in Les Andelys (France) which has since been finalised.

Adjusted EBIT in EUR million	Q2 2017/18	Q2 2016/17	Change in %	1 HY 2017/18	1 HY 2016/17	Change in %
Reported EBIT	(0.9)	26.5	<(100)	16.1	44.3	(63.6)
thereof special effects	(3.0)	(5.5)	(44.3)	(4.2)	(7.7)	(45.7)
Adjusted EBIT	2.1	32.0	(93.3)	20.3	52.0	(61.0)
as a % of revenues	*0.7*	*9.4*		*3.3*	*7.8*	

Improvement in financial results

Financial results improved by EUR 1.3 million year-on-year to minus EUR 7.0 million (previous year: minus EUR 8.3 million). Interest expense is attributable primarily to the current credit agreements and to finance leases. Other financial income and expenses totalled minus EUR 3.7 million (previous year: minus EUR 4.6 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 British pound, Swiss franc and US dollar. Additional information is provided in the notes to the consolidated interim financial statements.

Financial result in EUR million	Q2 2017/18	Q2 2016/17	Change in %	1 HY 2017/18	1 HY 2016/17	Change in %
Interest expense	(1.5)	(1.7)	(12.3)	(3.2)	(3.7)	(13.6)
Interest income	0.1	0.1	7.7	0.2	0.2	(3.4)
Net financing costs	(1.5)	(1.7)	13.0	(3.0)	(3.5)	14.1
Other financial income and expenses	(1.1)	(5.1)	77.8	(3.7)	(4.6)	(19.6)
Result from companies accounted for at-equity	(0.1)	(0.1)	(67.1)	(0.2)	(0.1)	<(100)
Financial results	(2.7)	(6.9)	60.3	(7.0)	(8.3)	15.5

Net profit totals EUR 7.7 million

Profit before tax amounted to EUR 9.1 million for the reporting period (previous year: EUR 36.0 million) and income taxes totalled EUR 1.4 million (previous year: EUR 8.4 million). Net profit therefore fell to EUR 7.7 million (previous year: EUR 27.6 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 0.18 (previous year: EUR 0.64).

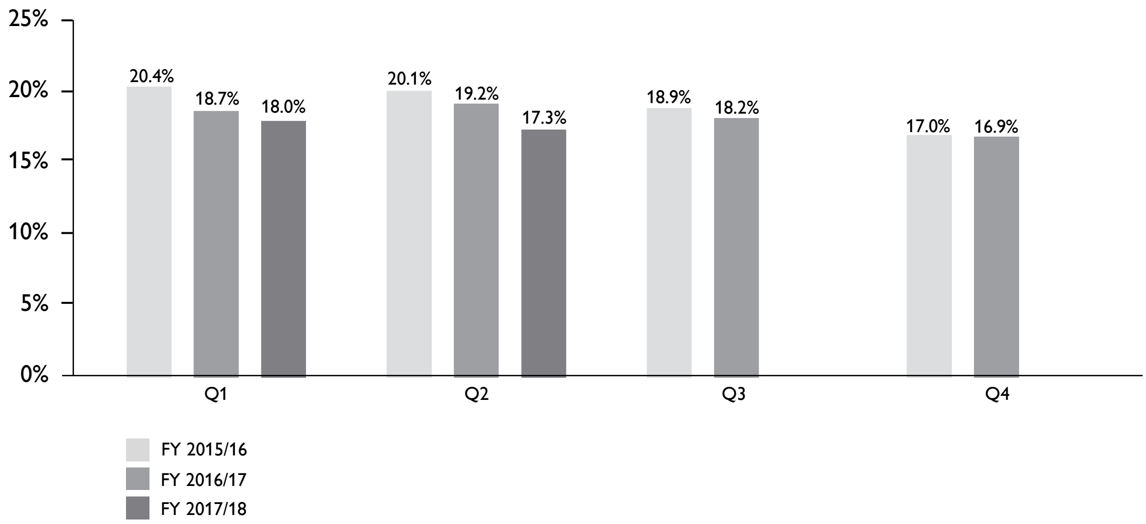
Cash flow and asset position

Cash flow was determined on a monthly basis in accordance with the indirect method. The resulting monthly cash flows were translated at the applicable average monthly exchange rate and then aggregated, while the balance sheet positions were translated at the exchange rate in effect on the respective closing date. Individual positions on the cash flow statement therefore differ significantly from the respective balance sheet positions, above all under cash flow from operating activities.

Positive development of working capital

Cash flow from operating activities fell from EUR 75.5 million in the first half of the previous year to EUR 41.4 million as a result of the lower profitability and a decrease in depreciation and amortisation. The seasonal increase in working capital was substantially lower than the first half of the previous year due to the decline in revenues and strict inventory and receivables management. Working capital totalled EUR 218.7 million as of 31 October 2017 and was EUR 35.4 million below the level on 31 October 2016. As a percent of rolling 12-month revenues, working capital declined from 19.2% in the first half of the previous year to 17.3%. Cash outflows from the changes in other operating positions totalled EUR 22.3 million (H1 2016/17: cash inflows of EUR 10.0 million). The change in current provisions resulted, mainly from the use of the restructuring provision. Cash outflows for other non-current and current assets and liabilities resulted from a decrease in other obligations to employees, above all following bonus payments for the 2016/17 financial year. Cash flow from operating activities therefore dropped from EUR 55.0 million to EUR 13.9 million in the first half of 2017/18.

Working Capital in % of rolling 12-month revenues



Free cash flow at minus EUR 22.5 million

Investments in non-current assets rose substantially to EUR 33.3 million in the first half of 2017/18 (H1 2016/17: EUR 19.7 million). These expenditures consisted mainly of tools for new products, expansion and maintenance investments as well as capitalised research and development costs (EUR 5.5 million). A total of EUR 3.6 million was spent on the new production plant in Serbia during the first six months of 2017/18. In addition, the previously rented CIT building in Dornbirn (Austria) was purchased for EUR 7.1 million in May 2017. The positive effect recorded under cash inflows from the disposal of property, plant and equipment consisted chiefly of the proceeds from the sale of property in Usingen (Germany) following the termination of production at this location in 2016/17. The negative cash flow effect reported under changes in non-current and current financial assets for the first half of 2017/18 included a payment of EUR 3.4 million for 48% of the shares in Inventron AG, Switzerland. The change in cash and cash equivalents from changes in the scope of consolidation involves the reduction in liquid funds following the sale of Europhane SAS, France, which was founded for the sale of the plant in Les Andelys. The decline in cash flow from operating activities and increase in capital expenditure led to a decrease in free cash flow, which fell to minus EUR 22.5 million for the reporting period (previous year: plus EUR 41.5 million).

Cash flow from financing activities consists primarily of the increased use of the facilities provided by the consortium credit agreement and interest paid during the first half of the reporting year. The EUR 0.23 dividend per share for the 2016/17 financial year, which was approved by the annual general meeting on 21 July 2017, was distributed to shareholders on 2 August 2017.

Balance sheet data in EUR million	31 October 2017	30 April 2017
Total assets	1,005.7	1,019.6
Net debt	135.8	91.0
Debt coverage ratio	*1.91*	*0.86*
Equity	330.0	334.0
Equity ratio in %	*32.8*	*32.8*
Gearing in %	*41.1*	*27.2*
Investments	33.3	45.2
Working capital	218.7	220.1
As a % of rolling 12 month revenues	17.3	16.9

Continued solid balance sheet structure

The quality of the balance sheet structure remains nearly unchanged. The equity ratio equalled 32.8% as of 31 October 2017. Net debt followed the normal seasonal pattern with an increase of EUR 44.8 million to EUR 135.8 million, and gearing – the ratio of net debt to equity – therefore deteriorated from 27.2% to 41.1%.

Major uncertainties during the second half-year 2017/18

Risk management for early identification of opportunities and risks

The Zumtobel Group is well aware that an effective opportunity and 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 implementation of suitable measures to deal with changes in the operating environment.

Risks arising from economic developments

The uncertain economic environment, above all in the key British market, represents a major risk for the development of business in the Zumtobel Group. Economic weakness could lead to a significant decline in incoming orders as well as the postponement or cancellation of existing orders. More stringent austerity measures in the public sector or increased destocking by wholesalers could also have a negative effect on revenues. These factors create risks for earnings growth, in particular through the underutilisation of production capacity, increased pressure on prices and negative shifts in the product mix.

Risks arising from restructuring

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 adjustment of plant capacity and the shift of products could also cause temporary production and/or logistics inefficiencies and, in turn, lead to 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. The Zumtobel Group meets this challenge with a steady focus on innovation and close cooperation between development and sales.

Competitive risks

The general weakness in the professional lighting industry has also been reflected in growing competition and increasingly aggressive price competition among European luminaire suppliers. Furthermore aggressive and established competitors, above all the Asian LED chip producers, are entering the professional lighting market with strategies that include forward integration. However, these companies generally lack specific application knowledge in the most important areas of indoor and outdoor lighting as well as the expertise to develop complex light management systems and an extensive direct sales network.

Low liquidity 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 84.7 million at its disposal as of 31 October 2017 (previous year: EUR 89.5 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 extending to November 2022 and a currently maximum line of EUR 300 million. The amount drawn by the Zumtobel Group under this credit agreement totalled EUR 95 million as of 31 October 2017 (previous year: EUR 90 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 and also includes clauses covering an increase of up to EUR 200 million and a further one-year extension. 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 September 2018, respectively in January 2020; both credits were fully drawn as of 31 October 2017. 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%). These financial covenants were met in full as of 31 October 2017 with a debt coverage ratio of 1.91 (30 April 2017: 0.86) and an equity ratio of 32.7% (30 April 2017: 32.8%). 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.

Interest rate risk

The two EUR 40.0 million long-term loans have fixed interest rates and are therefore not exposed to interest rate risk. However, the balance of EUR 95 million currently outstanding under the consortium credit agreement carries a variable interest rate (EURIBOR money market interest rate). 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 approx. EUR 80 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 2.694%.

Foreign exchange risk

The foreign exchange markets are still 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 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, above all from the British pound and the Swiss franc, and positive effects from the US dollar can be expected in the second half of 2017/18.

Variable remuneration based on Total Shareholder Return

The variable remuneration for all employees eligible for bonuses has been based since 2014/15, among others, on the total shareholder return of Zumtobel Group AG compared with the total shareholder return of specific comparable companies (peer group). The above-average positive development of the share price of Zumtobel Group AG in relation to this peer group would result in a higher addition to the provision for variable remuneration bonuses and reduce operating earnings in the respective financial year. In contrast, the above-average negative development of the share price of Zumtobel Group AG would have a positive effect on operating earnings in the respective financial year. The total shareholder return for a particular financial year can only be calculated after the end of the fourth quarter. The remuneration report for 2016/17 provides details on the bonus system used by Zumtobel Group AG.

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 2016/17 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.

Outlook for 2017/18: operating results (adjusted EBIT) of EUR 50 to 60 million and a decline of roughly 5% in revenues

The general development of the professional lighting industry still remains below original expectations and there are no signs of the hoped-for recovery in the near future. As in the past quarters, visibility is low and the pressure on prices is high. As a result of the unsatisfactory development of business during the first six months, the Management Board of Zumtobel Group AG issued an adjusted forecast for the 2017/18 financial year (1 May 2017 to 30 April 2018) in connection with the announcement of preliminary half-year results on 15 November 2017. Significant cost reduction measures were immediately introduced in all functional areas to improve profitability during the second half-year. The Management Board now expects operating results (adjusted EBIT) of EUR 50 to 60 million and a decline of roughly 5% in revenues. The previous forecast showed a slight year-on-year improvement in revenues (FY 2016/17: EUR 1,303.9 million) and adjusted Group EBIT (FY 2016/17: EUR 72.4 million).

Dornbirn, 5 December 2017

Ulrich Schumacher	Karin Sonnenmoser	Alfred Felder
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

Income Statement

in TEUR	Q2 2017/18	Q2 2016/17	Change in %	1 HY 2017/18	1 HY 2016/17	Change in %
Revenues	307,251	341,612	(10.1)	624,414	667,268	(6.4)
Cost of goods sold	(219,611)	(222,447)	(1.3)	(424,618)	(435,737)	(2.6)
Gross profit	**87,640**	**119,165**	**(26.5)**	**199,796**	**231,531**	**(13.7)**
as a % of revenues	*28.5*	*34.9*		*32.0*	*34.7*	
Selling expenses	(75,861)	(78,974)	(3.9)	(157,412)	(158,155)	(0.5)
Administrative expenses	(12,095)	(12,676)	(4.6)	(25,143)	(26,705)	(5.8)
Other operating results	(592)	(1,033)	(42.7)	(1,133)	(2,374)	(52.3)
thereof special effects	*(3,049)*	*(5,470)*	*(44.3)*	*(4,199)*	*(7,727)*	*(45.7)*
Operating profit/loss	**(908)**	**26,482**	**<(100)**	**16,108**	**44,297**	**(63.6)**
as a % of revenues	*(0.3)*	*7.8*		*2.6*	*6.6*	
Interest expense	(1,527)	(1,741)	(12.3)	(3,204)	(3,709)	(13.6)
Interest income	70	65	7.7	159	164	(3.4)
Other financial income and expenses	(1,129)	(5,096)	(77.8)	(3,719)	(4,626)	(19.6)
Result from companies accounted for at-equity	(136)	(82)	65.9	(238)	(116)	<(100)
Financial results	**(2,722)**	**(6,854)**	**60.3**	**(7,002)**	**(8,287)**	**15.5**
as a % of revenues	*(0.9)*	*(2.0)*		*(1.1)*	*(1.2)*	
Profit/loss before tax	**(3,630)**	**19,628**	**<(100)**	**9,106**	**36,010**	**(74.7)**
Income taxes	1,596	(4,660)	>100	(1,433)	(8,449)	(83.0)
Profit/Loss from continuing operations	**(2,034)**	**14,968**	**<(100)**	**7,673**	**27,561**	**(72.2)**
Net profit/loss for the period	**(2,034)**	**14,968**	**<(100)**	**7,673**	**27,561**	**(72.2)**
as a % of revenues	(0.7)	4.4		1.2	4.1	
thereof due to non-controlling interests	*(47)*	*9*	*<(100)*	*(22)*	*0*	*<(100)*
thereof due to shareholders of the parent company	*(1,987)*	*14,959*	*<(100)*	*7,695*	*27,561*	*(72.1)*
Average number of shares outstanding – basic (in 1,000 pcs.)	43,147	43,147		43,147	43,147	
Average diluting effect (stock options) (in 1,000 pcs.)	0	0		0	0	
Average number of shares outstanding – diluted (in 1,000 pcs.)	43,147	43,147		43,147	43,147	
Earnings per share (in EUR)						
Basic earnings per share (diluted and basic)	(0.05)	0.35		0.18	0.64	
Earnings per share from continuing operations (in EUR)						
Basic earnings per share (diluted and basic)	(0.05)	0.35		0.18	0.64	
Earnings per share from discontinued operations (in EUR)						
Basic earnings per share (diluted and basic)	0.00	0.00		0.00	0.00	

Statement of Comprehensive Income

in TEUR	Q2 2017/18	Q2 2016/17	Change in %	1 HY 2017/18	1 HY 2016/17	Change in %
Net profit/loss for the period	**(2,034)**	**14,968**	**<(100)**	**7,673**	**27,561**	**(72.2)**
Actuarial gain/loss	4,789	(20,672)	>100	4,789	(20,672)	>100
Deferred taxes due to actuarial gain/loss	(198)	1,890	<(100)	(198)	1,890	<(100)
Total of items that will not be reclassified ("recycled") subsequently to the income statement	**4,591**	**(18,782)**	**>100**	**4,591**	**(18,782)**	**>100**
Currency differences	(1,434)	6,675	<(100)	(3,144)	12,875	<(100)
Currency differences arising from loans	2,117	(3,848)	>100	(3,533)	(9,063)	(61.0)
Hedge accounting	98	434	(77.4)	396	601	(34.1)
Deferred taxes due to hedge accounting	(25)	(108)	77.2	(99)	(150)	(34.1)
Total of items that will be reclassified ("recycled") subsequently to the income statement	**756**	**3,153**	**(76.0)**	**(6,380)**	**4,263**	**<(100)**
Subtotal other comprehensive income	**5,347**	**(15,629)**	**>100**	**(1,789)**	**(14,519)**	**87.7**
thereof due to non-controlling interests	*23*	*36*	*(37.3)*	*(188)*	*96*	*<(100)*
thereof due to shareholders of the parent company	*5,324*	*(15,665)*	*>100*	*(1,601)*	*(14,615)*	*89.0*
Total comprehensive income	**3,313**	**(661)**	**>100**	**5,884**	**13,042**	**(54.9)**
thereof due to non-controlling interests	*(25)*	*46*	*<(100)*	*(210)*	*96*	*<(100)*
thereof due to shareholders of the parent company	*3,338*	*(707)*	*>100*	*6,094*	*12,946*	*(52.9)*

Balance Sheet

in TEUR	31 October 2017	in %	30 April 2017	in %
Goodwill	194,808	19.4	197,810	19.4
Other intangible assets	52,367	5.2	52,947	5.2
Property, plant and equipment	205,926	20.4	203,526	20.0
Financial assets accounted for at equity	4,961	0.4	1,818	0.2
Financial assets	1,109	0.1	1,243	0.1
Other assets	4,630	0.5	4,875	0.5
Deferred taxes	40,779	4.1	42,707	4.2
Non-current assets	**504,580**	**50.1**	**504,926**	**49.6**
Inventories	196,629	19.6	197,012	19.3
Trade receivables	187,639	18.7	198,230	19.4
Financial assets	1,314	0.1	1,590	0.2
Other assets	40,860	4.1	35,016	3.4
Liquid funds	74,662	7.4	81,352	8.0
Available-for-sale assets	0		1,503	0.1
Current assets	**501,104**	**49.9**	**514,703**	**50.4**
ASSETS	**1,005,684**	**100.0**	**1,019,629**	**100.0**
Share capital	108,750	10.8	108,750	10.7
Additional paid-in capital	335,316	33.3	335,316	32.9
Reserves	(126,260)	(12.6)	(140,139)	(13.7)
Net profit/loss for the period	7,695	0.8	25,404	2.4
Capital attributed to shareholders of the parent company	325,501	32.4	329,331	32.3
Capital attributed to non-controlling interests	4,449	0.4	4,659	0.5
Equity	**329,950**	**32.8**	**333,990**	**32.8**
Provisions for pensions	82,473	8.2	93,805	9.2
Provisions for severance compensation	48,012	4.8	47,801	4.7
Provisions for other employee benefits	9,805	1.0	10,266	1.0
Other provisions	7,113	0.7	646	0.1
Borrowings	202,104	20.1	168,267	16.5
Other liabilities	3,796	0.4	4,628	0.4
Deferred taxes	450	0.0	547	0.1
Non-current liabilities	**353,753**	**35.2**	**325,960**	**32.0**
Provisions for taxes	21,345	2.1	23,093	2.3
Other provisions	31,080	3.1	38,753	3.8
Borrowings	8,316	0.8	4,539	0.4
Trade payables	144,677	14.4	157,074	15.4
Other liabilities	116,563	11.6	126,795	12.4
Liabilities held for sale	0		9,425	0.9
Current liabilities	**321,981**	**32.0**	**359,679**	**35.2**
EQUITY AND LIABILITIES	**1,005,684**	**100.0**	**1,019,629**	**100.0**

Cash Flow Statement

in TEUR	1 HY 2017/18	1 HY 2016/17
Profit/loss before tax	9,106	36,010
Depreciation and amortisation	24,368	31,165
Gain/loss from disposal of fixed assets	897	28
Interest income / Interest expense	3,045	3,587
Other financial income and expenses	3,719	4,700
Share of profit or loss in companies accounted for at equity	238	0
Cash flow from operating results	**41,373**	**75,490**
Inventories	4,958	(16,629)
Trade receivables	6,391	(5,359)
Trade payables	(18,581)	(128)
Prepayments received	4,172	(5,637)
Change in working capital	**(3,060)**	**(27,753)**
Non-current provisions	(1,596)	(2,201)
Current provisions	(9,650)	(1,155)
Other current and non-current assets and liabilities	(11,024)	13,373
Change in other operating items	**(22,270)**	**10,017**
Income taxes paid	**(2,162)**	**(2,760)**
Cash flow from operating activities	**13,881**	**54,994**
Cash inflows from the disposal of property, plant and equipment and other intangible assets	3,865	75
Cash outflows for the purchase of property, plant and equipment and other intangible assets	(33,268)	(19,673)
Change in non-current and current financial assets	(3,765)	6,122
Change in liquid funds from changes in the consolidation range	(3,179)	0
Cash flow from investing activities	**(36,347)**	**(13,476)**
FREE CASH FLOW	**(22,466)**	**41,518**
Change in non-current and current financial assets	28,188	(25,702)
Dividends	(9,924)	(8,629)
Interest paid	(3,142)	(3,677)
Interest received	158	163
Cash flow from financing activities	**15,280**	**(37,845)**
CHANGE IN CASH AND CASH EQUIVALENTS	**(7,186)**	**3,673**
Cash and cash equivalents at the beginning of the period	77,205	75,305
Cash and cash equivalents at the end of the period	67,433	78,732
Effects of exchange rate changes on cash and cash equivalents	(2,586)	(246)
Change absolute	**(7,186)**	**3,673**

Statement of Changes in Equity

1st Half-Year 2017/18

in TEUR	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity
	Attributed to shareholders of the parent company								
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 period	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**

1st Half-Year 2016/17

in TEUR	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity
	Attributed to shareholders of the parent company								
30 April 2016	**108,750**	**335,316**	**30,210**	**(23,167)**	**(2,046)**	**(120,791)**	**328,272**	**4,973**	**333,245**
+/- Net profit/loss for the period	0	0	27,561	0	0	0	27,561	0	**27,561**
+/- Other comprehensive income	0	0	0	3,716	451	(18,782)	(14,615)	96	**(14,519)**
+/- Total comprehensive income	**0**	**0**	**27,561**	**3,716**	**451**	**(18,782)**	**12,946**	**96**	**13,042**
+/- Dividends	0	0	(8,629)	0	0	0	(8,629)	0	**(8,629)**
31 October 2016	**108,750**	**335,316**	**49,142**	**(19,451)**	**(1,596)**	**(139,572)**	**332,589**	**5,069**	**337,658**

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 2017 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 IFRS/IAS 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 2017 reflect the methods applied in preparing the consolidated financial statements as of 30 April 2017, with the exception of the IFRSs which require mandatory application as of 1 January 2017.

In order to improve the clarity and informative value of these financial statements, individual positions on the income statement and balance sheet were combined and are reported separately in the notes. The amounts in the tables are presented in thousand euros (TEUR), unless indicated otherwise. The use of automatic data processing equipment can lead to rounding differences.

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

The preparation of 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 contingent liabilities for the reporting period. Actual values may differ from these assumptions.

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:

Standards and interpretations		Mandatory application in financial years beginning on or after
IAS 7	Disclosure initiative	1 January 2017
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Various	Improvements to IFRS - Cycle 2014–2016	1 January 2017

An analysis of the changes resulting from the application of the new standards and interpretations did not show any significant effects on the consolidated interim financial statements.

The following IAS/IFRS standards and IFRIC interpretations have been published, but do not yet require mandatory application. They were not applied prematurely and will therefore not be taken into account during the Zumtobel Group's 2017/18 financial year:

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. IFRS 9 also includes rules for general hedge accounting. The application of IFRS 9 will require additional disclosures in the notes, which result from the adjustment of IFRS 7 "Financial Instruments: Disclosures".

The analysis of the effects on the consolidated financial statements from the application of IFRS 9 is still in progress. Effects could result, in particular, from the new requirements for the recognition of impairment charges on expected future losses. In contrast, IAS 39 only requires the recognition of losses to reflect previously incurred impairment. However, these effects are not considered material for the Zumtobel Group at the present time.

In the future, all equity instruments must principally be recognised through profit or loss or at fair value through comprehensive income. Any changes in the value recorded through other comprehensive income are no longer reclassified to profit or loss when the related instruments are sold. Possible effects could include stronger fluctuations in balance sheet carrying amounts as well as fluctuations on the income statement and statement of comprehensive income. Additional effects could arise from the option which permits the exclusion of certain derivative components from the designation as hedges and the recording of changes in the fair value of these components without recognition through profit or loss.

This change concerns, for example, the fair values of options whose increases or decreases in value are regularly recognised to profit or loss during the option term in accordance with IAS 39. The Zumtobel Group intends to initially apply IFRS 9 to financial year beginning on 1 May 2018. In accordance with the transition guidance, the Zumtobel Group currently plans to waive the adjustment of prior year data and report the accumulated transition effects under reserves.

The Zumtobel Group does not expect the transition to IFRS 9 will result in any material effects on the earnings, financial or asset position.

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 requirements for the notes to annual financial statements were also expanded.

This standard could have a future effect on the Zumtobel Group, above all through the timing of revenue recognition from longer warranty commitments arising from extended guarantees in individual sales regions. The revenues from these guarantee commitments would only be realised in a later financial year. This shift in revenue is estimated at a maximum of 0.5% of Group revenues.

Current analyses indicate that the application of IFRS 15 is not expected to have any further effects on the Group's earnings, financial or asset position. IFRS 15 requires mandatory application, at the latest, for financial years beginning on or after 1 January 2018, whereby premature application is permitted. The Zumtobel Group currently intends to apply IFRS 15 for the first time in the financial year which begins on 1 May 2018.

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.

The application of IFRS 16 will result in the recognition of leases that were previously not recognised – generally in line with the current accounting treatment applied to finance leases. The accounting rules for lessors were transferred nearly unchanged from IAS 17 to IFRS 16. IFRS 16 is applicable to financial years beginning on or after 1 January 2019. Premature application is permitted when IFRS 15 is also applied. The effects of the application of IFRS 16 on the consolidated financial statements are currently under evaluation, and the Zumtobel Group expects to initially apply IFRS 16 for the financial year beginning on 1 May 2019.

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

The uncertain economic environment, above all in the key British market, represents a major risk for the development of business in the Zumtobel Group. The Zumtobel Group is also exposed to foreign exchange risk from transactions in the British pound. However, the Zumtobel Group operates three plants in Great Britain and can therefore offset this foreign exchange risk to a certain extent.

Foreign Currency Translation

The major currencies used to translate the financial statements of subsidiaries into the euro are as follows:

1 EUR equals	Average exchange rate: Income Statement		Closing rate: Balance sheet	
	31 October 2017	31 October 2016	31 October 2017	30 April 2017
AUD	1.4909	1.4879	1.5210	1.4629
CHF	1.1210	1.0918	1.1622	1.0831
USD	1.1550	1.1179	1.1638	1.0930
SEK	9.6224	9.4762	9.7415	9.6318
NOK	9.3886	9.2516	9.5238	9.3243
GBP	0.8863	0.8348	0.8785	0.8447

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 2017	**95**	**2**	**97**
Included during reporting period for first time	1	2	3
thereof newly founded	*1*		*1*
Sold during reporting period	(1)		(1)
31 October 2017	**95**	**4**	**99**

- >> The newly founded ZG Lighting Limited, Thailand, was initially consolidated as of October 2017.
- >> Europhane SAS, France, which was founded for the sale of the plant in Les Andelys, was deconsolidated in September 2017. The deconsolidation results of TEUR 284 are reported under other operating income. The remaining investment of 10% was initially consolidated at equity in October 2017. Contractual agreements give the Zumtobel Group significant influence over Europhane SAS, France, and the 10% investment has therefore been included in the consolidated financial statements at equity since October 2017.
- >> An investment of 48% in the Swiss Inventron AG was acquired during the first half of 2017/18.

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 26,084 (previous year: TEUR 30,183) for sales deductions (primarily customer discounts). Gross revenues total TEUR 650,498 (previous year: TEUR 697,450).

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 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)**

1st Half-Year 2016/17

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(271,261)	(3,295)	(35)	(2)	(274,593)
Personnel expenses	(106,594)	(91,473)	(18,547)	(6,909)	(223,523)
Depreciation	(26,440)	(3,792)	(751)	(182)	(31,165)
Other expenses	(42,240)	(59,390)	(9,306)	(1,285)	(112,221)
Own work capitalised	6,517	0	0	0	6,517
Internal charges	2,530	(4,450)	1,920	0	0
Total expenses	**(437,488)**	**(162,400)**	**(26,719)**	**(8,378)**	**(634,985)**
Other income	**1,751**	**4,245**	**14**	**6,004**	**12,014**
Total	**(435,737)**	**(158,155)**	**(26,705)**	**(2,374)**	**(622,971)**

The cost of goods sold includes development costs of TEUR 34,305 (previous year: TEUR 40,151).

Development costs of TEUR 5,519 (previous year: TEUR 6,239) were capitalised during the reporting period. The amortisation of capitalised development costs amounted to TEUR 6,401 (previous year: TEUR 9,908).

Other Operating Results

in TEUR	Q2 2017/18	Q2 2016/17	1 HY 2017/18	1 HY 2016/17
Government grants	*811*	*2,538*	*1,015*	*2,512*
License revenues	*1,562*	*1,632*	*1,937*	*2,890*
Changes in the scope of consolidation	*284*	*398*	*284*	*398*
Other income	2,657	4,567	3,236	5,799
Restructuring	*(3,359)*	*(5,812)*	*(4,457)*	*(8,069)*
Gains/losses on sale	*(19)*	*0*	*(19)*	*0*
Impairment charges to current assets	*45*	*(55)*	*(7)*	*(55)*
Other expenses	(3,333)	(5,868)	(4,483)	(8,124)
Miscellaneous	84	267	114	(49)
Total	**(592)**	**(1,033)**	**(1,133)**	**(2,374)**

As in the previous year, government grants for the first half of 2017/18 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 deconsolidation of the Europhane SAS plant in France, which was sold during the second quarter of 2017/18, resulted in a positive effect of TEUR 284.

The restructuring expenses reported for the first half of 2017/18 comprise TEUR 4,171 for the Lighting Segment and include the following: TEUR 2,090 for the sale of the plant in Les Andelys, France; TEUR 609 for the shutdown of the plant in Usingen, Germany; TEUR 596 for the restructuring of the plant in Guangzhou, China; and TEUR 568 for management restructuring.

Miscellaneous items represent the net total of income and expenses arising from ordinary business operations, which cannot be clearly allocated to other functional areas.

The special effects included in other operating results include the following:

in TEUR	1 HY 2017/18	1 HY 2016/17
Gains/losses on sale	(19)	0
Changes in the scope of consolidation	284	398
Restructuring	(4,457)	(8,069)
Impairment charges to current assets	(7)	(55)
Special effects	**(4,199)**	**(7,727)**

The special effects reported in the first half of 2017/18 include TEUR 171 of material costs, TEUR 1,333 of personnel expenses, TEUR 689 of depreciation and amortisation and TEUR 2,006 of other expenses.

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 2017/18	Q2 2016/17	1 HY 2017/18	1 HY 2016/17
Interest component as per IAS 19 less income on plan assets	(820)	(1,705)	(1,656)	(2,790)
Foreign exchange gains and losses	(2,433)	(2,138)	(3,570)	(4,285)
Market valuation of financial instruments	2,124	(1,253)	1,507	2,449
Total	**(1,129)**	**(5,096)**	**(3,719)**	**(4,626)**

The change in foreign exchange gains and losses is attributable primarily to the valuation of foreign currency receivables and liabilities and results 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. The positive effect in the second quarter resulted primarily from the realisation of foreign currency transactions with a previously negative market value; an opposite effect was recorded in the second quarter of the previous year.

Income Taxes

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

in TEUR	Q2 2017/18	Q2 2016/17	1 HY 2017/18	1 HY 2016/17
Current taxes	60	315	(681)	(3,676)
thereof current year	*60*	*313*	*(1,069)*	*(3,676)*
thereof prior years	*0*	*2*	*388*	*0*
Deferred taxes	1,536	(4,975)	(752)	(4,773)
Income taxes	**1,596**	**(4,660)**	**(1,433)**	**(8,449)**

The deferred tax expense recognised in the first half of 2017/18 was based chiefly on the positive results recorded for the reporting period and the subsequent use of deferred tax assets.

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 Great Britain and Switzerland in the first half of 2017/18.

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 396 reported under hedge accounting (previous year: TEUR 601) 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 -297 recognised to comprehensive income in the first half of 2017/18 (previous year: TEUR 1,740) include TEUR -198 (previous year: TEUR 1,890) from the provisions for pensions and severance compensation based on actuarial gains/losses in accordance with IAS 19 "Employee Benefits" as well as TEUR -99 (previous year: TEUR -150) from the hedge accounting reserve. Deferred tax assets were not recognised for the actuarial losses related to a pension plan in a British subsidiary because of immateriality.

Notes to the Balance Sheet

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2017.

Goodwill

The goodwill arising from the acquisition of the Thorn Lighting Group and the British LED lighting producer AC/DC LED Holdings Ltd (acdc) 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 -3,002 to goodwill in the first half of 2017/18 (previous year: TEUR -4,684) 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 resulted primarily from the acquisition of 48% of the shares in Inventron AG, Switzerland, and the new 10% investment in Europhane SAS, France.

Other Non-Current Assets

This position consists primarily of capitalised reinsurance for the fulfilment of pension commitments.

Trade Receivables

The decline in trade receivables is attributable to the lower volume of revenues and to strict receivables management in the second quarter of 2017/18.

Other Current Assets

The increase in other current assets resulted, above all, from a higher balance of prepayments to suppliers as of 31 October 2017.

Assets and Liabilities held for Sale

The assets and liabilities of the plant in Les Andelys, France, were reported as assets and liabilities held for sale as of 30 April 2017 due to the planned sale. This French plant was initially spun off to the French company Europhane SAS in the first half of 2017/18. Negotiations with the strategic partner Active Invest SAS, France, were concluded in September 2017 and resulted in the sale of 90% of the shares in the company.

Non-current Provisions

The decline in the provision for pensions is attributable primarily to an exceptional payment of TEUR 3,248 to the Thorn Lighting Pension Fund and to revaluation effects (IAS 19) of TEUR 4,789 from the pension obligations following an increase in interest rates in Great Britain and Switzerland during the first half of 2017/18. The increase in other non-current provisions is related to higher warranty provisions, above all in connection with long-term road lighting projects.

Non-current Financial Liabilities

The increase in non-current financial liabilities resulted, above all, from an additional drawdown of TEUR 35,000 from the consortium credit agreement as of 31 October 2017.

Other Current Provisions

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

Trade Payables

The decline in trade payables resulted from the lower volume of business in the second quarter of 2017/18.

Other Current Liabilities

The decline in other current liabilities is attributable primarily to a decrease in amounts due to employees and a reduction in 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 2017

Assets

in TEUR	Carrying amount	upon initial recognition at fair value	HFT	L&R	Cash	Fair value	Level 1	Level 2	Level 3
Non-current financial assets	1,109	577	-	532	-				
Securities and similar rights	*577*	*577*	*-*	*-*	*-*	*577*			*577*
Loans originated and other receivables	*532*	*-*	*-*	*532*	*-*				
Current financial assets	1,313	-	1,278	35	-				
Loans originated and other receivables	*35*	*-*	*-*	*35*	*-*				
Positive market values of derivatives held for trading	*1,278*	*-*	*1,278*	*-*	*-*	*1,278*		*1,278*	
Trade receivables	*187,639*	*-*	*-*	*187,639*	*-*				
Liquid funds	74,662	-	-	-	74,662				
Total	**264,723**	**577**	**1,278**	**188,206**	**74,662**				

Liabilities

in TEUR	Carrying amount	upon initial recognition at fair value	HFT	at amortised cost	Hedge Accounting	Fair value	Level 1	Level 2	Level 3
Non-current borrowings	202,104	-	-	202,104	-	203,331			
Loans received	*184,892*	*-*	*-*	*184,892*	*-*	*188,447*			
Finance leases	*17,212*	*-*	*-*	*17,212*	*-*	*14,884*			
Other non-current liabilities	405	405	-	-	-	405			405
Current borrowings	8,316	-	-	8,316	-				
Loans received	*7,587*	*-*	*-*	*7,587*	*-*				
Finance leases	*729*	*-*	*-*	*729*	*-*				
Trade payables	385,132	-	-	385,132	-				
Other current liabilities	6,482	-	1,418	100	4,964				
Negative market values of derivatives held for trading	*1,418*	*-*	*1,418*	*-*	*-*	*1,418*		*1,418*	
Negative market values of derivatives (hedge accounting)	*4,964*	*-*	*-*	*-*	*4,964*	*4,964*		*4,964*	
Other	*100*	*-*	*-*	*100*	*-*	*100*			
Total	**602,439**	**405**	**1,418**	**595,652**	**4,964**				

30 April 2017

Assets

in TEUR	Carrying amount	upon initial recognition at fair value	HFT	L&R	Cash	Fair value	Level 1	Level 2	Level 3
Non-current financial assets	1,243	577	-	666	-				
Securities and similar rights	*577*	*577*	*-*	*-*	*-*	*577*			*577*
Loans originated and other receivables	*666*	*-*	*-*	*666*	*-*				
Current financial assets	1,591	-	1,086	505	-				
Loans originated and other receivables	*37*	*-*	*-*	*37*	*-*				
Positive market values of derivatives held for trading	*1,086*	*-*	*1,086*	*-*	*-*	*1,086*		*1,086*	
Other	*468*	*-*	*-*	*468*	*-*				
Trade receivables	198,225	-	-	198,225	-				
Liquid funds	81,352	-	-	-	81,352				
Total	**282,411**	**577**	**1,086**	**199,396**	**81,352**				

Liabilities

in TEUR	Carrying amount	upon initial recognition at fair value	HFT	at amortised cost	Hedge Accounting	Fair value	Level 1	Level 2	Level 3
Non-current borrowings	168,267	-	-	168,267	-	170,095			
Loans received	*149,946*	*-*	*-*	*149,946*	*-*	*154,192*			
Finance leases	*18,321*	*-*	*-*	*18,321*	*-*	*15,903*			
Other non-current liabilities	355	355	-	-	-	355			355
Current borrowings	4,539	-	-	4,539	-				
Loans received	*3,929*	*-*	*-*	*3,929*	*-*				
Finance leases	*610*	*-*	*-*	*610*	*-*				
Trade payables	157,074	-	-	157,074	-				
Other current liabilities	9,197	-	1,993	99	7,105				
Negative market values of derivatives held for trading	*1,993*	*-*	*1,993*	*-*	*-*	*1,993*		*1,993*	
Negative market values of derivatives (hedge accounting)	*7,105*	*-*	*-*	*-*	*7,105*	*7,105*		*7,105*	
Other	*99*	*-*	*-*	*99*	*-*				
Total	**339,432**	**355**	**1,993**	**329,979**	**7,105**				

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 405 (previous year: TEUR 355) reflect obligations arising from the call/put option for the purchase of the remaining 40% of acdc 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 acdc's revenues. The valuation of this obligation is based on acdc's forecasted revenues.

The consolidated interim financial statements of Zumtobel Group AG as of 31 October 2017 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 2017, 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.

In agreement with the indirect method, profit before tax is adjusted for the effects of non-cash transactions (e.g. depreciation and amortisation) as well as income and expenses that relate to investing or financing activities.

Cash flow from operating activities fell from TEUR 54,994 to TEUR 13,881 due to the decline in profit before tax and a reduction in depreciation and amortisation. The seasonal increase in working capital was substantially lower year-on-year in the first half of 2017/18 because of the decrease in revenues and strict inventory and receivables management. The change in current provisions resulted primarily from the use of the restructuring provision. Cash outflows for other non-current and current assets and liabilities resulted from a decrease in other obligations to employees, above all following bonus payments for the 2016/17 financial year.

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 research and development costs. Investments in non-current assets rose substantially to TEUR 33,268 in the first half of 2017/18 (previous year: TEUR 19,673) and include TEUR 3,556 for the new plant in Serbia and TEUR 7,147 for the purchase of a previously rented building. The negative cash flow effect reported under changes in non-current and current financial assets for the first half of 2017/18 resulted primarily from the acquisition of a 48% investment in Inventron AG, Switzerland. In the previous year, the cash flow effects under this position were related mainly to realised gains on foreign currency hedges.

The sale of the property in Usingen, Germany, following the termination of production in 2016/17 led to a cash inflow of TEUR 3,626 which is reported under cash inflows from the disposal of property, plant and equipment. The change in cash and cash equivalents from changes in the scope of consolidation involves the reduction in liquid funds following the sale of Europhane SAS, France, which was founded for the sale of the plant in Les Andelys.

Cash flow from financing activities consists primarily of the increased use of the facilities provided by the consortium credit agreement and interest paid during the first half of the reporting year. The EUR 0.23 dividend per share for the 2016/17 financial year, which was approved by the annual general meeting on 21 July 2017, was distributed to shareholders on 2 August 2017.

Transition to Cash and Cash Equivalents

in TEUR	31 October 2017	30 April 2017
Liquid funds	74,662	81,352
Not available for disposal	(515)	(375)
Overdrafts	(6,714)	(3,772)
Cash and cash equivalents	**67,433**	**77,205**

Notes to the Statement of Changes in Equity

Dividend

The annual general meeting on 21 July 2017 approved the payment of a EUR 0.23 dividend per share for the 2016/17 financial year. Based on this resolution, TEUR 9,924 was paid to the holders of the 43,146,657 shares outstanding (43,500,000 shares issued less 353,343 treasury shares) on 31 July 2017.

Other Reserves

This position includes profit carried forward.

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 pcs.	Total
Share buyback (to 30 April 2017)	1,539,211
Exercised (to 30 April 2017)	(1,185,868)
30 April 2017 = 31 October 2017	**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 reporting period resulted primarily from revaluation effects in the Group's pension and severance compensation 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: the Lighting Segment and the Components Segment. The Lighting Segment covers Thorn, Zumtobel, Zumtobel Group Services, SPP and acdc. It 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 2017/18

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	Q2 2017/18	Q2 2016/17	Q2 2015/16	Q2 2017/18	Q2 2016/17	Q2 2015/16	Q2 2017/18	Q2 2016/17	Q2 2015/16	Q2 2017/18	Q2 2016/17	Q2 2015/16
Net revenues	**234,688**	**265,970**	**276,283**	**90,233**	**93,415**	**106,176**	**(17,670)**	**(17,773)**	**(22,911)**	**307,251**	**341,612**	**359,548**
External revenues	*234,678*	*265,914*	*276,077*	*72,562*	*75,691*	*83,465*	*11*	*7*	*6*	*307,251*	*341,612*	*359,548*
Intercompany revenues	*10*	*56*	*206*	*17,671*	*17,724*	*22,711*	*(17,681)*	*(17,780)*	*(22,917)*	*0*	*0*	*0*
Adjusted EBIT	**(389)**	**24,140**	**23,941**	**8,940**	**12,712**	**12,887**	**(6,410)**	**(4,901)**	**(7,542)**	**2,141**	**31,951**	**29,286**
Special effects	3,036	5,545	4,649	0	(248)	0	13	172	116	3,050	5,469	4,766
Operating profit/loss	**(3,425)**	**18,595**	**19,292**	**8,940**	**12,960**	**12,887**	**(6,423)**	**(5,073)**	**(7,658)**	**(908)**	**26,482**	**24,520**
Investments	**7,456**	**6,419**	**9,236**	**3,207**	**2,875**	**6,021**	**1,988**	**1,029**	**1,790**	**12,651**	**10,323**	**17,047**
Depreciation	**(7,368)**	**(8,863)**	**(9,019)**	**(2,897)**	**(5,652)**	**(5,699)**	**(1,377)**	**(1,105)**	**(1,009)**	**(11,641)**	**(15,620)**	**(15,727)**

1st Half-Year 2017/18

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	1 HY 2017/18	1 HY 2016/17	1 HY 2015/16	1 HY 2017/18	1 HY 2016/17	1 HY 2015/16	1 HY 2017/18	1 HY 2016/17	1 HY 2015/16	1 HY 2017/18	1 HY 2016/17	1 HY 2015/16
Net revenues	**479,424**	**514,633**	**531,079**	**179,041**	**190,674**	**215,525**	**(34,051)**	**(38,039)**	**(44,614)**	**624,414**	**667,268**	**701,990**
External revenues	*479,362*	*514,448*	*530,654*	*145,033*	*152,805*	*171,271*	*19*	*15*	*64*	*624,414*	*667,268*	*701,990*
Intercompany revenues	*62*	*185*	*425*	*34,008*	*37,869*	*44,254*	*(34,070)*	*(38,054)*	*(44,679)*	*0*	*0*	*0*
Adjusted EBIT	**12,842**	**39,856**	**34,451**	**18,997**	**21,467**	**22,683**	**(11,532)**	**(9,298)**	**(14,348)**	**20,307**	**52,025**	**42,786**
Special effects	4,171	7,653	6,708	0	(248)	(1,095)	28	322	232	4,199	7,728	5,847
Operating profit/loss	**8,671**	**32,203**	**27,743**	**18,997**	**21,715**	**23,778**	**(11,560)**	**(9,621)**	**(14,580)**	**16,108**	**44,297**	**36,939**
Investments	**15,058**	**10,775**	**17,585**	**7,242**	**6,551**	**9,653**	**10,968**	**2,347**	**2,569**	**33,268**	**19,673**	**29,807**
Depreciation	**(15,238)**	**(17,866)**	**(18,030)**	**(6,426)**	**(11,125)**	**(10,628)**	**(2,704)**	**(2,174)**	**(1,955)**	**(24,368)**	**(31,165)**	**(30,613)**

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	31 October 2017	30 April 2017	30 April 2016	31 October 2017	30 April 2017	30 April 2016	31 October 2017	30 April 2017	30 April 2016	31 October 2017	30 April 2017	30 April 2016
Assets	673,027	690,327	736,685	174,518	172,920	173,395	158,138	156,382	158,568	1,005,683	1,019,629	1,068,648

	Lighting Segment			Components Segment			Reconciliation			Group		
	31 October 2017	30 April 2017	30 April 2016	31 October 2017	30 April 2017	30 April 2016	31 October 2017	30 April 2017	30 April 2016	31 October 2017	30 April 2017	30 April 2016
Headcount (full-time equivalent)	4,226	4,767	4,913	1,733	1,590	1,638	207	205	210	6,166	6,562	6,761

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 2017/18	Q2 2016/17	1 HY 2017/18	1 HY 2016/17
Group parent companies	(6,826)	(5,773)	(12,334)	(10,621)
Group entries	403	700	774	1,000
Operating profit/loss	**(6,423)**	**(5,073)**	**(11,560)**	**(9,621)**

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 2017	30 April 2017
Assets used by more than one segment	140,927	149,044
Group parent companies	50,707	46,634
Group entries	(33,496)	(39,296)
Assets	**158,138**	**156,382**

No individual external customer is responsible for more than 10% of total revenues.

Related Party Transactions

Closely related persons include the active members of the Management Board and Supervisory Board of Zumtobel Group AG. In the first half of 2017/18, TEUR 50 of consulting services were provided and TEUR 14 of expenses were reimbursed.

The Group has concluded supply and delivery agreements with associated companies which reflect third party conditions. Revenues from the provision of goods and services to associated companies totalled TEUR 6,477 in the first half of 2017/18 (previous year: TEUR 7,225). Expenses for materials purchased from associated companies amounted to TEUR 7,424 during the reporting period (previous year: TEUR 6,326). Trade receivables due from associated companies totalled TEUR 1,009 as of 31 October 2017 (30 April 2017: TEUR 1,157) and trade payables equalled TEUR 4,396 (30 April 2017: TEUR 3,211). No receivables due from associated companies were derecognised due to failed collection in the first half of 2017/18, and no receivables due from associated companies were classified as uncollectible as of 31 October 2017.

As of 31 October 2017, a financial liability of TEUR 715 was due to an associated company (30 April 2017: financial receivable of TEUR 467).

Contingent Liabilities and Guarantees

The Zumtobel Group has issued bank guarantees totalling TEUR 6,761 (30 April 2017: TEUR 7,042) for various purposes.

Subsequent Events

No significant events occurred after the balance sheet date on 31 October 2017.

Dornbirn, 5 December 2017

The Management Board

Ulrich Schumacher Chief Executive Officer (CEO)	Karin Sonnenmoser Chief Financial Officer (CFO)	Alfred Felder Chief Operating Officer (COO)

Statement by the Management Board in accordance with § 87 (1) of the Austrian Stock Exchange 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, 5 December 2017

The Management Board

Ulrich Schumacher Chief Executive Officer (CEO)	Karin Sonnenmoser Chief Financial Officer (CFO)	Alfred Felder 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 2017 to 31 October 2017. These condensed interim consolidated financial statements comprise the condensed consolidated statement of financial position as of 31 Ochtober 2017 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statements of cash flows and condensed consolidated statement of changes in equity for the period from 1 May 2016 to 31 October 2017 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 2017 and on management's statement in accordance with § 87 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 § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 5. December 2017

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
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 2017/18 (1 May 2017 - 31 January 2018)	6 March 2018
Annual Results 2017/18	28 June 2018
Record Date fort he Annual General Meeting	17 July 2018
42nd Annual General Meeting	27 July 2018
Ex-Dividend Day	31 July 2018
Record Date Dividende	1 August 2018
Dividend Payout Day	2 August 2018
Report on the First Quarter 2018/19 (1 May 2018 - 31 July 2018)	4 September 2018
Report on the First Half-year 2018/19 (1 May 2018 - 31 October 2018)	4 December 2018
Report on the First Three Quarters 2018/19 (1 May 2018 - 31 January 2019)	5 March 2018

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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

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