ZUMTOBEL Group

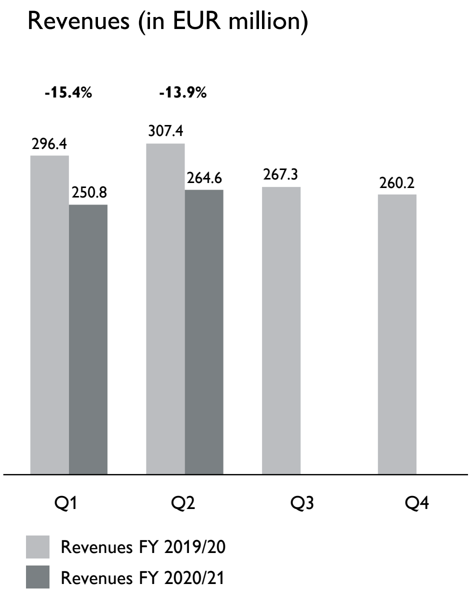
# H1 2020/21

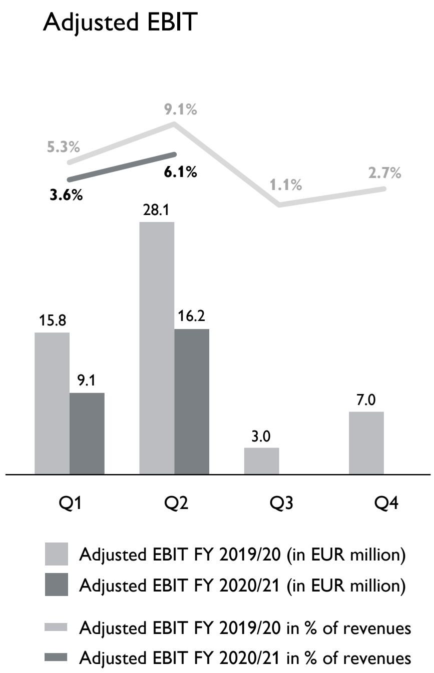
## Half-Year Financial Report (May - October 2020)

# Overview of the First Half-Year 2020/21

| Key Data in EUR million | Q2 2020/21 | Q2 2019/20 | Change in % | 1 HY 2020/21 | 1 HY 2019/20 | Change in % |
|---|---|---|---|---|---|---|
| Revenues | 264.6 | 307.4 | (13.9) | 515.4 | 603.8 | (14.6) |
| EBITDA | 33.1 | 37.4 | (11.4) | 57.5 | 68.2 | (15.8) |
| as a % of revenues | 12.5 | 12.2 | | 11.2 | 11.3 | |
| Adjusted EBIT | 16.2 | 28.1 | (42.4) | 25.3 | 43.9 | (42.4) |
| as a % of revenues | 6.1 | 9.1 | | 4.9 | 7.3 | |
| EBIT | 15.9 | 21.2 | (25.1) | 22.9 | 36.7 | (37.4) |
| as a % of revenues | 6.0 | 6.9 | | 4.5 | 6.1 | |
| Net profit for the period | 10.2 | 13.8 | (26.1) | 13.3 | 24.7 | (46.0) |
| as a % of revenues | 3.9 | 4.5 | | 2.6 | 4.1 | |
| | | | | | | |
| Cash flow from operating results | 34.0 | 37.4 | (9.3) | 57.8 | 68.3 | (15.3) |
| Investments | 8.0 | 14.2 | (43.7) | 16.0 | 24.6 | (34.9) |
| | | | | | | |
| | | | | 31 Oct 2020 | 30 April 2020 | Change in % |
| Total assets | | | | 969.1 | 994.8 | (2.6) |
| Equity | | | | 275.3 | 280.7 | (1.9) |
| Equity ratio in % | | | | 28.4 | 28.2 | |
| Net debt | | | | 145.9 | 165.7 | (11.9) |
| Headcount incl. contract worker (full-time equivalent) | | | | 5,786 | 6,039 | (4.2) |

Development of business by quarter



# Letter to Shareholders

**Dear Shareholders,**

Alfred Felder

The current financial year for the Zumtobel Group has been, and will continue to be, clearly influenced by the Covid-19 pandemic, which has confronted the global economy with a wide range of previously unknown challenges. We reacted quickly to this exceptional situation and, in recent months, have systematically adapted our business activities to meet the changing demand on our various markets. Revenue development gained momentum during the second quarter (August to October 2020) due to the easing of restrictions on business life throughout Europe, but this positive trend has been subdued by the renewed increase in corona cases.

Revenues recorded by the Zumtobel Group fell by 14.6% year-on-year to EUR 515.4 million in the first six months of 2020/21, or by 13.9% after an adjustment for foreign exchange effects. Despite this decline., we successfully generated a profit in the first half-year: Adjusted Group EBIT totalled EUR 25.3 million and the return on sales reached 4.9%. Net profit amounted to EUR 13.3 million, supported by our effective crisis and cost management – in no way an easy task in times like these! Not least due to our strong focus on expenses, free cash flow equalled at EUR 35.0 million and was even slightly higher than the first quarter of the previous year.

This development is a direct result of our efforts to strengthen the positioning of the Zumtobel Group over the past years. We are now using the knowledge gained from the current situation to adjust our corporate strategy so we can identify and utilise new opportunities for growth and emerge stronger from the crisis.

**Successful opening of the new Light Forum**

Apart from comments on these challenging times, the Zumtobel Group can also report on a very rewarding event: The digital opening of our new, 4,000 square metre Light Forum at our corporate headquarters in Dornbirn took place on 19 November – with over 6,000 participants "live" in attendance. The Light Forum creates a unique setting to present wide-ranging light experiences for our customers, partners and the general public. It shows the full range of our brands and also demonstrates our potential as an international corporate group – for visitors on site, just as clearly as a digital experience over the Internet. This revival of an old industrial building at our founding location also underscores our commitment to our regional roots.

**Economic development still difficult to predict**

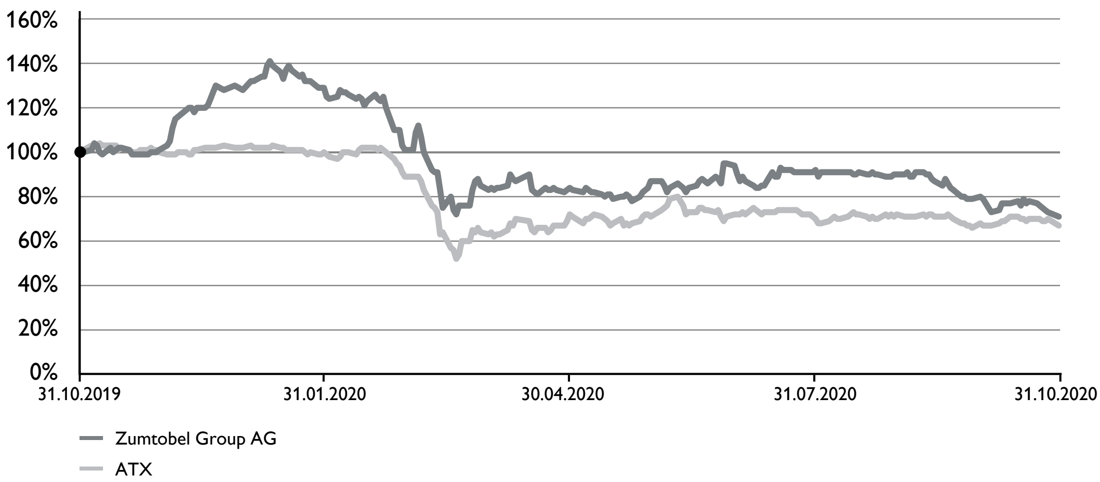
The current development of the Covid-19 pandemic with the recent sharp rise in infections and resulting lockdowns makes it impossible to issue a concrete forecast on the development of revenues and earnings for the full 2020/21 financial year. We therefore hope you will understand that we will not issue any guidance for the 2020/21 financial year, also after the announcement of these half-year results. Our efforts, together with all our employees, are directed to resuming our sound pre-crisis development as quickly as possible and – at this point – I would like to thank the many men and women who work for the Zumtobel Group for their untiring commitment.

Alfred Felder
Chief Executive Officer (CEO)

# The Zumtobel Group Share

Based on an unchanged number of 43.5 million common shares outstanding, the market capitalisation of Zumtobel Group AG totalled EUR 209 million at the end of October 2020. The shareholder structure has not changed since the end of the 2019/20 financial year. The Zumtobel family continues to hold approximately 37.0% of the voting rights and has remained the stable core shareholder of Zumtobel Group AG since the IPO. Most of the remaining shares are held by institutional investors, none of whom exceeded the 4% reporting threshold as of 31 October 2020. The average daily turnover on the Vienna Stock Exchange amounted to 55,213 shares in the first half of 2020/21 (double-count, as published by the Vienna Stock Exchange). The company held an unchanged number of 353,343 treasury shares as of 31 October 2020.

Development of the Zumtobel Group Share




Key Data on the Zumtobel Group Share FY 2020/21

| | | | |
|---|---|---|---|
| Closing price at 30.04.2020 | EUR 5.910 | Currency | EUR |
| Closing price at 31.10.2020 | EUR 4.800 | ISIN | AT0000837307 |
| Performance FY 2020/21 | (18.8)% | Ticker symbol Vienna Stock Exchange (XETRA) | ZAG |
| Market capitalisation at 31.10.2020 | EUR 209 Mio | Market segment | ATX Prime |
| Share price - high at 26.06.2020 | EUR 6.790 | Reuters symbol | ZUMV.VI |
| Share price - low at 28.10.2020 | EUR 4.640 | Bloomberg symbol | ZAG AV |
| Ø Turnover per day (shares) | 55,213 | Number of issued shares | 43,500,000 |

# Group Management Report

## General Economic Environment

**Covid-19 drives global economy into a recession**

The global outbreak of the Covid-19 virus has been a determining factor for the global economy in 2020 and a potential recovery is still connected with substantial uncertainty – above all, due to the recent peak in infections and reinstatement of restrictive measures. In its October 2020 outlook, the International Monetary Fund (IMF) again adjusted its forecast and now expects a decline of 4.4% in global output for 2020[1]. A substantial decline in the gross domestic product is projected, above all, for the United Kingdom (-9.8%) and the eurozone (-8.3%) – two important markets for the Zumtobel Group. In Great Britain, economic forecasts reflect the negative effects of the Covid-19 pandemic as well as the upcoming BREXIT. Two key countries in the eurozone, Italy and France, have been particularly hard hit by the crisis and are faced with declines of 10.6% und 9.8%. The forecast for Germany is also not very optimistic (-6.0%). The situation for the commercial construction industry remains very challenging: The latest Euroconstruct data[2] from November 2020 point to a decline of roughly 9% in construction output for the Zumtobel Group's European markets in 2020. Great Britain is also strongly affected here with a minus of nearly 17%. The IMF is projecting a decline of 4.3% in economic output for the USA, while China is benefitting from rapid recovery and can expect growth of 1.9%.

**Worldwide recovery expected in 2021**

The IMF is forecasting an improvement in the global economy during 2021. Under the assumption of normalised economic activity and government support in the form of monetary and fiscal policy measures, growth is expected to reach 5.2%. The eurozone and Great Britain should follow the global trend with an increase of 5.2% and 5.9%, respectively, while the USA is projected to face slightly weaker growth of 3.1%. The emerging and developing countries in Asia – driven by China – should see a substantially stronger upturn of 8.0% in 2021.

## Significant Events since 30 April 2020

**Extraordinary general meeting: changes on the Supervisory Board**

A virtual Extraordinary General Meeting was held on 18 May 2020, whereby the agenda included the election of new members to the Supervisory Board. Two long-standing members of the Supervisory Board, Jürg Zumtobel, previously chairman, and Fritz Zumtobel, resigned as of this meeting. The new elected Supervisory Board members are Georg Pachta-Reyhofen and Thorsten Staake, both with a term of office extending to the general meeting that will vote on the release from liability for the 2023/24 financial year. Karin Zumtobel-Chammah was appointed chairwoman of the Supervisory Board.

**Dividend for 2019/20: 10 euro cents**

The 44th General Meeting on 24 July 2020 approved the payment of a dividend of 10 euro cents per share for the 2019/20 financial year. The dividend was transferred to shareholders on 31 July 2020.

No other significant events occurred after the balance sheet date on 30 April 2020.

[1] Source: IMF forecast, World Economic Outlook, October 2020
[2] Source: 90th Euroconstruct conference, November 2020

## Development of revenues in the first half of 2020/21

- >> Group revenues decline by 14.6% (FX-adjusted minus 13.9%)
- >> Lighting Segment revenues, FX-adjusted clearly below previous year (minus 13.4%)
- >> Even stronger revenue decline in Components Segment (FX-adjusted minus 16.3%)

**FX-adjusted decline of 13.9% in Group revenues**

In the first half of the 2020/21 financial year (1 May 2020 to 31 October 2020), Group revenues fell by 14.6% to EUR 515.4 million due to the reduction in market activity which resulted from the Covid-19 crisis (H1 2019/20: EUR 603.8 million). Negative currency translation effects of EUR 4.4 million resulted primarily from the devaluation of the Turkish lira, British pound and Chinese yuan against the euro, but were partly offset by the appreciation of the Swiss franc and Swedish krona. After an adjustment for these effects, revenues declined by 13.9%.

### Distribution of regional revenues

| Revenues in EUR million | Q2 2020/21 | Change in % | 1 HY 2020/21 | Change in % | in % of Group |
|---|---|---|---|---|---|
| D/A/CH | 89.8 | (11.6) | 177.0 | (8.9) | 34.3 |
| Northern and Western Europe | 65.0 | (18.7) | 122.7 | (20.5) | 23.8 |
| Southern and Eastern Europe | 66.6 | (9.5) | 128.0 | (16.9) | 24.8 |
| Asia & Pacific | 27.9 | (6.0) | 51.9 | (13.5) | 10.1 |
| Rest of the World | 15.4 | (32.0) | 35.8 | (12.7) | 7.0 |
| Total | **264.6** | **(13.9)** | **515.4** | **(14.6)** | **100.0** |

**Revenue gap to previous year closed since the start of the crisis**

The second quarter of this financial year brought a positive trend in revenues compared with the first quarter, but the improvement faded towards the end of October. Revenues for the first six months of 2020/21 were lower than the previous year in all regions. The D/A/CH region, the strongest market for the Zumtobel Group, recorded a decline of 8.9% (FX-adjusted minus 10.0%) to EUR 177.0 million. Revenues in Switzerland and Austria were only slightly lower despite the crisis, but the reduction in Germany was more substantial. In the Northern and Western Europe region, revenues fell by 20.5% to EUR 122.7 million. The decline was most visible on the markets in Great Britain, Norway, Belgium and Sweden. Revenues in Southern and Eastern Europe were 16.9% lower (FX-adjusted minus 15.0%) at EUR 128.0 million. The Zumtobel Group also recorded lower revenues in the core markets of France and Italy. The Asia & Pacific region reported a 13.5% drop in revenues to EUR 51.9 million (FX-adjusted minus 11.7%). Revenues generated in the other regions ("Rest of the World") fell by 12.7% to EUR 35.8 million, whereby the US market was only slightly below the previous year despite the strong effects of the Covid-19 crisis.

### Business development by segment

| Revenues in EUR million | Q2 2020/21 | Q2 2019/20 | Change in % | 1 HY 2020/21 | 1 HY 2019/20 | Change in % | FX adjusted in % |
|---|---|---|---|---|---|---|---|
| Lighting Segment | 204.4 | 234.2 | (12.7) | 394.1 | 456.7 | (13.7) | (13.4) |
| Components Segment | 72.6 | 88.0 | (17.5) | 145.7 | 177.3 | (17.8) | (16.3) |
| Reconciliation | (12.3) | (14.8) | (16.5) | (24.3) | (30.2) | (19.4) | |
| Zumtobel Group | 264.6 | 307.4 | (13.9) | 515.4 | 603.8 | (14.6) | (13.9) |

**Lighting Segment-revenues: FX-adjusted decline of 13.4%**

Revenue development in the Lighting Segment has followed a positive trend since the beginning of the Covid-19 crisis, but the gap to the previous year remained in the double-digit percentage range. The revenue declines were particularly visible in Great Britain, Germany, France and Eastern Europe. Positive factors included slightly weaker price erosion compared with the previous year. In this operating environment, the Lighting Segment recorded a 13.7% decrease in revenues to EUR 394.1 million

(H1 2019/20: EUR 456.7 million). After an adjustment for negative foreign exchange effects, which were only offset in part by a strong positive foreign exchange effect from the Swiss franc, revenues fell by 13.4% year-on-year.

**Components Segment revenues: year-on-year decline**

In the Components Segment, revenues declined by 17.8% in the first half of 2020/21. The beginning of the crisis in the fourth quarter of 2019/20 was reflected in increased inventory purchases by customers in reaction to supply chains disrupted by the Covid-19 pandemic and a subsequent positive effect on segment revenues. This was followed by a negative effect on Q1 revenues for the current financial year. Declines were especially strong on the markets in France, Great Britain and China. Revenue development was also negatively influenced by the devaluation of the Turkish lira. After an adjustment for foreign exchange effects, revenues declined by 16.3%. A positive factor for the development of revenues was the reduction in price pressure due to the increasing maturity of products.

## Development of earnings in the first half of 2020/21

- >> Adjusted Group EBIT positive at EUR 25.3 million despite Covid-19 crisis
- >> Cost savings and government measures to cushion the Covid-19 crisis were unable to completely offset the revenue decline, but protected satisfactory earnings
- >> SG&A expenses reduced by EUR 21.4 million versus H1 2019/20

| Income statement in EUR million | Q2 2020/21 | Q2 2019/20 | Change in % | 1 HY 2020/21 | 1 HY 2019/20 | Change in % |
|---|---|---|---|---|---|---|
| Revenues | 264.6 | 307.4 | (13.9) | 515.4 | 603.8 | (14.6) |
| Cost of goods sold | (178.3) | (199.6) | (10.7) | (349.1) | (397.5) | (12.2) |
| Gross profit | 86.4 | 107.9 | (19.9) | 166.3 | 206.4 | (19.4) |
| as a % of revenues | 32.6 | 35.1 | | 32.3 | 34.2 | |
| SG&A expenses | (70.2) | (79.8) | (12.1) | (141.1) | (162.5) | (13.2) |
| Adjusted EBIT | 16.2 | 28.1 | (42.4) | 25.3 | 43.9 | (42.4) |
| as a % of revenues | 6.1 | 9.1 | | 4.9 | 7.3 | |
| Special effects | (0.3) | (6.8) | 96.1 | (2.3) | (7.2) | 67.9 |
| EBIT | 15.9 | 21.2 | (25.1) | 22.9 | 36.7 | (37.4) |
| as a % of revenues | 6.0 | 6.9 | | 4.5 | 6.1 | |
| Financial results | (2.8) | (3.7) | 23.6 | (5.9) | (5.5) | (5.6) |
| Profit before tax | 13.1 | 17.5 | (25.4) | 17.1 | 31.1 | (45.1) |
| Income taxes | (2.9) | (3.7) | (22.9) | (3.8) | (6.4) | (41.5) |
| Net profit for the period | 10.2 | 13.8 | (26.1) | 13.3 | 24.7 | (46.0) |
| Earnings per share (in EUR) | 0.24 | 0.32 | (26.1) | 0.31 | 0.57 | (46.0) |

[1] Excluding special effects; following the correction of a system setting in the internal calculation logic, the prior year amounts for the various types of expenses were adjusted, with no effect on profit or loss, in accordance with IAS 8. Additional information is provided under the notes to the income statement in the section on expenses.

Note: EBITDA (plus depreciation and amortisation) amounted to EUR 57.5 million in the first half of 2020/21.

**Adjusted Group EBIT falls to EUR 25.3 million**

Group EBIT adjusted for special effects fell to EUR 25.3 million in the first half of 2020/21 (H1 2019/20: EUR 43.9 million), and the return on sales dropped from 7.3% to 4.9%. The reduction of fixed costs made an important contribution to earnings – for example, SG&A expenses were cut by EUR 21.4 million year-on-year during the reporting period, and lower procurement prices for raw materials, in particular, led to a decrease in the materials cost component. Adjusted EBIT declined from EUR 39.9 million to EUR24.7 million in the Lighting Segment and from EUR 13.4 million to EUR 7.3 million in the Components Segment.

**Increase in development costs**

The gross profit margin (excluding special effects and after development costs) for the Zumtobel Group declined to 32.3% in the first half of 2020/21 (H1 2019/20: 34.2%). Development costs included in the cost of goods sold rose by EUR 1.6 million to EUR 28.9 million (H1 2019/20 27.2 million).

**Substantial reduction in selling and administrative costs**

Reductions in personnel, marketing, travel and transport expenses led to a decline of EUR 18.8 million in selling costs to EUR 127.2 million (H1 2019/20: EUR 146.1 million). Administrative expenses fell by EUR 1.7 million to EUR 19.5 million (H1 2019/20: EUR 21.2 million) due to a decrease in personnel costs. Other operating income, excluding special effects, consisted primarily of license income from the LED business and amounts receivable from government grants and totalled EUR 5.7 million (H1 2019/20: EUR 4.8 million).

**Negative special effects of EUR 2.3 million**

Negative special effects of EUR 2.3 million were recorded in the first half of 2020/21 (H1 2019/20: EUR 7.2 million). These effects were related primarily to costs for the termination of production at the acdc plant in Barrowford, Great Britain and relocation to the Spennymoor plant as well as the restructuring of back office activities in Nantes and the release of a provision related to the restructuring of the Europhane investment.

| Financial result in EUR million | Q2 2020/21 | Q2 2019/20 | Change in % | 1 HY 2020/21 | 1 HY 2019/20 | Change in % |
|---|---|---|---|---|---|---|
| Interest expense | (1.5) | (2.0) | (26.0) | (3.0) | (4.0) | (24.4) |
| Interest income | 0.1 | 0.1 | (7.9) | 0.1 | 0.2 | (10.1) |
| Net financing costs | (1.4) | (1.9) | 26.7 | (2.9) | (3.8) | 25.0 |
| Other financial income and expenses | (1.7) | (1.8) | 7.7 | (3.2) | (1.7) | 85.6 |
| Result from companies accounted for at-equity | 0.2 | 0.0 | >100 | 0.2 | 0.0 | >100 |
| Financial results | (2.8) | (3.7) | 23.6 | (5.9) | (5.5) | (5.6) |

**Financial results below previous year**

Financial results declined by EUR 0.3 million to minus EUR 5.9 million in the first half of 2020/21 (H1 2019/20: minus EUR 5.5 million). Interest expense, which is attributable primarily to the current credit agreement and finance leases, totalled minus EUR 2.9 million (H1 2019/20: minus EUR 3.8 million). Other financial income and expenses amounted to minus EUR 3.2 million (H1 2019/20: minus EUR 1.7 million). The fluctuations in the fair value measurement of financial instruments reflect the high volatility on the foreign exchange market, above all in connection with the Swiss franc, Turkish lira, British pound and US dollar.

Profit before tax amounted to EUR 17.1 million in the first half of 2020/21 (H1 2019/20: EUR 31.1 million), and income taxes equalled EUR 3.8 million (H1 2019/20: EUR 6.4 million). Net profit declined to EUR 13.3 million (H1 2019/20: EUR 24.7 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled plus EUR 0.31 (H1 2019/20: plus EUR 0.57).

## Cash flow and asset position

Cash flow from operating results fell from EUR 68.3 million in the first half of the previous year to EUR 57.8 million due to the negative effects of the Covid-19 on profitability.

**Working capital slightly below previous year**

The crisis hindered the further substantial optimisation of working capital. As of 31 October 2020, working capital totalled EUR 180.0 million and was EUR 1.5 million below the level on 31 October 2019. Cash flow from operating activities declined from EUR 58.4 million to EUR 50.6 million.

**Free cash flow at plus EUR 35.0 million**

Cash flow from investing activities amounted to EUR 16.0 million and was significantly lower than the first half of the previous year (H1 2019/20: EUR 24.6 million). Included here are investments of EUR 9.1 million (H1 2019/20: EUR 15.6 million) in Austria. Free cash flow improved slightly to plus EUR 35.0 million (H1 2019/20: EUR 34.4 million) based on the reduction in cash flow from investing activities and despite the decline in cash flow from operating activities.

Additional details on the cash flow statement are provided in the notes to the condensed consolidated interim financial statements under "Notes to the cash flow statement".

| Balance sheet data in EUR million | 31 Oct 2020 | 30 April 2020 |
|---|---|---|
| Total assets | 969.1 | 994.8 |
| Net debt | 145.9 | 165.7 |
| Debt coverage ratio | 1.52 | 1.55 |
| Equity | 275.3 | 280.7 |
| Equity ratio in % | 28.4 | 28.2 |
| Gearing in % | 53.0 | 59.0 |
| Investments | 16.0 | 57.9 |
| Working capital | 180.0 | 169.2 |
| As a % of rolling 12 month revenues | 17.3 | 15.0 |

**Solid balance sheet structure**

The balance sheet structure has remained nearly unchanged since 30 April 2020. The equity ratio equalled 28.4% as of 31 October 2020. Net debt declined by EUR 19.7 million to EUR 145.9 million, and gearing – the ratio of net debt to equity – therefore improved from 59.0% to 53.0%.

## Related Party Transactions

Information on business relationships with related companies and persons can be found in the notes to the consolidated interim financial statements of Zumtobel Group AG (see the section on "Related Party Transactions").

## Major risks and uncertainties during the second half-year 2020/21

**Risk management for early identification of opportunities and risks**

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

**Risks arising from economic developments and competitive risks**

The most important risk factor is the forecasted economic growth – together with the repeated downward revisions – in our core markets, which has a direct impact on the professional construction industry and its development. Private residential construction is still active, but construction in the industrial and administrative sectors is weakening. The decline has become noticeable, and recovery has been delayed by the massive onset of a second corona wave which has led to the renewed restriction of economic activity (second lockdown). The limitations on sales (customers cannot be visited at all or only on a limited basis at the present time) will also lead to declines in the second half-year and thereafter. In some markets, this development has been amplified by an uncertain political environment (BREXIT, new elections and/or difficulties in forming governments and coalitions in several countries). The decline in sales volumes further increases the surplus capacity on the market which, in turn, can create downward pressure on prices and margins. All these developments can have a negative effect on the sales volumes recorded by the Zumtobel Group and lead to the postponement or cancellation of projects.

**Risks arising from restructuring**

Any 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. In particular, this involves the reintegration of the French plant in Les Andelys and the relocation of production from the English plant in Barrowford to Spennymoor. The new production plant for lighting and components in Niš (Serbia), which was opened in September 2018, not only brings opportunities, but also short-term risks. The adjustment of plant capacity and the shift of products to other locations lead to temporary production and/or logistics inefficiencies and can subsequently result in delivery problems.

**Market acceptance of new products**

Differentiation from the competition can strengthen a company's market position and protect appropriate margins. In both the lighting and components businesses, the Zumtobel Group must regularly defend its strong technology position in the industry and adapt new developments to meet the changing requirements of various applications. This challenge is met with a steady focus on innovation and close cooperation between development, marketing, product management and sales. With the cross-segment function "Services & Solutions" (formerly Zumtobel Group Services), the Zumtobel Group has further strengthened its position as a service-oriented company. Innovative turnkey solutions for products, systems and services are a key driver for future growth.

**Raw material and delivery risk**

The prices for steel, copper, aluminium and plastic granulate have started to increase after months of downward trends. Tensions on the electronics market have also eased but certain product families (semiconductor processors) are only available on an allocation basis due to an increase in demand, above all from Asia. Here we are confronted with extremely long delivery times and close communications with the relevant suppliers are essential. The impact of Covid-19 on suppliers and their availability is minimal at the present time but remains under monitoring, above all due to the rising number of infections and possible shutdowns in individual regions.

**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 63.0 million at its disposal as of 31 October 2020 (31 October

2019: EUR 63.7 million). An important source of financing for the Zumtobel Group is the consortium credit agreement concluded on 1 December 2015 with six banks, which has a term ending in November 2022 and a current maximum line of EUR 200 million. The amount drawn by the Zumtobel Group under this credit agreement totalled EUR 25 million as of 31 October 2020 (31 October 2019: EUR 20 million). The consortium credit agreement includes a clause covering an increase of up to EUR 200 million. In addition, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB), which call for bullet repayment and have terms ending in September 2024, respectively in February 2025; both credits were fully drawn as of 31 October 2020. Additional funds totalling EUR 39.9 million are available from the programme "Covid-19 Sonder-KRR" created by Oesterreichische Kontrollbank (end of term: 31 March 2022). The consortium credit agreement and the credit agreements with the European Investment Bank (EIB) include a change of control clause which would take effect if there were an absolute change in voting rights. The consortium credit agreement, the EIB contracts and the Covid-19 special KRRs require compliance with specific financial covenants (a debt coverage ratio of less than 3.55 and an equity ratio of more than 23.5%). A deterioration in these financial indicators could lead to a gradual increase in the credit margin for the consortium credit agreement and the special KRRs, while failure to comply with the covenants could cause the lenders to call existing loans. These financial covenants were met in full as of 31 October 2020 with a debt coverage ratio of 1.52 (30 April 2020: 1.55) and an equity ratio of 28.4% (30 April 2019 28.2%).

**Interest rate risk**

The two loans of EUR 40 million each with terms ending in September 2024 and February 2025, respectively, as well as the EUR 25 million currently outstanding under the consortium credit agreement and the special KRRs of EUR 39.9 million carry variable interest rates (EURIBOR money market interest rates; the latter at the programme-specific OeKB variable interest rate). In order to reduce the related interest rate risk, the Zumtobel Group has concluded EUR-interest rate swaps with various banks for a current effective nominal volume of EUR 20 million. These instruments have a term ending in June 2021 and exchange the variable interest payments on the financing into fixed interest payments and limit the interest rate to a maximum of 0.3%.

**Foreign exchange risk**

The foreign exchange markets are characterised by high uncertainty and volatility. The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when local companies buy and/or sell their products in a currency other than their local currency. Intragroup dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (euro) for consolidation – is of lesser importance for the Zumtobel Group and is not hedged. Transaction risk is generally hedged with forward exchange contracts that have a term of up to one year and, in selected cases, by options. The Group's main currencies are the EUR, CHF, USD (as well as the Asian currencies that are pegged to the USD), GBP and AUD. Foreign exchange exposure is based on general forecast assumptions and not on specific contracts and, for this reason, the requirements for hedge accounting are usually not met. Currently available information indicates that negative transaction effects from exchange rate fluctuations can also be expected in the second half of 2020/21.

**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 is experiencing a trend towards longer warranty periods, above all for road lighting projects, which leads 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 estimating the term of capitalised rights of use from leases and 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 2019/20 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

- 2020/21 financial year as a year of trial
- Economic development still difficult to predict
- No guidance for 2020/21 at the present time

The Management Board of the Zumtobel Group sees the 2020/21 financial year as a year of trial where the primary objective is to successfully manage the effects of the Covid-19 pandemic. Activities will also focus on setting a strategic course that will allow the company to emerge stronger from this global crisis and support the identification and utilisation of growth opportunities. The current development of the Covid-19 pandemic with the recent sharp rise in infections and resulting lockdowns makes it impossible to issue a concrete forecast on the development of revenues and earnings for the full 2020/21 financial year and subsequent periods at the present time. The Management Board of the Zumtobel Group has therefore decided not to issue any guidance for the 2020/21 financial year, also after the announcement of half-year results.

Dornbirn, 1 December 2020

The Management Board

| | | |
|---|---|---|
| Alfred Felder | Thomas Tschol | Bernard Motzko |
| Chief Executive Officer (CEO) | Chief Financial Officer (CFO) | Chief Operating Officer (COO) |

## Condensed Consolidated Interim Financial Statements

## as of 31 October 2020

# Consolidated Income Statement

| in TEUR | Q2 2020/21 | Q2 2019/20 | Change in % | 1 HY 2020/21 | 1 HY 2019/20 | Change in % |
|---|---|---|---|---|---|---|
| Revenues | 264,638 | 307,445 | (13.9) | 515,438 | 603,836 | (14.6) |
| Cost of goods sold[1] | (178,276) | (207,475) | (14.1) | (349,116) | (405,357) | (13.9) |
| *thereof special effects* | *0* | *(7,900)* | | *0* | *(7,900)* | |
| **Gross profit[1]** | **86,362** | **99,970** | **(13.6)** | **166,322** | **198,479** | **(16.2)** |
| *as a % of revenues* | *32.6* | *32.5* | | *32.3* | *32.9* | |
| Selling expenses[1] | (64,723) | (72,471) | (10.7) | (127,247) | (146,084) | (12.9) |
| Administrative expenses[1] | (10,100) | (10,448) | (3.3) | (19,471) | (21,189) | (8.1) |
| Other operating income | 4,638 | 5,283 | (12.2) | 5,664 | 7,204 | (21.4) |
| *thereof special effects* | *0* | *2,096* | | *0* | *2,414* | |
| Other operating expenses | (263) | (1,086) | (75.8) | (2,322) | (1,750) | 32.7 |
| *thereof special effects* | *(263)* | *(1,012)* | *(74.0)* | *(2,322)* | *(1,743)* | *33.3* |
| **Operating profit** | **15,914** | **21,248** | **(25.1)** | **22,946** | **36,660** | **(37.4)** |
| *as a % of revenues* | *6.0* | *6.9* | | *4.5* | *6.1* | |
| Interest expense | (1,498) | (2,024) | (26.0) | (3,006) | (3,978) | (24.4) |
| Interest income | 70 | 76 | (7.9) | 138 | 153 | (10.1) |
| Other financial income and expenses | (1,655) | (1,793) | (7.7) | (3,224) | (1,737) | 85.6 |
| Result from companies accounted for at-equity | 239 | 17 | >100 | 239 | 17 | >100 |
| **Financial results** | **(2,844)** | **(3,724)** | **23.6** | **(5,853)** | **(5,545)** | **(5.6)** |
| *as a % of revenues* | *(1.1)* | *(1.2)* | | *(1.1)* | *(0.9)* | |
| **Profit before tax** | **13,070** | **17,524** | **(25.4)** | **17,093** | **31,115** | **(45.1)** |
| Income taxes | (2,876) | (3,729) | (22.9) | (3,761) | (6,434) | (41.5) |
| **Net profit for the period** | **10,194** | **13,795** | **(26.1)** | **13,332** | **24,681** | **(46.0)** |
| *as a % of revenues* | *3.9* | *4.5* | | *2.6* | *4.1* | |
| *thereof due to non-controlling interests* | *266* | *193* | *38.0* | *445* | *186* | *>100* |
| *thereof due to shareholders of the parent company* | *9,928* | *13,602* | *(27.0)* | *12,887* | *24,495* | *(47.4)* |
| | | | | | | |
| Average number of shares outstanding – basic (in 1.000 pcs.) | 43,147 | 43,147 | | 43,147 | 43,147 | |
| Average number of shares outstanding – diluted (in 1.000 pcs.) | 43,147 | 43,147 | | 43,147 | 43,147 | |
| **Earnings per share (in EUR)** | | | | | | |
| Earnings per share (diluted and basic) | 0.24 | 0.32 | | 0.31 | 0.57 | |

[1] Following the correction of a system setting in the internal calculation logic, the prior year amounts for the various types of expenses were adjusted, with no effect on profit or loss, in accordance with IAS 8. Additional information is provided under the notes to the income statement in the section on expenses.

# Consolidated Statement of Comprehensive Income

| in TEUR | Q2 2020/21 | Q2 2019/20 | Change in % | 1 HY 2020/21 | 1 HY 2019/20 | Change in % |
|---|---|---|---|---|---|---|
| **Net profit for the period** | **10,194** | **13,795** | **(26.1)** | **13,332** | **24,681** | **(46.0)** |
| Actuarial loss | (13,659) | (10,155) | (34.5) | (13,659) | (10,155) | 34.5 |
| Deferred taxes due to actuarial loss | 1,168 | 2,031 | (42.5) | 1,168 | 2,031 | (42.5) |
| **Total of items that will not be reclassified ("recycled") subsequently to the income statement** | **(12,491)** | **(8,124)** | **(53.8)** | **(12,491)** | **(8,124)** | **53.8** |
| Currency differences | 2,176 | (8,485) | >100 | 2,346 | (704) | >100 |
| Currency differences arising from loans | (153) | 6,749 | <(100) | (4,301) | (50) | <(100) |
| Hedge accounting | 14 | 17 | (17.6) | 27 | 112 | (75.9) |
| Deferred taxes due to hedge accounting | 0 | (4) | | 0 | (28) | |
| **Total of items that will be reclassified ("recycled") subsequently to the income statement** | **2,037** | **(1,723)** | **>100** | **(1,928)** | **(670)** | **<(100)** |
| **Subtotal other comprehensive income** | **(10,454)** | **(9,847)** | **6.2** | **(14,419)** | **(8,794)** | **(64.0)** |
| *thereof due to non-controlling interests* | *46* | *3* | *>100* | *(190)* | *13* | *<(100)* |
| *thereof due to shareholders of the parent company* | *(10,500)* | *(9,850)* | *6.6* | *(14,229)* | *(8,807)* | *(61.6)* |
| **Total comprehensive income** | **(260)** | **3,948** | **<(100)** | **(1,087)** | **15,887** | **<(100)** |
| *thereof due to non-controlling interests* | *313* | *196* | *59.5* | *255* | *199* | *28.2* |
| *thereof due to shareholders of the parent company* | *(573)* | *3,752* | *<(100)* | *(1,342)* | *15,688* | *<(100)* |

# Consolidated Balance Sheet

| in TEUR | 31 Oct 2020 | in % | 30 April 2020 | in % |
|---|---|---|---|---|
| Goodwill | 189,581 | 19.6 | 191,510 | 19.3 |
| Other intangible assets | 43,083 | 4.4 | 46,694 | 4.7 |
| Property, plant and equipment | 268,314 | 27.7 | 284,561 | 28.6 |
| Financial assets accounted for at equity | 4,558 | 0.5 | 4,029 | 0.4 |
| Financial assets | 1,404 | 0.1 | 1,410 | 0.1 |
| Other assets | 3,576 | 0.4 | 3,915 | 0.4 |
| Deferred taxes | 23,154 | 2.4 | 23,461 | 2.4 |
| **Non-current assets** | **533,670** | **55.1** | **555,580** | **55.9** |
| Inventories | 157,126 | 16.2 | 170,931 | 17.1 |
| Trade receivables | 157,686 | 16.3 | 145,876 | 14.7 |
| Financial assets | 624 | 0.1 | 1,307 | 0.1 |
| Other assets | 48,856 | 5.0 | 49,258 | 5.0 |
| Liquid funds | 71,088 | 7.3 | 71,838 | 7.2 |
| **Current assets** | **435,380** | **44.9** | **439,210** | **44.1** |
| **ASSETS** | **969,050** | **100.0** | **994,790** | **100.0** |
| Share capital | 108,750 | 11.2 | 108,750 | 10.9 |
| Additional paid-in capital | 335,316 | 34.6 | 335,316 | 33.8 |
| reserves | (184,690) | (19.1) | (179,563) | (18.1) |
| Net profit for the period | 12,887 | 1.3 | 13,417 | 1.3 |
| Capital attributed to shareholders of the parent company | 272,263 | 28.0 | 277,920 | 27.9 |
| Capital attributed to non-controlling interests | 3,017 | 0.4 | 2,762 | 0.3 |
| **Equity** | **275,280** | **28.4** | **280,682** | **28.2** |
| Provisions for pensions | 87,682 | 9.0 | 78,299 | 7.9 |
| Provisions for severance compensation | 51,443 | 5.3 | 49,189 | 4.9 |
| Provisions for other employee benefits | 11,094 | 1.1 | 10,524 | 1.1 |
| Other provisions | 21,565 | 2.2 | 12,484 | 1.3 |
| Borrowings | 191,951 | 19.8 | 208,597 | 21.0 |
| Other liabilities | 1,719 | 0.2 | 1,447 | 0.1 |
| Deferred taxes | 1,765 | 0.2 | 1,766 | 0.2 |
| **Non-current liabilities** | **367,219** | **37.8** | **362,306** | **36.5** |
| Provisions for taxes | 21,683 | 2.2 | 22,165 | 2.2 |
| Other provisions | 43,232 | 4.5 | 50,765 | 5.1 |
| Borrowings | 25,084 | 2.6 | 28,907 | 2.9 |
| Trade payables | 92,184 | 9.5 | 115,612 | 11.6 |
| Other liabilities | 144,368 | 15.0 | 134,353 | 13.5 |
| **Current liabilities** | **326,551** | **33.8** | **351,802** | **35.3** |
| **EQUITY AND LIABILITIES** | **969,050** | **100.0** | **994,790** | **100.0** |

# Consolidated Cash Flow Statement

| in TEUR | 1 HY 2020/21 | 1 HY 2019/20 |
|---|---|---|
| Profit before tax | 17,093 | 31,115 |
| Depreciation and amortisation | 33,050 | 31,571 |
| Impairment of property, plant and equipment and intangible assets | 1,489 | 0 |
| Gain/loss on the disposal of property, plant and equipment and intangible assets | 363 | 148 |
| Other non-cash financial results | 3,224 | 1,737 |
| Interest income/ Interest expense | 2,868 | 3,825 |
| Share of profit or loss in companies accounted for at equity | (239) | (17) |
| Changes in the scope of consolidation | 0 | (113) |
| **Cash flow from operating results** | **57,848** | **68,266** |
| Inventories | 11,576 | 6,861 |
| Trade receivables | (14,187) | (7,751) |
| Trade payables | (22,128) | (10,050) |
| Prepayments received | 11,209 | 3,009 |
| **Change in working capital** | **(13,530)** | **(7,931)** |
| Non-current provisions | 8,083 | (1,187) |
| Current provisions | (7,199) | (1,512) |
| Other assets | 16 | (8,957) |
| Other liabilities | 8,480 | 11,165 |
| **Change in other operating items** | **9,380** | **(491)** |
| **Income taxes paid** | **(3,113)** | **(1,485)** |
| **Cash flow from operating activities** | **50,585** | **58,359** |
| Cash inflows from the disposal of property, plant and equipment and other intangible assets | 509 | 454 |
| Cash outflows for the purchase of property, plant and equipment and other intangible assets | (16,050) | (24,636) |
| Change in non-current and current financial assets | (151) | 16 |
| Interest received | 140 | 157 |
| **Cash flow from investing activities** | **(15,552)** | **(24,009)** |
| FREE CASH FLOW | **35,033** | **34,350** |
| Cash proceeds from non-current and current borrowings | 39,900 | 0 |
| Cash repayments of non-current and current borrowings | (63,629) | (13,495) |
| Dividend paid to shareholders of the parent | (4,315) | 0 |
| Interest paid | (2,919) | (3,918) |
| **Cash flow from financing activities** | **(30,963)** | **(17,413)** |
| CHANGE IN CASH AND CASH EQUIVALENTS | **4,070** | **16,937** |
| | | |
| Cash and cash equivalents at the beginning of the period | 59,739 | 19,605 |
| Cash and cash equivalents at the end of the period | 62,274 | 36,240 |
| Effects of exchange rate changes on cash and cash equivalents | (1,535) | (302) |
| **Change absolute** | **4,070** | **16,937** |

# Consolidated Statement of Changes in Equity

1st Half-Year 2020/21

| 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 2020** | **108,750** | **335,316** | **(10,909)** | **(37,770)** | **240** | **(117,707)** | **277,920** | **2,762** | **280,682** |
| +/- Net profit for the period | 0 | 0 | 12,887 | 0 | 0 | 0 | 12,887 | 445 | 13,332 |
| +/- Other comprehensive income | 0 | 0 | 0 | (1,765) | 27 | (12,491) | (14,229) | (190) | (14,419) |
| **+/- Total comprehensive income** | **0** | **0** | **12,887** | **(1,765)** | **27** | **(12,491)** | **(1,342)** | **255** | **(1,087)** |
| +/- Dividends | 0 | 0 | (4,315) | 0 | 0 | 0 | (4,315) | 0 | (4,315) |
| **31 October 2020** | **108,750** | **335,316** | **(2,337)** | **(39,535)** | **267** | **(130,198)** | **272,263** | **3,017** | **275,280** |

1st Half-Year 2019/20

| 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 2019** | **108,750** | **335,316** | **(24,141)** | **(38,020)** | **(260)** | **(120,533)** | **261,112** | **1,666** | **262,778** |
| +/- Net profit for the period | 0 | 0 | 24,495 | 0 | 0 | 0 | 24,495 | 186 | 24,681 |
| +/- Other comprehensive income | 0 | 0 | 0 | (767) | 84 | (8,124) | (8,807) | 13 | (8,794) |
| **+/- Total comprehensive income** | **0** | **0** | **24,495** | **(767)** | **84** | **(8,124)** | **15,688** | **199** | **15,887** |
| +/- Dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **31 October 2019** | **108,750** | **335,316** | **354** | **(38,787)** | **(176)** | **(128,657)** | **276,800** | **1,865** | **278,665** |

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".

# Condensed Notes

## Accounting and Valuation Methods

The condensed consolidated interim financial statements for the reporting period from 1 May 2020 to 31 October 2020 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.

The condensed consolidated interim financial statements as of 31 October 2020 were prepared in accordance with the International Financial Reporting Standards and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applied in the European Union (EU), which were in effect on the balance sheet date.

The accounting and valuation methods applied as of 31 October 2020 reflect the methods applied in preparing the consolidated financial statements as of 30 April 2020, with the exception of the IFRSs which required mandatory application after 1 January 2020.

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

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

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

These judgments, estimates and assumptions are connected with increased uncertainty due to the current unforeseeable consequences of the Covid-19 pandemic. The actual values may differ from these judgments, assumptions and estimates, and changes can have a material influence on the condensed consolidated interim financial statements. Updates to the judgments, assumptions and estimates include all available information on the expected development of the economy and on government-initiated measures.

## Effects of Covid-19

The WHO designated the global outbreak of the Covid-19 respiratory disease as a pandemic on 11 March 2020. Measures to combat the pandemic were implemented by governments throughout the world beginning at the end of February 2020. In this connection, among other things restrictions were imposed on the freedom of movement and the freedom of assembly, and companies and schools were provisionally closed.

### Development of revenues and earnings

Group revenues fell by 14.6% year-on-year to TEUR 515,438 in the first half of 2020/21 due to the reduction in market activity which resulted from the Covid-19 crisis (H1 2019/20: TEUR 603,836). The Components Segment was negatively affected by the sharp drop in global demand and revenues subsequently fell by 17.8%. The revenue decline in the Lighting Segment equalled 13.7%. The decrease in Group revenues was offset in part by year-on-year savings of TEUR 18,837 in selling costs and TEUR 1,718 in administrative costs, with an important contribution made by the reduction of personnel expenses. Operating profit declined by TEUR 13,714 from TEUR 36,660 to TEUR 22,946. Inventories were adjusted to reflect the Covid-19 crisis conditions through active stock optimisation and reduced by TEUR 13,805. Trade payables declined by TEUR 23,428.

### Goodwill and other intangible assets

As a reaction to the Covid-19 pandemic, a qualitative assessment of goodwill was carried out with updated forecasts for various earnings scenarios to verify the recoverable amount. The forecast assumptions were modified to reflect expectations for the development of revenues and the related adjustments to production capacity. The planned cost structure and government grants were also revised, and working capital and CAPEX planning were adjusted accordingly. The assessment did not provide any indications that the goodwill could be impaired.

Based on the current medium-term forecast weighted by the applied scenarios and a WACC of 6.89%, the headroom for "CGU Lighting" equals EUR 162 million (30 April 2020: EUR 175 million). An increase in the WACC to 7.5% with no changes in the medium-term forecast would reduce the headroom by EUR 66 million to EUR 96 million. A forecast variance of 10% with a constant WACC would result in a similar reduction of EUR 95 million. The headroom for the "CGU Components" equalled EUR 29 million (30 April 2020: EUR 66 million) based on an applied WACC of 7.84%. An increase in the WACC to 8.4% based on a constant medium-term forecast would reduce the headroom by EUR 14 million to EUR 15 million. A negative forecast variance of 10% based on a constant WACC would result in a reduction of EUR 13 million.

Impairment tests were also carried out on individual assets based on updated product-related earnings forecasts. Impairment losses were recognised to individual products for which follow-up products were already under development due to the reduced amortisation time. Capitalised development costs totalling TEUR 1,489 were subsequently written off.

### Credit risks

The Zumtobel Group has implemented an impairment model for the calculation of a simplified expected credit loss for trade receivables. It involves the evaluation of individual customer default risks based on actual payment behaviour towards the Group, current credit reports and credit insurance in a six-level risk class model. A default probability is assigned to each risk class in an impairment matrix. Continuous adjustment to external input factors allows the model to react to Covid-19 related changes in risk. No increase in expected receivables defaults was observed during the reporting period.

### Refinancing

The drawdown from the line provided by the consortium credit agreement was reduced by TEUR 50,000 and refinanced, above all, by borrowings of TEUR 39,900 from a KRR Covid-19 special line with a variable term ending on 31 March 2022.

### Investment subsidies

The Investment Subsidy Act ("Investitionsprämiengesetz", InvPrG) was introduced in reaction to the Covid-19 pandemic. It is intended to support investments in depreciable assets and strengthen Austria as an industrial location. The subsidy is a non-refundable grant which generally equals 7% of the acquisition cost. For new investments in the areas of digitalisation, greening and health/life science, the grant increases to 14%. Applications for the subsidy can be filed for investments started after 1 August 2020 and before 1 March 2021. The Zumtobel Group intends to submit an application with the responsible institution (Austria Wirtschaftsservice GmbH) for all investments which are eligible for support.

### Rent concessions

In individual cases, the Zumtobel Group was granted rent concessions in connection with the negative economic effects arising from the Covid-19 crisis. These rent concessions were not accounted for as contract modifications but recognised to profit or loss when the change met the requirements of IFRS 16. The granted concessions were immaterial in scope.

### Short-time work, reduction of accumulated holiday and overtime

The Zumtobel Group accelerated the reduction of accumulated holiday and overtime in reaction to the effects of Covid-19 on business development. National short-time work options were also used where possible and practicable. In Austria, most of the workforce has been on short-time schedules since March 2020. Personnel expenses for the first half year were reduced from TEUR 190,656 to TEUR 167,780. The subsidy applications in Austria from the short-time work model amounted to TEUR 6,787.

## Other significant events in the first half of 2021/20

The two long-standing members of the Supervisory Board, Jürg Zumtobel, previously chairman, and Fritz Zumtobel, resigned as of 18 May 2020. The newly elected Supervisory Board members are Georg Pachta-Reyhofen and Thorsten Staake. Karin Zumtobel-Chammah was appointed chairwoman of the Supervisory Board.

The General Meeting approved the payment of a dividend of 10 euro cents per share for the 2019/20 financial year. The dividend was transferred to shareholders on 31 July 2020.

The provisions for pensions and severance compensation obligations rose by TEUR 13,960 in the first half of 2020/21, primarily due to a decline in interest rates in Switzerland, Germany and Austria and to lower interest rates and higher inflation in Great Britain.

## 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 |
|---|---|---|
| Various | Changes in the Framework Concept | 1 January 2020 |
| IFRS 3 | Changes to IFRS 3 Definition of a business | 1 January 2020 |
| IAS 1 / IAS 8 | Changes to IAS 1 / IAS 8 Definition of materiality | 1 January 2020 |
| IFRS 9 / IAS 39 / IFRS 7 | Change: Interest Rate Benchmark Reform | 1 January 2020 |

### Premature application of Changes to IFRS 16 – Covid-19-related rent concessions

The changes to IFRS 16 permit lessees, under certain conditions, to waive an assessment of whether a rent concession granted in connection with the Covid-19 pandemic represents a contract modification. Election of the exemption allows the lessee to account for the rent concession as if it were not a contract modification. The possibility of premature application was applied.

### Other changes

The effects of the changes in the new standards and interpretations were analysed and have no material influence on these consolidated interim financial statements.

The following new or revised IAS, IFRS, IFRIC interpretations were not applied prematurely. These standards and interpretations were published, but do not yet require mandatory application and/or were not yet adopted by the European Union through its endorsement process. Consequently, they were not applied by the Zumtobel Group in 2020/21:

| Standards and Interpretations | | Mandatory application in financial years beginning on or after |
|---|---|---|
| Changes to IFRS 4 | Postponement of IFRS 9 | 1 June 2021 |
| Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform (Phase 2) | 1 January 2021 |
| Changes to IFRS 3 | Update to references, introduction of an exception to recognition principles, inclusion in the standard text of an express prohibition for the recognition of contingent receivables | 1 January 2022 |
| Changes to IFRS 16 | Changes to IAS 16: Recognition of selling proceeds during the production/construction of an item of property, plant and equipment | 1 January 2022 |
| Changes to IFRS 37 | Determination of the "costs of fulfilling a contract" | 1 January 2022 |
| IAS 1 | Change: Presentation of Financial Statements | 1 January 2023 |
| IFRS 17 | Insurance Contracts | 1 January 2023 |
| Various | Changes to IFRS 10 and IAS 28: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture | Still open |

## Uncertainties connected with the BREXIT

The Zumtobel Group installed an internal task force to address the ongoing uncertainty and current developments connected with the BREXIT decision. Preparations for the "no-deal" scenario which is now expected as of 31 December 2020 include internal measures such as the expansion of logistics and customs-processing capacity, increase of raw material stocks, the adjustment of business structures and protection for the continued operation of accounting and controlling systems.

## Foreign Currency Translation

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

| | Average exchange rate: Income Statement | | Closing rate: Balance Sheet | |
|---|---|---|---|---|
| 1 EUR equals | 31 October 2020 | 31 October 2019 | 31 October 2020 | 30 April 2020 |
| AUD | 1.6425 | 1.6214 | 1.6563 | 1.6598 |
| CHF | 1.0719 | 1.1051 | 1.0698 | 1.0558 |
| USD | 1.1520 | 1.1143 | 1.1698 | 1.0876 |
| SEK | 10.4241 | 10.6941 | 10.3650 | 10.6639 |
| NOK | 10.7702 | 9.8695 | 11.0940 | 11.1840 |
| GBP | 0.9017 | 0.8905 | 0.9021 | 0.8691 |

## 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 2020** | **90** | **1** | **91** |
| **31 October 2020** | **90** | **1** | **91** |

There were no changes in the scope of consolidation during the first half of 2020/21.

## Notes to the Consolidated 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 18,920 (H1 2019/20: TEUR 21,366) for sales deductions. Gross revenues total TEUR 534,357 (H1 2019/20: TEUR 625,202).

Revenues recorded by the Zumtobel Group resulted from the sale of lighting, components and services. Sales of lighting and components are recognised at a point in time. In contrast, the sale of services is recognised over time when the service component is material in scope.

### 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 2020/21

| in TEUR | Cost of goods sold | Selling expenses | Administrative expenses | Other operating results | Total |
|---|---|---|---|---|---|
| Cost of materials | (225,865) | (2,063) | (5) | 0 | (227,933) |
| Personnel expenses | (79,319) | (74,796) | (13,665) | 0 | (167,780) |
| Depreciation | (25,481) | (8,577) | (481) | 0 | (34,539) |
| Other expenses | (28,142) | (39,762) | (5,722) | (2,322) | (75,948) |
| Own work capitalised | 6,334 | 5 | 0 | 0 | 6,339 |
| Internal charges | 2,267 | (2,543) | 276 | 0 | 0 |
| **Total expenses** | **(350,206)** | **(127,736)** | **(19,597)** | **(2,322)** | **(499,861)** |
| **Other income** | **1,090** | **489** | **126** | **5,664** | **7,369** |
| **Total** | **(349,116)** | **(127,247)** | **(19,471)** | **3,342** | **(492,492)** |

1st Half-Year 2019/20

| in TEUR | Cost of goods sold | Selling expenses | Administrative expenses | Other operating results | Total |
|---|---|---|---|---|---|
| Cost of materials | (274,885) | (2,134) | (41) | 0 | (277,060) |
| Personnel expenses | (91,033) | (84,171) | (14,901) | (551) | (190,656) |
| Depreciation | (22,221) | (8,835) | (515) | 0 | (31,571) |
| Other expenses | (30,675) | (48,916) | (6,247) | (1,199) | (87,037) |
| Own work capitalised | 8,843 | 243 | 23 | 0 | 9,109 |
| Internal charges[1] | 2,918 | (3,143) | 226 | 0 | 0 |
| **Total expenses** | **(407,053)** | **(146,956)** | **(21,455)** | **(1,750)** | **(577,214)** |
| **Other income** | **1,696** | **872** | **266** | **7,204** | **10,038** |
| **Total** | **(405,357)** | **(146,084)** | **(21,189)** | **5,454** | **(567,176)** |

[1] The presentation of the various types of expenses were adjusted, with no effect on profit or loss, following the correction of a system setting in the internal calculation logic, in accordance with IAS 8..

A correction in the internal settlement process led to the adjustment of the presentation of the types of expenses for the first half of 2019/20. The cost of goods sold (TEUR 5,774) and selling costs (TEUR 479) were reduced, and administrative costs were increased (TEUR 6,253). These adjustments resulted from the correction of an incorrect system setting for the charge-out of central costs to the operating companies.

Personnel expenses fell from TEUR 190,656 to TEUR 167,780 primarily due to the Covid-19-related reduction of accumulated holiday and overtime as well as the utilisation of national short-time work programmes.

The cost of goods sold includes development costs of TEUR 28,863 (H1 2019/20: TEUR 28,643). The cost of materials in the first half of the previous year included a special effect of TEUR 7,900 for a warranty provision in Great Britain.

Development costs of TEUR 6,269 were capitalised during the reporting period (H1 2019/20: TEUR 8,529). The amortisation of capitalised development costs amounted to TEUR 7,445 (H1 2019/20: TEUR 6,068). In addition, impairment losses totalling TEUR 1,489 (H1 2019/20: TEUR 0) were recognised to development costs.

## Other Operating Results

| in TEUR | Q2 2020/21 | Q2 2019/20 | 1 HY 2020/21 | 1 HY 2019/20 |
|---|---|---|---|---|
| Government grants | 3,808 | 2,386 | 3,821 | 2,398 |
| License revenues | 388 | 176 | 711 | 1,412 |
| Gains on sale | 0 | 0 | 0 | 325 |
| Changes in the scope of consolidation | 0 | 2,171 | 0 | 2,096 |
| Other income | 442 | 551 | 1,132 | 973 |
| **Other operating income** | **4,638** | **5,283** | **5,664** | **7,204** |
| | | | | |
| Impairment charges to non-current assets | 0 | (58) | 0 | (58) |
| Restructuring | (263) | (1,028) | (2,322) | (1,692) |
| Other operating expenses | (263) | (1,086) | (2,322) | (1,750) |

As in the previous year, government grants for the first half of 2020/21 represent subsidies recognised directly to income. License income for the reporting period comprises income from the LED business, similar to the first half of the previous year.

The special effects are classified as follows:

| in TEUR | Q2 2020/21 | Q2 2019/20 | 1 HY 2020/21 | 1 HY 2019/20 |
|---|---|---|---|---|
| Expenses related to Les Andelys (FR) facility buyback | (218) | 0 | (287) | 0 |
| Restructuring acdc | 35 | 0 | (1,675) | 0 |
| Warranty case outdoor luminaires (UK) | 0 | (7,900) | 0 | (7,900) |
| Restructuring other facilities | (43) | (558) | (175) | (1,229) |
| Reorganisation management and sales | (37) | (453) | (185) | (514) |
| Deconsolidation effects | 0 | 115 | 0 | 126 |
| **Lighting Segment** | **(263)** | **(8,796)** | **(2,322)** | **(9,517)** |
| | | | | |
| Restructuring facility Jennersdorf (AT) | 0 | 0 | 0 | 318 |
| **Components Segment** | **0** | **0** | **0** | **318** |
| | | | | |
| Deconsolidation effects | 0 | 11 | 0 | 0 |
| Lucky Buy - First time consolidation LED FMT GmbH (formerly Lexedis Lighting GmbH) | 0 | 1,970 | 0 | 1,970 |
| **Central Functions** | **0** | **1,981** | **0** | **1,970** |
| | | | | |
| **Total** | **(263)** | **(6,815)** | **(2,322)** | **(7,229)** |

The effects reported here are classified as special effects in accordance with IAS 1.98. Thereof TEUR 0 (H1 2019/20: TEUR –7,900) are included in the cost of materials and TEUR –2,322 (H1 2019/20: TEUR 671) in other operating income and expenses.

### Interest Expense

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

### Other Financial Income and Expenses

| in TEUR | Q2 2020/21 | Q2 2019/20 | 1 HY 2020/21 | 1 HY 2019/20 |
|---|---|---|---|---|
| Interest component as per IAS 19 less income on plan assets | (897) | (1,222) | (1,493) | (1,961) |
| Foreign exchange gains and losses | (2,442) | 794 | (1,889) | 959 |
| Market valuation of financial instruments | 1,684 | (1,365) | 158 | (735) |
| **Total** | **(1,655)** | **(1,793)** | **(3,224)** | **(1,737)** |

Foreign exchange gains and losses include realised and unrealised foreign exchange gains and losses from receivables and liabilities as well as realised foreign exchange gains and losses from currency futures.

The position "market valuation of financial instruments" shows the results from the measurement of currency futures at the applicable market prices as of the balance sheet date.

### Income Taxes

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

| in TEUR | Q2 2020/21 | Q2 2019/20 | 1 HY 2020/21 | 1 HY 2019/20 |
|---|---|---|---|---|
| Current taxes | (461) | (1,022) | (2,387) | (1,955) |
| *thereof current year* | *(464)* | *(907)* | *(2,289)* | *(1,840)* |
| *thereof prior years* | *3* | *(115)* | *(98)* | *(115)* |
| Deferred taxes | (2,415) | (2,707) | (1,374) | (4,479) |
| **Income taxes** | **(2,876)** | **(3,729)** | **(3,761)** | **(6,434)** |

### 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 Consolidated Statement of Comprehensive Income

### Actuarial Losses

The reported actuarial losses totalling TEUR –13,956 (H1 2019/20: TEUR –10,155) resulted from revaluation effects in the Group's pension and severance compensation obligations. These effects are related primarily to the decline in interest rates in Switzerland, Germany and Austria as well as lower interest rates and higher inflation in Great Britain during the first half of 2020/21.

### Currency Differences

This position consists of translation effects from the conversion of subsidiaries' financial statements totalling TEUR 4,275 (H1 2019/20: TEUR –1,121) 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") totalling TEUR –1,929 (H1 2019/20: TEUR 417).

### Currency Differences arising from Loans

These currency differences totalling TEUR –4,447 (H1 2019/20: TEUR 252) result primarily from long-term SEK, GBP and USD intercompany 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 totalling TEUR 146 (H1 2019/20: TEUR –302) resulting from an interest rate hedge (net investment hedge).

### Deferred Taxes

Deferred taxes of TEUR 1,168 were recognised in other comprehensive income during the first half of 2020/21 (H1 2019/20: TEUR 2,003) and result primarily with TEUR 1,168 (H1 2019/20: TEUR 2,031) from the provisions for pensions and severance compensation due to actuarial losses in accordance with IAS 19 "Employee Benefits". Deferred tax assets were not recorded for the actuarial losses attributable to a pension plan in a British Group company because the related amounts are immaterial.

## Notes to the Balance Sheet

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2020.

### Goodwill

The application of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") led to foreign currency-based adjustments of TEUR –1,929 to goodwill in the first half of 2020/21 (H1 2019/20: TEUR 417) which were not recognised through profit or loss. These foreign exchange effects are allocated to assets in the Lighting Segment for segment reporting.

### Inventories

The decline in inventories of TEUR 13,805 resulted, above all, from the active Group-wide adjustment of stocks in reaction to the Covid-19 crisis.

### Trade Receivables

The increase in trade receivables is primarily attributable to the higher volume of business in the first half-year compared with the negative effects of the first Covid-19 lockdown on stocks at the end of the 2019/20 financial year.

### Non-current Provisions

The increase in the provisions for pensions, severance compensation and other employee-related provisions is based primarily on revaluation effects of TEUR 13,960 from the IAS 19 obligations. These effects resulted primarily from the decline in interest rates in Switzerland, Germany and Austria as well as lower interest rates and higher inflation in Great Britain during the first half of 2020/21. The increase in other non-current provisions is related to higher warranty provisions of TEUR 9,068 which were reclassified from current provisions due to a change in the estimate for the claim period.

### Non-current Financial Liabilities

The decline in non-current financial liabilities was based on a TEUR 50,000 reduction in the use of the consortium credit agreement, which was refinanced primarily by increased borrowings of TEUR 39,900 from a KRR Covid19 special line with a variable term up to 31 March 2022.

### Current Financial Liabilities

The reduction in current financial liabilities resulted, above all, from a decline of TEUR 3,253 in short-term bank liabilities and TEUR 1,213 in current lease liabilities. A contrary effect resulted from an increase of TEUR 750 in the use of government credits.

### Trade Payables

The decline in trade payables of TEUR 23,428 resulted chiefly from a reduction of purchasing volume and an active inventory management.

### Other Current Liabilities

The increase in other current liabilities of TEUR 10,015 is chiefly attributable to an increase in tax liabilities of TEUR 4,947 due to extended payment terms and an increase in prepayments received of TEUR 10,696.

### 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 2020

### Assets

| in TEUR | Carrying amount | Accounting at fair value | Accounting at amortized cost | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| Non-current financial assets | 1,404 | 576 | 828 | | | | |
| *Securities and similar rights* | *576* | *576* | *-* | *576* | | | 576 |
| *Loans originated and other receivables* | *828* | *-* | *828* | | | | |
| Current financial assets | 624 | 597 | 27 | | | | |
| *Loans originated and other receivables* | *27* | *-* | *27* | | | | |
| *Positive market values of derivatives held for trading* | *597* | *597* | *-* | 597 | | 597 | |
| Trade receivables | 157,686 | - | 157,686 | | | | |
| Liquid funds | 71,088 | - | 71,088 | | | | |
| **Total** | **230,802** | **1,173** | **229,629** | | | | |

### Liabilities

| in TEUR | Carrying amount | Accounting at fair value | Accounting at amortized cost | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| Non-current borrowings | 191,951 | - | 191,951 | | | | |
| *Loans received* | *149,513* | *-* | *149,513* | *151,569* | | | |
| *Lease liability* | *42,438* | *-* | *42,438* | | | | |
| Current borrowings | 25,084 | - | 25,084 | | | | |
| *Loans received* | *3,666* | *-* | *3,666* | | | | |
| *Working capital credits* | *8,354* | | *8,354* | | | | |
| *Lease liability* | *13,064* | *-* | *13,064* | | | | |
| Trade payables | 92,184 | - | 92,184 | | | | |
| Other current liabilities | 5,208 | 5,147 | 61 | | | | |
| *Negative market values of derivatives held for trading* | *533* | *533* | *-* | *533* | | *533* | |
| *Negative market values of derivatives (hedge accounting)* | *4,614* | *4,614* | | *4,614* | | *4,614* | |
| *Other* | *61* | *-* | *61* | | | | |
| **Total** | **314,427** | **5,147** | **309,280** | | | | |

## 30 April 2020

### Assets

| in TEUR | Carrying amount | Accounting at fair value | Accounting at amortized cost | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| Non-current financial assets | 1,410 | 576 | 834 | | | | |
| *Securities and similar rights* | *576* | *576* | *-* | *576* | | | *576* |
| *Loans originated and other receivables* | *834* | *-* | *834* | | | | |
| Current financial assets | 1,307 | 1,280 | 27 | | | | - |
| *Loans originated and other receivables* | *27* | *-* | *27* | | | | |
| *Positive market values of derivatives held for trading* | *1,280* | *1,280* | *-* | 1,280 | | *1,280* | |
| Trade receivables | 145,876 | - | 145,876 | | | | |
| Liquid funds | 71,838 | - | 71,838 | | | | |
| **Total** | **220,431** | **1,856** | **218,575** | | | | |

### Liabilities

| in TEUR | Carrying amount | Accounting at fair value | Accounting at amortized cost | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| Non-current borrowings | 208,597 | - | 208,597 | | | | |
| *Loans received* | *160,344* | *-* | *160,344* | *162,718* | | | |
| *Lease liability* | *48,253* | *-* | *48,253* | | | | |
| Current borrowings | 28,907 | - | 28,907 | | | | |
| *Loans received* | *3,025* | *-* | *3,025* | | | | |
| *Working capital credits* | *11,606* | | *11,606* | | | | |
| *Lease liability* | *14,276* | *-* | *14,276* | | | | |
| Trade payables | 115,612 | - | 115,612 | | | | |
| Other current liabilities | 6,205 | 6,160 | 45 | | | | |
| *Negative market values of derivatives held for trading* | *1,263* | *1,263* | *-* | *1,263* | | *1,263* | |
| *Negative market values of derivatives (hedge accounting)* | *4,897* | *4,897* | | *4,897* | | *4,897* | |
| *Other* | *45* | *-* | *45* | | | | |
| **Total** | **359,321** | **6,160** | **353,161** | | | | |

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 consolidated interim financial statements of Zumtobel Group AG as of 31 October 2020 also include an insignificant scope 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 have been no significant changes in these shareholdings since 30 April 2020, 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 Consolidated Cash Flow Statement

Cash flow is determined on a monthly basis in accordance with the indirect method. The resulting monthly cash flows are translated at the applicable average monthly exchange rate and then aggregated, while the balance sheet positions are translated at the exchange rate in effect on the respective closing date. This procedure leads to currency translation differences, above all in individual positions under cash flow from operating activities, and therefore to material differences compared with the respective balance sheet positions. Cash flow from operating results declined from TEUR 68,266 in the first half of the previous year to TEUR 57,848, above all due to the negative effects of the Covid-19 crisis on profitability.

Working capital declined by TEUR 1,545 year-on-year to TEUR 179,968 as of 31 October 2020. Inventories were reduced through active stock management, and trade receivables declined due to the lower volume of business. The receivables sold on the basis of a factoring agreement totalled TEUR 62,445 as of 31 October 2020 (H1 2019/20: TEUR 78,973). Prepayments received were higher than the previous year at the end of the reporting period. In contrast, trade payables declined significantly. As a per cent of rolling 12-month revenues, working capital declined from 15.5% to 17.3%. Cash outflows for changes in other operating positions totalled TEUR 9,380 (H1 2019/20: minus TEUR 491) and were related, above all, to the use of current provisions. Cash flow from operating activities declined from TEUR 58,359 to TEUR 50,585 during the first half of 2020/21.

Cash flow from investing activities consists mainly of investments in various production facilities and also includes investments in tools for new products, expansion projects and capitalised development costs (TEUR 6,269). The volume of investments was lower in year-on-year comparison at TEUR 16,050 in the first half of 2020/21 (H1 2019/20: TEUR 24,636). This amount includes investments of TEUR 9,149 in Austria (H1 2019/20: TEUR 15,610). Free cash flow improved to plus TEUR 35,033 (H1 2019/20: TEUR 34,193) due to the reduction in cash flow from investing activities and despite the decline in cash flow from operating activities.

Cash flow from financing activities consists chiefly of TEUR 7,412 (H1 2019/20: TEUR 8,339) for the repayment of lease liabilities. The draw-down from the financing line provided by the consortium credit agreement was reduced by TEUR 50,000 and refinanced mainly by TEUR 39,900 from a KRR Covid-19 special line with a variable term up to 31 March 2022. The dividend of 10 euro cents per share for the 2019/20 financial year (TEUR 4,315), which was approved by the annual general meeting on 24 July 2020, was distributed to shareholders on 31 July 2020.

### Transition to Cash and Cash Equivalents

| in TEUR | 31 October 2020 | 30 April 2020 |
|---|---|---|
| Liquid funds | 71,088 | 71,838 |
| Not available for disposal | (460) | (494) |
| Overdrafts | (8,354) | (11,605) |
| **Cash and cash equivalents** | **62,274** | **59,739** |

## Notes to the Consolidated Statement of Changes in Equity

### Dividend

The annual general meeting on 24 July 2020 approved the payment of a dividend of 10 euro cents per share for the 2019/20 financial year. Based on the 43,146,657 shares outstanding as of 31 July 2020 (43,500,000 shares less 353,343 treasury shares), TEUR 4, 315 were distributed to shareholders.

## Segment Reporting

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

Segment reporting is 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 2020/21

| | Lighting Segment | | | Components Segment | | | Reconciliation | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in TEUR | Q2 2020/21 | Q2 2019/20 | Q2 2018/19 | Q2 2020/21 | Q2 2019/20 | Q2 2018/19 | Q2 2020/21 | Q2 2019/20 | Q2 2018/19 | Q2 2020/21 | Q2 2019/20 | Q2 2018/19 |
| **Net revenues** | **204,368** | **234,187** | **230,505** | **72,592** | **88,012** | **86,601** | **(12,322)** | **(14,754)** | **(15,094)** | **264,638** | **307,445** | **302,013** |
| *External revenues* | *204,127* | *234,130* | *228,760* | *60,411* | *73,021* | *73,250* | *100* | *294* | *3* | *264,638* | *307,445* | *302,012* |
| *Inter-company revenues* | *241* | *57* | *1,746* | *12,181* | *14,700* | *13,351* | *(12,422)* | *(14,757)* | *(15,097)* | *0* | *0* | *0* |
| **Adjusted EBIT** | **16,719** | **26,352** | **11,235** | **3,432** | **6,965** | **7,805** | **(3,974)** | **(5,252)** | **(4,251)** | **16,177** | **28,064** | **14,789** |
| Special effects | (263) | (8,796) | (2,206) | 0 | 0 | (213) | 0 | 1,981 | (476) | (263) | (6,815) | (2,895) |
| **Operating profit** | **16,456** | **17,556** | **9,029** | **3,432** | **6,965** | **7,593** | **(3,974)** | **(3,273)** | **(4,727)** | **15,914** | **21,248** | **11,894** |
| **Investments** | **4,468** | **7,522** | **8,931** | **3,000** | **4,011** | **7,783** | **546** | **2,736** | **1,130** | **8,015** | **14,269** | **17,845** |
| **Depreciation** | **(10,880)** | **(10,980)** | **(9,742)** | **(6,646)** | **(3,645)** | **(3,055)** | **(1,181)** | **(1,506)** | **(1,098)** | **(18,707)** | **(16,131)** | **(13,895)** |

1st Half Year 2020/21

| | Lighting Segment | | | Components Segment | | | Reconciliation | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in TEUR | 1 HY 2020/21 | 1 HY 2019/20 | 1 HY 2018/19 | 1 HY 2020/21 | 1 HY 2019/20 | 1 HY 2018/19 | 1 HY 2020/21 | 1 HY 2019/20 | 1 HY 2018/19 | 1 HY 2020/21 | 1 HY 2019/20 | 1 HY 2018/19 |
| **Net revenues** | **394,066** | **456,742** | **449,998** | **145,712** | **177,283** | **175,957** | **(24,340)** | **(30,188)** | **(30,832)** | **515,438** | **603,836** | **595,122** |
| *External revenues* | *393,619* | *456,635* | *448,127* | *121,719* | *146,904* | *146,981* | *100* | *297* | *15* | *515,438* | *603,836* | *595,121* |
| *Inter-company revenues* | *447* | *106* | *1,871* | *23,993* | *30,087* | *28,976* | *(24,440)* | *(30,193)* | *(30,847)* | *0* | *0* | *0* |
| **Adjusted EBIT** | **24,702** | **39,888** | **19,382** | **7,260** | **13,374** | **15,889** | **(6,694)** | **(9,374)** | **(10,490)** | **25,268** | **43,889** | **24,781** |
| Special effects | (2,322) | (9,517) | (4,791) | 0 | 318 | (407) | 0 | 1,970 | (435) | (2,322) | (7,229) | (5,632) |
| **Operating profit** | **22,380** | **30,371** | **14,591** | **7,260** | **13,692** | **15,481** | **(6,694)** | **(7,403)** | **(10,925)** | **22,946** | **36,660** | **19,148** |
| **Investments** | **9,357** | **11,701** | **18,663** | **5,407** | **8,128** | **12,409** | **1,286** | **4,807** | **2,238** | **16,050** | **24,636** | **33,309** |
| **Depreciation** | **(21,641)** | **(21,781)** | **(17,766)** | **(10,487)** | **(6,988)** | **(6,163)** | **(2,411)** | **(2,803)** | **(2,053)** | **(34,539)** | **(31,571)** | **(25,982)** |

| in TEUR | Lighting Segment 31 October 2020 | Lighting Segment 30 April 2020 | Lighting Segment 30 April 2019 | Components Segment 31 October 2020 | Components Segment 30 April 2020 | Components Segment 30 April 2019 | Reconciliation 31 October 2020 | Reconciliation 30 April 2020 | Reconciliation 30 April 2019 | Group 31 October 2020 | Group 30 April 2020 | Group 30 April 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | 658,453 | 669,659 | 634,848 | 170,544 | 182,673 | 182,295 | 140,053 | 142,458 | 103,767 | 969,050 | 994,790 | 920,910 |

| | Lighting Segment 31 October 2020 | Lighting Segment 30 April 2020 | Lighting Segment 30 April 2019 | Components Segment 31 October 2020 | Components Segment 30 April 2020 | Components Segment 30 April 2019 | Reconciliation 31 October 2020 | Reconciliation 30 April 2020 | Reconciliation 30 April 2019 | Group 31 October 2020 | Group 30 April 2020 | Group 30 April 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Headcount (full-time equivalent) | 3,977 | 3,962 | 3,933 | 1,745 | 1,932 | 1,778 | 149 | 144 | 167 | 5,871 | 6,039 | 5,878 |

The number of employees reported in the above table includes 128 (H1 2019/20: 232) 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 2020/21 | Q2 2019/20 | 1 HY 2020/21 | 1 HY 2019/20 |
|---|---|---|---|---|
| Group parent companies | (3,929) | (3,959) | (6,764) | (8,324) |
| Group entries | (46) | 686 | 70 | 921 |
| **Operating profit** | **(3,975)** | **(3,273)** | **(6,694)** | **(7,403)** |

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 2020 | 30 April 2020 |
|---|---|---|
| Assets used by more than one segment | 122,869 | 123,274 |
| Group parent companies | 47,045 | 49,162 |
| Group entries | (29,862) | (29,977) |
| **Assets** | **140,052** | **142,458** |

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

## Related Party Transactions

All business transactions with related persons are based on normal market terms. Closely related persons are persons who hold key positions with Zumtobel Group AG (active members of the Management Board and Supervisory Board of Zumtobel Group AG) as well as their close family members. No consulting services were provided by management in key positions and no goods or services were sold to management in key positions during the first half of 2020/21. Remuneration totalling TEUR 238 (H1 2019/20 TEUR 307) was paid to management in key positions. There are no liabilities to management in key positions (H1 2019/20: TEUR 7). No advances or loans were granted to management in key positions. The members of management in key positions hold positions in other companies which result in control or significant influence over the financial and business policies of these companies. Transactions totalling TEUR 439 were carried out with these companies during the reporting period (H1 2019/20: TEUR 384). As of 31 October 2020, the Group held liabilities of TEUR 9 due from these companies (H1 2019/20: TEUR 45). There were no transactions with owners.

The Group has concluded supply and delivery agreements with associated companies which reflect third party conditions. Revenues from the provision of materials and services to associated companies totalled TEUR 754 (H1 2019/20: TEUR 66). Expenses for products purchased from associated companies and unconsolidated companies amounted to TEUR 2,153 in the first half of 2020/21 (H1 2019/20: TEUR 1,145). Trade receivables due from associated companies and unconsolidated companies totalled TEUR 1,119 (30 April 2020: TEUR 331) and trade payables equalled TEUR 129 (30 April 2020: TEUR 1). No receivables due from associated companies or unconsolidated companies were classified as uncollectible in the first half of 2020/21.

## Contingent Liabilities and Guarantees

The Zumtobel Group has issued bank guarantees totalling TEUR 16,250 (30. April 2020: TEUR 13.871) for various purposes.

## Subsequent Events

No significant events occurred after the interim financial statements date on 31 October 2020.

Dornbirn, 1 December 2020

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

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

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

Dornbirn, 1 December 2020

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

We draw attention to the fact that the English translation of this review report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

## Review report

### Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Zumtobel Group AG, Dornbirn, as at 31 October 2020. The condensed consolidated interim financial statements comprise the consolidated balance sheet as at 31 October 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the period from 1 May to 31 October 2020, and the condensed notes to the consolidated interim financial statements that summarize the significant accounting and include other disclosures.

The Company's management is responsible for the preparation of these condensed consolidated interim financial statements in accordance with IFRSs as adopted by the EU on "Interim Financial Reporting".

Our responsibility is to provide a review summary on these condensed consolidated interim financial statements based on our review.

### Scope of the review

We have performed the review in accordance with the legal provisions applicable in Austria and the relevant expert opinions and standards, in particular KFS/PG 11 "Guidelines for the review of financial statements". The review of interim financial statements includes interviews, primarily with persons responsible for finance and accounting, and analytical assessments and other surveys. A review is significantly less in scope than an audit and requires less evidence, 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.

### Review summary

Based on our review, no matters have come to our attention that cause us to presume that the accompanying condensed consolidated interim financial statements were not – in all material aspects – prepared in compliance with the IFRSs as adopted by the EU on "Interim Financial Reporting".

**Statement on the half-year management report for the Group and on the statement by management pursuant to Section 125 Austrian Stock Exchange Act 2018 (BörseG 2018)**

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

The half-year financial report contains the statement by management as set forth under Section 125 (1) No. 3 BörseG 2018.

Vienna, 1 December 2020

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner

Austrian Certified Public Accountant

Disclosure, publication and duplication of the condensed consolidated interim financial statements together with the review report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version reviewed by us is not permitted. Reference to our review may not be made without prior written permission from us.

# Service

## Financial Terms

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

## Financial Calendar

| | |
|---|---|
| Interim Report Q1-Q3 2020/21 (1 May 2020 - 31 January 2021) | 02 March 2021 |
| Annual Results 2020/21 | 30 June 2021 |
| Record Date for the Annual General Meeting | 20 July 2021 |
| 45th Annual General Meeting of Zumtobel Group AG | 30 July 2021 |
| Ex-Dividend Day | 03 August 2021 |
| Record Date Dividend | 04 August 2021 |
| Dividend Payout Day | 06 August 2021 |
| Interim Report Q1 2021/22 (1 May 2021 - 31 July 2021) | 07 September 2021 |
| Half-Year Financial Report 2021/22 (1 May 2021 - 31 October 2021) | 07 December 2021 |
| Interim Report Q1-Q3 2021/22 (1 May 2021 - 31 January 2022) | 08 March 2022 |

## Contact Information

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## Financial Reports

Our financial reports are available in English and German for download under: www.z.lighting/group.

## More Information

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

www.z.lighting/group
www.zumtobel.com
www.thornlighting.com
www.tridonic.com
www.acdclighting.co.uk

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## Disclaimer