zumtobel group

H1 (May – October 2016)

Report on the First Half-Year 2016 / 17 of Zumtobel Group AG

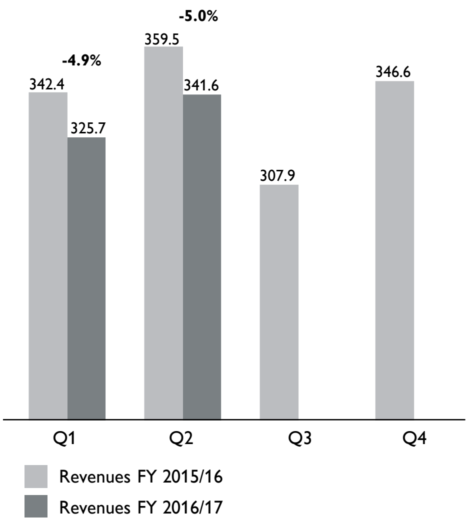
Overview of the First Half-Year 2016/17

- >> FX-adjusted decline of 1.5% in Group revenues
- >> Substantial positive effects from restructuring and cost savings measures
- >> Increase of 23.0% in adjusted EBIT to EUR 52.0 million (previous year: EUR 42.3 million)
- >> Significant improvement in free cash flow to EUR 41.5 million (previous year: minus EUR 24.9 million)
- >> Outlook for 2016/17: slight improvement in adjusted Group EBIT (previous year: EUR 58.7 million)

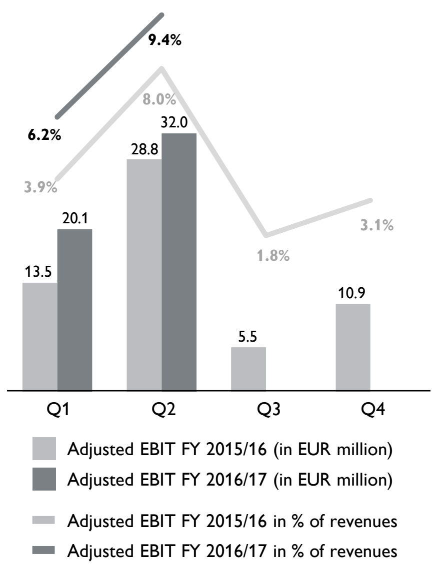
Key Data in EUR million	Q2 2016/17	Q2 2015/16	Change in %	1 HY 2016/17	1 HY 2015/16	Change in %
Revenues	341.6	359.5	(5.0)	667.3	702.0	(4.9)
Adjusted EBIT	32.0	28.8	11.0	52.0	42.3	23.0
as a % of revenues	*9.4*	*8.0*		*7.8*	*6.0*	
EBIT	26.5	24.5	8.0	44.3	36.9	19.9
as a % of revenues	*7.8*	*6.8*		*6.6*	*5.3*	
Net profit/loss for the period	15.0	18.3	(18.2)	27.6	27.5	0.2
as a % of revenues	*4.4*	*5.1*		*4.1*	*3.9*	
Cash flow from operating results	42.1	37.6	11.9	75.5	64.9	16.4
Investments	10.3	17.0	(39.5)	19.7	29.8	(34.0)
				31 October 2016	30 April 2016	Change in %
Total assets				1,056.0	1,068.6	(1.2)
Equity				337.7	333.2	1.3
Equity ratio in %				*32.0*	*31.2*	
Net debt				119.9	134.8	(11.1)
Headcount incl. contract worker (full-time equivalent)				6,707	6,761	(0.8)

Development of Business by Quarter

Revenues (in EUR million)



Adjusted EBIT



Letter to Shareholders

Dear Shareholders,


Ulrich Schumacher

The solid development of business during the first half of 2016/17 shows that we are on the right course with the strategic reorientation of the Zumtobel Group and the steady implementation of the necessary restructuring measures. In order to successfully position the Zumtobel Group for the future, we must create and maintain a competitive cost structure. Our agreement over a social plan and the shutdown of the plant in Usingen (Germany) as of 31 December 2016 represent a further important milestone in the optimisation of our plant structure.

Group revenues for the first half of 2016/17 totalled EUR 667.3 million and were roughly 5% lower than the high prior year value in a generally challenging industry environment. This decline was, however, influenced by substantial negative foreign exchange effects of EUR 24.3 million and the absence of revenues from the signage business which was sold in November 2015. After an adjustment for foreign exchange effects, Group revenues fell by 1.5%. On a very positive note: our efforts to improve cost structures were clearly visible in nearly all functional areas during the reporting period. Group EBIT adjusted for special effects rose by 23.0% from EUR 42.3 million to EUR 52.0 million in spite of the lower revenues. The Components Segment nearly reached the good adjusted prior year results, but the substantial improvement in the Group's profitability during the first half-year came primarily from the Lighting Segment which was also a focus of last year's restructuring efforts. This improvement resulted, above all, from an increase in the efficiency of our plants and sales organisation as well as from higher earnings contributions from the products introduced during the last financial year. In the first half of 2016/17 the Zumtobel Group also benefited from the absence of several temporary negative effects from the previous year (inefficiency problems in the Spennymoor lighting plant and a negative CHF hedge). A further achievement was the improvement in free cash flow, which was positive at EUR 41.5 million (previous year: minus EUR 24.9 million) in particular due to our strict working capital management.

Outlook for full 2016/17 financial year confirmed

We are still seeing widely different regional trends in this generally challenging industry environment, but with virtually no changes in individual areas during recent months. Development remains weak in Australia, the Middle East and Switzerland. Project activity has increased in France, but the related improvement in revenues has not yet materialised. In Northern Europe, business in Great Britain, the most important market for the Zumtobel Group, has been stable since the BREXIT referendum, but is currently influenced by clearly negative foreign exchange effects. Italy, Austria, the USA and the Benelux & Eastern European region, in contrast, recorded sound growth. The clearly negative foreign exchange translation effects (especially from the weak British pound) will remain with us as the year progresses and continue to influence the development of revenues and earnings in the second half of 2016/17.

The continuing low visibility and high volatility on the foreign exchange markets make it very difficult to reliably forecast revenues and earnings for the 2016/17 financial year. Based on the solid first half-year results and the substantial improvement of the cost structure, the Management Board of the Zumtobel Group continues to expect a slight year-year improvement in adjusted Group EBIT (previous year: EUR 58.7 million).

Ulrich Schumacher
Chief Executive Officer (CEO)

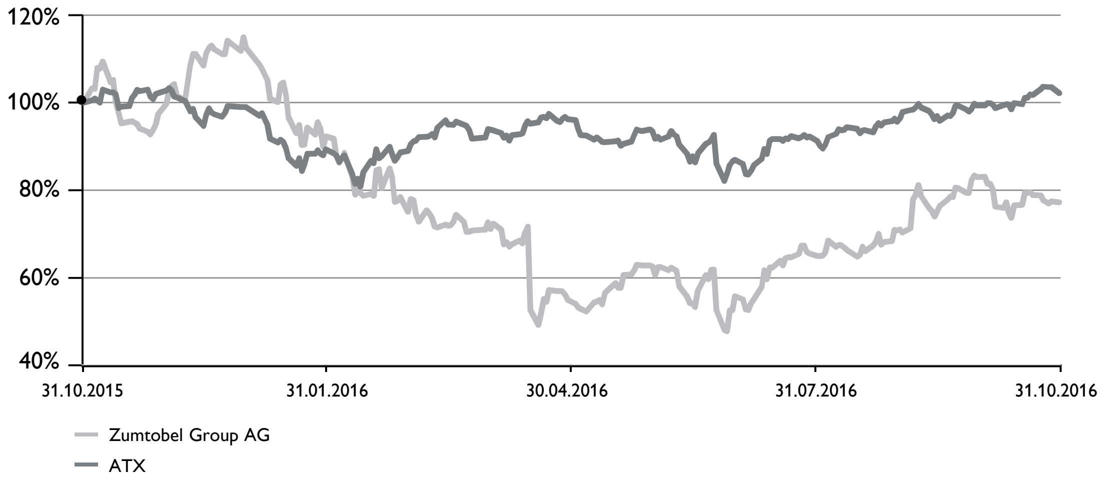
The Zumtobel Group Share

Zumtobel Group share on recovery course

Solid first quarter results that exceeded capital market expectations supported a sound increase of 40.7% in the Zumtobel Group share during the first half of 2016/17. The leading Austrian Traded Index, which includes the Zumtobel Group share, rose by 6.2% during this same period. Other leading indexes also reported positive development from May to October 2016, for example the Dow Jones (plus 2.0%) in the USA, the DAX (plus 4.3%) in Germany and the leading European index Euro Stoxx 50 (plus 0.6%).

Based on an unchanged number of 43.5 million common shares outstanding, the market capitalisation of Zumtobel Group AG totalled EUR 696 million at the end of October 2016. There have been no major changes in the shareholder structure since the end of the 2015/16 financial year. The Zumtobel family has remained the stable core shareholder of Zumtobel Group AG since the initial public offering with a stake of slightly over 35%. As of 31 October 2016, the institutional investor FMR LLC held an investment of over 5% and Lazard Freres Gestion SAS an investment of over 4%. FMR LCC subsequently informed the company that its investment in Zumtobel Group AG had been reduced to slightly below 5% as of 4 November 2016. The remainder of the shares is held predominately by other institutional investors. In the ATX, the leading index of the largest listed companies in Austria, the Zumtobel share ranked 21st based on market capitalisation and 13th based on trading volume as of 31 October 2016. The average daily turnover on the Vienna Stock Exchange totalled 339,632 during the reporting period compared with 143,975 in the previous year (double-count, as published by the Vienna Stock Exchange). The company held 353,343 treasury shares as of 31 October 2016.

Development of the Zumtobel Group Share



Key Data on the Zumtobel Group Share for the 1st half-year 2016/17

Closing price at 29.04.2016	EUR 11,370	Currency	EUR
Closing price at 31.10.2016	EUR 15,995	ISIN	AT0000837307
Performance 1st half-year 2016/17	40.7%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 31.10.2016	EUR 696 million	Market segment	Prime Market
Share price - high at 26.07.2016	EUR 17,265	Reuters symbol	ZUMV.VI
Share price - low at 29.09.2016	EUR 9,900	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	339,632	Number of issued shares	43,500,000

Group Management Report

The Economic Environment

IWF-outlook for growth remains subdued

The October report by the International Monetary Fund (IMF) included a further slight reduction to the outlook for global growth in 2016, with continuing sluggish development of the worldwide economy. The IMF is projecting an increase of 3.1% in economic output for 2016, which represents a decline of 0.1 percentage points compared with the April 2016 forecast, and an increase of 3.4% in 2017. This downward adjustment is attributable, above all, to the weaker-than-expected development of the US economy. For the euro zone, the IMF has issued a slight upward revision to its previous forecast. Growth is now estimated at 1.7% for the current calendar year and 1.5% for 2017. The anticipated growth rates for Germany and France were raised slightly to 1.7% and 1.8%, respectively, for 2016 and 1.4% and 1.3%, respectively, for 2017. In contrast, the outcome of the British EU referendum has been reflected in significantly lower expectations for Great Britain. The IMF October forecast for the USA is much more sceptical with a reduction from 2.4% to 1.6% for 2016 and from 2.5% to 2.2% for 2017, which means the US economy will fall behind the euro zone in this calendar year. Growth in the emerging and developing countries is expected to remain nearly unchanged at 4.2% and 4.6%, respectively. The IMF sees a continuation of the loose monetary policies currently pursued by many central banks and industrialised nations. The US Federal Reserve is still considering the right timing for an interest rate hike. Most economists expect the European Central Bank (ECB) will extend, or further expand, its "cheap money" policy.

Significant Events since 30 April 2016

Dividend of EUR 0.20 per share for 2015/16

The 40th annual general meeting on 22 July 2016 authorised the payment of a EUR 0.20 dividend per share for the 2015/16 financial year.This dividend was distributed to shareholders on 2 August 2016.

Usingen plant will be closed as of 31 December2016

The intensive negotiations between company representatives, the Employees' Council and the trade union IG Metall, over the plant in Usingen were successfully concluded on 26 October 2016. The agreement reached by the negotiating parties covers a social plan as well as the shutdown of operations as of 31 December 2016.

No other significant events occurred after the balance sheet date on 30 April 2016.

Related Party Transactions

Related parties include the Management Board and Supervisory Board of Zumtobel Group AG. As of 31 October 2016, there were no business relations with related parties.

The Group has concluded supply and delivery agreements with associated companies that are based on normal market conditions.

Development of revenues in the first half-year 2016/17

- Group revenues decline by 4.9% (FX-adjusted: minus 1.5%)
- LED-share of Group revenues rises to 71.8% (previous year: 61.8%)
- Lighting Segment revenues at prior year level with FX-adjusted plus 0.3%
- Revenues in the Components Segment negatively affected by sale of signage activities (FX-adjusted: minus 8.7%)

FX-adjusted decline of 1.5% in Group revenues

Group revenues declined by 4.9% year-on-year to EUR 667.3 million in the first half of 2016/17 (1 May to 31 October 2016) in a volatile and generally challenging industry environment (previous year: EUR 702.0 million). Revenue growth was slowed by negative foreign exchange effects of EUR 24.3 million as well as the absence of revenues from the signage business which was sold in November 2015. The negative foreign exchange effects resulted, above all, from the increase in the euro versus the British pound (GBP). After an adjustment for these effects, the revenues decline equalled 1.5%. The dynamic growth with LED products remains unbroken: revenues from the sale of LED products increased by 10.4% year-on-year to EUR 478.8 million (previous year: EUR 433.7 million) and the LED share of Group revenues rose to 71.8% within 12 months (previous year: 61.8%).

Development of segment revenues in EUR million	Q2 2016/17	Q2 2015/16	Change in %	1 HY 2016/17	1 HY 2015/16	Change in %	FX adjusted in %
Lighting Segment	266.0	276.3	(3.7)	514.6	531.1	(3.1)	0.3
Components Segment	93.4	106.2	(12.0)	190.7	215.5	(11.5)	(8.7)
Reconciliation	(17.8)	(22.9)	(22.4)	(38.0)	(44.6)	(14.7)	
Zumtobel Group	341.6	359.5	(5.0)	667.3	702.0	(4.9)	(1.5)

Lighting Segment at prior year level with FX-adjusted plus 0.3%

Business in the Lighting Segment was influenced by substantial regional differences, whereby the industry development has fallen below original expectations. Segment revenues declined by 3.1% to EUR 514.6 million in this softer environment (previous year: EUR 531.1 million). After an adjustment for negative foreign exchange effects, revenues in the Lighting Segment rose by 0.3% in the first half-year.

Sale of signage activities slows growth in Components Segment

The decline in the Components Segment was slightly more pronounced than the Lighting Segment at minus 11.5% (FX-adjusted: minus 8.7%). It resulted, in particular, from the revenues lost due to the sale of the signage activities in November 2015 (H1 2015/16: revenue contribution of approx. EUR 10.0 million) and from the continuing sharp drop in the sale of conventional electronic ballasts. However, business development in this segment was supported by the rising demand for intelligent, networkable LED components and Tridonic system solutions. These products were, for the most part, introduced in recent quarters – they provide customers with clear added value and differentiate the Zumtobel Group from the competition. They also demonstrate the increasingly successful results of the high investments in Tridonic's innovative strength during earlier years.

Distribution of revenues

	Q2 2016/17		1 HY 2016/17		
	Revenues in EUR million	Change in %	Revenues in EUR million	Change in %	in % of Group
D/A/CH	105.0	(3.6)	202.1	(4.1)	30.3
Northern Europe	88.5	(11.3)	172.2	(8.1)	25.8
Benelux & Eastern Europe	45.9	11.1	85.1	7.5	12.8
Southern Europe	44.6	(3.9)	94.3	(2.0)	14.1
Asia & Pacific	32.3	(7.8)	64.9	(12.1)	9.7
Middle East & Africa	14.7	(19.9)	28.9	(20.5)	4.3
Americas	10.6	9.1	19.7	7.8	2.9
Total	**341.6**	**(5.0)**	**667.3**	**(4.9)**	**100.0**

Very different regional trends

The reporting period was characterised by widely different regional developments in a generally challenging industry environment, with individual trends that were generally unchanged between the first and second quarter. The D/A/CH region, the strongest market in the Zumtobel Group, recorded a 4.1% year-on-year drop in revenues to EUR 202.1 million (FX-adjusted: minus 3.4%). This decline was caused mainly by substantially weaker demand from the Swiss market, in particular for office and industrial applications. Revenues in Northern Europe fell by 8.1% to EUR 172.2 million, whereby this development was influenced by strong negative foreign exchange effects from the British pound. After an adjustment for foreign exchange effects, revenues in this region rose by 3.2%. In Great Britain, the most important single market for the Zumtobel Group, revenue growth remained stable following the BREXIT referendum. The Benelux & Eastern Europe region also continued the sound prior year trend during the reporting period, with an increase of 7.5% in revenues to EUR 85.1 million for the first half of 2016/17 (FX-adjusted: 8.4%). The Southern European region consists primarily of Italy and France. Italy recorded sound revenue growth in the first six months, but business development in France was still disappointing despite an increase in project activity. Revenues in this region fell by 2.0% to EUR 94.3 million. In the Asia & Pacific region, continued weakness on the Australian market led to a 12.1% decline in revenues (FX-adjusted: minus 11.4%). Business development in the Middle East & Africa region was influenced by the increasing tensions in the political and economic environment of several Middle East countries during recent quarters (e. g. Saudi Arabia). Revenues in this region fell by 20.5% (FX-adjusted: minus 19.4%). The America region reported an increase of 7.8% to EUR 19.7 million (FX-adjusted: 8.2%), which was supported by measures implemented in the previous year.

Development of earnings in the first half-year 2016/17

- >> Adjusted Group EBIT rises by 23.0% to EUR 52.0 million (previous year: EUR 42.3 million)
- >> Significant efficiency improvement in production
- >> Selling expenses below previous year
- >> Negative special effects from transformation process
- >> Net profit totals EUR 27.6 million (previous year: EUR 27.5 million)

Income statement in EUR million	Q2 2016/17	Q2 2015/16	Change in %	1 HY 2016/17	1 HY 2015/16	Change in %
Revenues	341.6	359.5	(5.0)	667.3	702.0	(4.9)
Cost of goods sold	(222.4)	(239.7)	(7.2)	(435.7)	(474.6)	(8.2)
Gross profit	119.2	119.8	(0.6)	231.5	227.4	1.8
as a % of revenues	*34.9*	*33.3*		*34.7*	*32.4*	
SG&A expenses adjusted for special effects	(87.2)	(91.0)	(4.2)	(179.5)	(185.1)	(3.0)
Adjusted EBIT	32.0	28.8	11.0	52.0	42.3	23.0
as a % of revenues	*9.4*	*8.0*		*7.8*	*6.0*	
Special effects	(5.5)	(4.3)	28.0	(7.7)	(5.4)	44.3
EBIT	26.5	24.5	8.0	44.3	36.9	19.9
as a % of revenues	*7.8*	*6.8*		*6.6*	*5.3*	
Financial results	(6.9)	(0.9)	<(100)	(8.3)	(1.2)	<(100)
Profit/loss before tax	19.6	23.6	(17.0)	36.0	35.8	0.7
Income taxes	(4.7)	(5.3)	(12.6)	(8.4)	(8.3)	2.4
Net profit/loss for the period	15.0	18.3	(18.2)	27.6	27.5	0.2
Earnings per share (in EUR)	0.35	0.42	(18.2)	0.64	0.64	0.2

Note: EBITDA (EBIT plus depreciation and amortisation) amounted to EUR 75.5 million in the first half of 2016/17.

Adjusted Group EBIT rises by 23.0%

Group EBIT adjusted for special effects rose from EUR 42.3 million to EUR 52.0 million in the reporting period, or by 23.0% year-on-year, despite the decline in sales. Consequently, the return on sales improved from 6.0% to 7.8%. The Components Segment nearly matched the good adjusted prior year results, but the substantial improvement in the Group's profitability during the first half-year was generated primarily in the Lighting Segment which was also the focus of restructuring efforts in the previous year.

Significant efficiency improvements in production

The gross profit margin (after development costs) for the Zumtobel Group rose to 34.7% in the reporting period despite the continuing pressure on prices (previous year: 32.4%). This increase resulted, above all, from efficiency improvements in the plants and a better cost structure for the products introduced in the previous financial year. In addition, the Zumtobel Group benefited from the absence of the temporary inefficiencies in the Spennymoor lighting plant and the negative effects from Swiss franc currency futures in the first half of the previous year. Development costs included in the cost of goods sold amounted to EUR 40.2 million in the first half of 2016/17 and were slightly lower than the high prior year level (previous year: EUR 41.5 million).

Selling expenses below previous year

Selling expenses declined from EUR 163.7 million to EUR 158.2 million in the first half-year despite wage and salary increases mandated by collective negotiations. This is a consequence of the extensive restructuring and cost savings measures implemented in recent quarters. The number of employees in the sales area fell by roughly 60 in comparison with 31 October 2015. Administrative expenses were slightly higher than the previous year at EUR 26.7 million (previous year: EUR 24.9 million). Most of this increase is attributable to the wage and salary increases mandated by collective negotiations and additional hiring for head office functions. Other operating results, excluding special effects, amounted to EUR 5.4 million (previous year: EUR 3.6 million) and included, among others, license income from the LED business and government grants.

Negative special effects from transformation process

Negative special effects totalling EUR 7.7 million were recorded during the first half of 2016/17 (previous year: EUR 5.4 million). These effects are related, above all, to the shutdown of the plant in Usingen (Germany) and the ongoing restructuring of the global sales organisation. Additional information is provided in the notes to the consolidated interim financial statements.

Adjusted EBIT in EUR million	Q2 2016/17	Q2 2015/16	Change in %	1 HY 2016/17	1 HY 2015/16	Change in %
Reported EBIT	26.5	24.5	8.0	44.3	36.9	19.9
thereof special effects	(5.5)	(4.3)	28.0	(7.7)	(5.4)	44.3
Adjusted EBIT	32.0	28.8	11.0	52.0	42.3	23.0
as a % of revenues	*9.4*	*8.0*		*7.8*	*6.0*	

Financial results below prior year

Financial results declined by EUR 7.1 million year-on-year to minus EUR 8.3 million in the first half of 2016/17 (previous year: minus EUR 1.2 million). Interest expense is attributable primarily to the current credit agreement and to a finance lease. Other financial income and expenses totalled minus EUR 4.6 million (previous year: plus EUR 3.2 million). The negative change in foreign exchange gains and losses resulted primarily from the valuation of foreign exchange receivables and liabilities and was based on the appreciation or devaluation of key currencies for the Zumtobel Group versus the euro during the reporting period. The substantial fluctuations in the fair value measurement of financial instruments reflected the high volatility on the foreign exchange market, above all in connection with the BREXIT. The negative year-on-year effect in the second quarter of 2016/17 resulted primarily from the realisation of a foreign exchange transaction with a previously positive market value.

Financial result in EUR million	Q2 2016/17	Q2 2015/16	Change in %	1 HY 2016/17	1 HY 2015/16	Change in %
Interest expense	(1.7)	(2.4)	(27.2)	(3.7)	(4.7)	(20.9)
Interest income	0.1	0.1	(49.2)	0.2	0.2	(21.5)
Net financing costs	(1.7)	(2.3)	26.0	(3.5)	(4.5)	20.9
Other financial income and expenses	(5.1)	1.4	<(100)	(4.6)	3.2	<(100)
Result from companies accounted for at-equity	(0.1)	0.0	<(100)	(0.1)	0.1	<(100)
Financial results	(6.9)	(0.9)	<(100)	(8.3)	(1.2)	<(100)

Net profit totals EUR 27.6 million

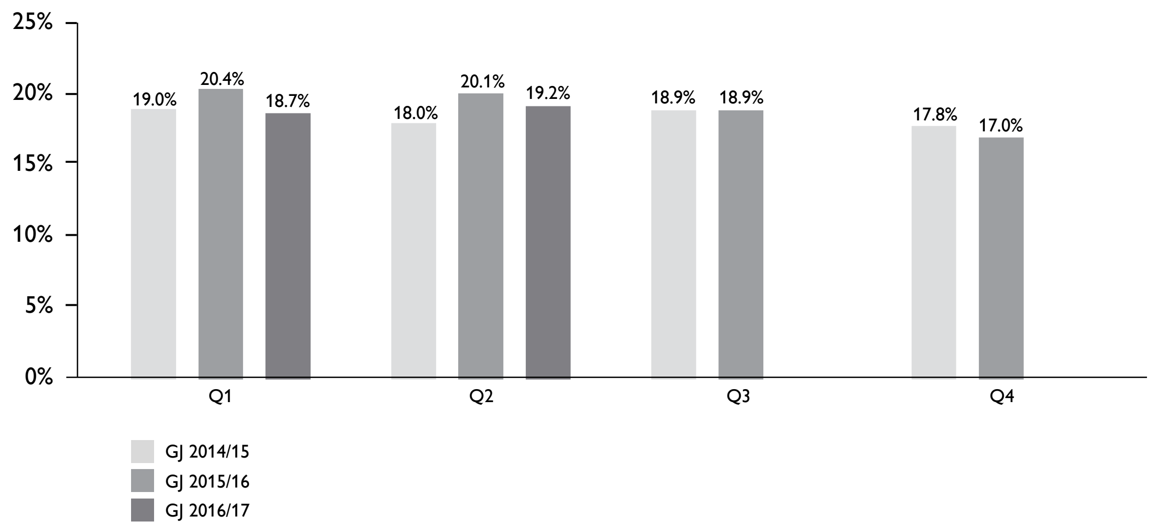
Profit before tax amounted to EUR 36.0 million for the reporting period (previous year: EUR 35.8 million), and income taxes equalled EUR 8.4 million (previous year: EUR 8.3 million). Net profit therefore matched the prior year level at EUR 27.6 million in the first half of 2016/17 (previous year: EUR 27.5 million) despite the increase in negative special effects and the decline in financial results. Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 0.64 (previous year: EUR 0.64).

Cash flow and asset position

- >> Further positive development of working capital
- >> Substantial improvement in free cash flow to EUR 41.5 million (previous year: minus EUR 24.9 million)
- >> Continued solid balance sheet structure

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

Working Capital in % of rolling 12-month revenues



Positive development of working capital

Working capital totalled EUR 254.0 million as of 31 October 2016 and was EUR 17.2 million lower than on 31 October 2015. In comparison with the first half of the previous year, working capital declined from 20.1% to 19.2%. The seasonal increase in working capital during the first half of 2016/17 was substantially lower than the previous year, above all, due to strict receivables and payables management. The positive year-on-year cash flow effect from other current and non-current assets and liabilities is attributable, above all, to the change in amounts due from employees and from taxation and customs authorities. Cash flow from operating activities rose by a sound EUR 51.7 million to EUR 55.0 million in the first half-year (previous year: plus EUR 3.3 million).

Free cash flow rises to EUR 41.5 million

Investments in non-current assets for various production facilities were substantially lower during the first half of 2016/17 at EUR 19.7 million (previous year: EUR 29.8 million). These expenditures consisted mainly of tools for new products, expansion and maintenance investments as well as capitalised R&D costs (EUR 6.2 million). The positive cash flow effect from the change in non-current and current assets resulted primarily from realised gains on foreign currency hedges. The improvement in cash flow from operating activities and the decline in investments led to an improvement in free cash flow, which rose by EUR 66.4 million to EUR 41.5 million in the first half of 2016/17 (previous year: minus EUR 24.9 million).

Cash flow from financing activities consists mainly of the reduced use of the facilities provided by the consortium credit agreement and interest paid during the first half of the reporting year. The EUR 0.20 dividend per share for the 2015/16 financial year, which was approved by the annual general meeting on 22 July 2016, was distributed to the shareholders on 2 August 2016 and is included in cash outflows for the reporting period.

Balance sheet data in EUR million	31 October 2016	30 April 2016
Total assets	1,056.0	1,068.6
Net debt	119.9	134.8
Debt coverage ratio	*1.21*	*1.48*
Equity	337.7	333.2
Equity ratio in %	*32.0*	*31.2*
Gearing in %	*35.5*	*40.5*
Investments	19.7	58.4
Working capital	254.0	231.2
As a % of rolling 12 month revenues	*19.2*	*17.0*

Continued solid balance sheet structure

The quality of the balance sheet structure remains nearly unchanged. The equity ratio rose slightly from 31.2% on 30 April 2016 to 32.0% at the end of the first half-year. Net debt declined by EUR 14.9 million below the level on 30 April 2016 to EUR 119.9 million (31. October 2015: EUR 190.5 million). This reduction contrasted the normal seasonal pattern and was based on the sound development of cash flow Accordingly, gearing – the ratio of net debt to equity – fell from 40.5% to 35.5%.

Major risks and uncertainties during the second half of 2016/17

Risk management for early identification of opportunities and risks

The Zumtobel Group is well aware that an effective risk management system plays an important role in protecting 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

Uncertain economic trends, above all in key European markets like Great Britain or Switzerland, represent one of the major risks for business development in the Zumtobel Group. Economic weakness could lead to a significant decline in incoming orders and the postponement or cancellation of projects in progress. Revenues could also be negatively affected by increased cost-cutting measures in the public sector or accelerated de-stocking by wholesalers. These factors, in turn, would create a risk for the general development of earnings due to lower capacity utilisation, rising pressure on prices and negative shifts in the product mix.

Risks arising from restructuring

Earnings could also be negatively affected by additional restructuring costs resulting from measures required to bring structural costs and/or capacity in line with the difficult market environment as well as measures related to the organisational and structural reorientation of the Zumtobel Group. The adjustment of plant capacity and the relocation of products could also lead to temporary production inefficiencies and, as a result, to supply shortages and a stronger increase in inventories.

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 business, the Zumtobel Group is regularly challenged to prove its strong technology position in the industry and adjust its new developments to reflect the changing requirements in different areas of application. This challenge is addressed through a steady focus on innovation as well as close cooperation between development and sales.

Competition from Asia

Aggressive and established competitors, above all the Asian LED chip producers, are entering the professional lighting market in order to extend their forward integration. However, most of these companies lack specific application know-how in all relevant areas of indoor and outdoor lighting as well as the expertise in complex light management systems and an extensive direct sales network.

Low liquidity risk

In order to protect the ability to meet its payment obligations at any time, 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 liquidity fluctuations arising from its business activities. As of 31 October 2016, the Group had short-term, unsecured lines of credit totalling EUR 89.5 million (previous year: EUR 93.0 million). An important source of financing for the Zumtobel Group is the consortium credit agreement concluded on 1 December 2015 with seven banks, which has a term extending to November 2021 and a maximum line of EUR 300 million. The amount drawn under this agreement totalled EUR 90 million as of 31 October 2016. The consortium credit agreement includes a change of control clause that would take effect if there were a change in the absolute majority of voting rights and also includes clauses covering an increase of up to EUR 200 million and a one-year extension. In addition to the consortium credit agreement, the Zumtobel Group concluded two bank credit agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in September 2018, respectively in January 2020; both credits were fully drawn as of 31 October 2016. The consortium credit agreement requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 31 October 2016 with a debt coverage ratio of 1.21 (30 April 2016: 1.48) and an equity ratio of von 32.0% (30 April 2016: 31.2%). A deterioration in these financial indicators could lead to a gradual increase in the credit margin. Failure to comply with the covenants could cause the lending banks to call existing loans.

Interest rate risk

The two EUR 40.0 million long-term loans have fixed interest rates and are therefore not exposed to interest rate risk. However, the balance of EUR 90 million currently outstanding under the consortium credit agreement carries a variable interest rate (EURIBOR money market interest rate). In order to reduce the interest rate risk on this credit agreement, the Zumtobel Group has concluded EUR-interest rate swaps with various banks for a current effective nominal volume of approx. EUR 80 million. These instruments are structured over various terms (up to June 2021 at the latest) and convert the variable interest payments on the financing into fixed interest payments and limit the interest rate to a maximum of 2.694%.

Foreign exchange risk

The foreign exchange markets are still characterised by high uncertainty and volatility. The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when local companies buy and/or sell their products in a currency other than their local currency. Intragroup dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (euro) for consolidation – is of lesser importance for the Zumtobel Group and is not hedged. Transaction risk is generally hedged with forward exchange contracts that have a term of up to one year and, in selected cases, by options. The Group's main currencies are the EUR, GBP, USD (as well as Asian currencies that are linked to the USD), AUD and CHF. Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met. The second half of 2016/17 is currently expected to bring negative transaction effects compared with the previous year, above all from the British pound and the US dollar.

Variable remuneration based on total shareholder return

The variable remuneration for all employees eligible for bonus payments has been based, among others, on the total shareholder return of Zumtobel Group AG since 2014/15. This indicator is compared with the total shareholder return of selected comparable companies. An above-average increase in the price of the Zumtobel Group share compared with the peer group leads to a higher addition to the provision for variable remuneration and, consequently, reduces operating results for the respective financial year. In contrast, an above-average decrease in the price of the der Zumtobel Group share has a positive effect on operating results in the respective financial year. The total shareholder return for a financial year can only be calculated in the fourth quarter. Details on the bonus system of Zumtobel Group AG are provided in the remuneration report for 2015/16.

Balance sheet risks

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

Additional information on the potential risks and opportunities facing the Zumtobel Group is provided in the 2015/16 annual financial report. Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

Outlook for full 2016/17 financial year confirmed

We are still seeing widely different regional trends in this generally challenging industry environment, but with virtually no changes in individual areas during recent months. Development remains weak in Australia, the Middle East and Switzerland. Project activity has increased in France, but the related improvement in revenues has not yet materialised. In Northern Europe, business in Great Britain, the most important market for the Zumtobel Group, has been stable since the BREXIT referendum, but is currently influenced by clearly negative foreign exchange effects. Italy, Austria, the USA and the Benelux & Eastern European region, in contrast, recorded sound growth. The clearly negative foreign exchange translation effects (especially from the weak British pound) will remain with us as the year progresses and continue to influence the development of revenues and earnings in the second half of 2016/17.

The continuing low visibility and extremely high volatility on the foreign exchange markets make it very difficult to reliably forecast revenues and earnings for the 2016/17 financial year. Based on the solid first half-year results and the substantial improvement of the cost structure, the Management Board of the Zumtobel Group continues to expect a slight year-year improvement in adjusted Group EBIT (previous year: EUR 58.7 million).

Dornbirn, 6 December 2016

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

Income Statement

in TEUR	Q2 2016/17	Q2 2015/16	Change in %	1 HY 2016/17	1 HY 2015/16	Change in %
Revenues	341,612	359,548	(5.0)	667,268	701,990	(4.9)
Cost of goods sold	(222,447)	(239,716)	(7.2)	(435,737)	(474,613)	(8.2)
Gross profit	**119,165**	**119,832**	**(0.6)**	**231,531**	**227,377**	**1.8**
as a % of revenues	*34.9*	*33.3*		*34.7*	*32.4*	
Selling expenses	(78,974)	(80,653)	(2.1)	(158,155)	(163,739)	(3.4)
Administrative expenses	(12,676)	(12,584)	0.7	(26,705)	(24,942)	7.1
Other operating results	(1,033)	(2,075)	(50.2)	(2,374)	(1,757)	35.1
thereof special effects	*(5,470)*	*(4,272)*	*28.0*	*(7,727)*	*(5,353)*	*44.3*
Operating profit/loss	**26,482**	**24,520**	**8.0**	**44,297**	**36,939**	**19.9**
as a % of revenues	*7.8*	*6.8*		*6.6*	*5.3*	
Interest expense	(1,741)	(2,393)	(27.2)	(3,709)	(4,689)	(20.9)
Interest income	65	128	(49.2)	164	209	(21.5)
Other financial income and expenses	(5,096)	1,396	<(100)	(4,626)	3,168	<(100)
Result from companies accounted for at-equity	(82)	(14)	<(100)	(116)	131	<(100)
Financial results	**(6,854)**	**(883)**	**<(100)**	**(8,287)**	**(1,181)**	**<(100)**
as a % of revenues	*(2.0)*	*(0.2)*		*(1.2)*	*(0.2)*	
Profit/loss before tax	**19,628**	**23,637**	**(17.0)**	**36,010**	**35,758**	**0.7**
Income taxes	(4,660)	(5,332)	(12.6)	(8,449)	(8,251)	2.4
Net profit/loss from continuing operations	**14,968**	**18,305**	**(18.2)**	**27,561**	**27,507**	**0.2**
Net profit/loss for the period	**14,968**	**18,305**	**(18.2)**	**27,561**	**27,507**	**0.2**
as a % of revenues	*4.4*	*5.1*		*4.1*	*3.9*	
thereof due to non-controlling interests	*9*	*91*	*(90.5)*	*0*	*164*	*<(100)*
thereof due to shareholders of the parent company	*14,959*	*18,214*	*(17.9)*	*27,561*	*27,343*	*0.8*
Average number of shares outstanding – basic (in 1,000 pcs.)	43,147	43,146		43,147	43,146	
Average diluting effect (stock options) (in 1,000 pcs.)	0	0		0	0	
Average number of shares outstanding – diluted (in 1,000 pcs.)	43,147	43,146		43,147	43,146	
Earnings per share (in EUR)						
Basic earnings per share	0.35	0.42		0.64	0.64	
Diluted earnings per share	0.35	0.42		0.64	0.64	
Earnings per share from continuing operations (in EUR)						
Basic earnings per share	0.35	0.42		0.64	0.64	
Diluted earnings per share	0.35	0.42		0.64	0.64	
Earnings per share from discontinued operations (in EUR)						
Basic earnings per share	0.00	0.00		0.00	0.00	
Diluted earnings per share	0.00	0.00		0.00	0.00	

Statement of Comprehensive Income

in TEUR	Q2 2016/17	Q2 2015/16	Change in %	1 HY 2016/17	1 HY 2015/16	Change in %
Net profit/loss for the period	**14,968**	**18,305**	**(18.2)**	**27,561**	**27,507**	**0.2**
Actuarial gain/loss	(20,672)	0		(20,672)	0	
Deferred taxes due to actuarial loss	1,890	0		1,890	0	
Total of items that will not be reclassified ("recycled") subsequently to the income statement	**(18,782)**	**0**		**(18,782)**	**0**	
Currency differences	6,675	(1,664)	>100	12,875	(6,398)	>100
Currency differences arising from loans	(3,848)	(739)	<(100)	(9,063)	825	<(100)
Hedge accounting	434	169	>100	601	461	30.5
Deferred taxes due to hedge accounting	(108)	(42)	<(100)	(150)	(111)	35.5
Total of items that will be reclassified ("recycled") subsequently to the income statement	**3,153**	**(2,276)**	**>100**	**4,263**	**(5,223)**	**>100**
Subtotal other comprehensive income	**(15,629)**	**(2,276)**	**<(100)**	**(14,519)**	**(5,223)**	**<(100)**
thereof due to non-controlling interests	*36*	*2*	*>100*	*96*	*43*	*>100*
thereof due to shareholders of the parent company	*(15,665)*	*(2,278)*	*<(100)*	*(14,615)*	*(5,266)*	*<(100)*
Total comprehensive income	**(661)**	**16,029**	**<(100)**	**13,042**	**22,284**	**(41.5)**
thereof due to non-controlling interests	*46*	*96*	*(52.6)*	*96*	*209*	*(53.9)*
thereof due to shareholders of the parent company	*(707)*	*15,933*	*<(100)*	*12,946*	*22,075*	*(41.4)*

Balance Sheet

in TEUR	31 October 2016	in %	30 April 2016	in %
Goodwill	196,009	18.6	209,090	19.6
Other intangible assets	53,924	5.1	58,353	5.5
Property, plant and equipment	210,409	19.9	223,808	20.9
Financial assets accounted for at equity	2,118	0.2	2,234	0.2
Financial assets	1,240	0.1	1,203	0.1
Other assets	5,176	0.5	4,434	0.4
Deferred taxes	41,676	3.9	44,883	4.2
Non-current assets	**510,552**	**48.4**	**544,005**	**50.9**
Inventories	199,008	18.8	187,437	17.5
Trade receivables	228,652	21.7	220,869	20.7
Financial assets	3,649	0.3	2,309	0.2
Other assets	28,400	2.7	32,633	3.1
Liquid funds	85,705	8.1	81,394	7.6
Current assets	**545,414**	**51.6**	**524,642**	**49.1**
ASSETS	**1,055,966**	**100.0**	**1,068,647**	**100.0**
Share capital	108,750	10.3	108,750	10.2
Additional paid-in capital	335,316	31.8	335,316	31.4
Reserves	(139,038)	(13.2)	(127,161)	(11.9)
Net profit/loss for the period	27,561	2.6	11,367	1.1
Capital attributed to shareholders of the parent company	332,589	31.5	328,272	30.8
Capital attributed to non-controlling interests	5,069	0.5	4,973	0.4
Equity	**337,658**	**32.0**	**333,245**	**31.2**
Provisions for pensions	90,626	8.6	79,740	7.5
Provisions for severance compensation	53,790	5.1	48,717	4.6
Provisions for other employee benefits	11,737	1.1	11,527	1.1
Other provisions	745	0.1	744	0.1
Borrowings	198,027	18.8	209,438	19.5
Other liabilities	3,429	0.3	12,137	1.1
Deferred taxes	1,760	0.2	1,624	0.2
Non-current liabilities	**360,114**	**34.2**	**363,927**	**34.1**
Provisions for taxes	21,973	2.1	21,182	2.0
Other provisions	53,059	5.0	54,707	5.1
Borrowings	7,284	0.7	6,758	0.6
Trade payables	148,804	14.1	147,062	13.7
Other liabilities	127,074	12.0	141,766	13.3
Current liabilities	**358,194**	**33.8**	**371,475**	**34.7**
EQUITY AND LIABILITIES	**1,055,966**	**100.0**	**1,068,647**	**100.0**

Cash Flow Statement

in TEUR	1 HY 2016/17	1 HY 2015/16
Profit/loss before tax	36,010	35,758
Depreciation and amortisation	31,165	30,612
Gain/loss from disposal of fixed assets	28	(2,689)
Interest income/ Interest expense	3,587	4,471
Other financial income and expenses	4,700	(3,291)
Cash flow from operating results	**75,490**	**64,861**
Inventories	(16,629)	(13,072)
Trade receivables	(5,359)	(12,681)
Trade payables	(128)	(20,727)
Prepayments received	(5,637)	4,712
Change in working capital	**(27,753)**	**(41,768)**
Non-current provisions	(2,201)	(6,200)
Current provisions	(1,155)	6,388
Other current and non-current assets and liabilities	13,373	(18,964)
Change in other operating items	**10,017**	**(18,776)**
Taxes paid	**(2,760)**	**(1,007)**
Cash flow from operating activities	**54,994**	**3,310**
Proceeds from the sale of non-current assets	75	5,323
Capital expenditures on non-current assets	(19,673)	(29,807)
Change in non-current and current financial assets	6,122	1,845
Change in liquid funds from changes in the consolidation range	0	(1,380)
Assets/Liabilities held for sale	0	(4,150)
Cash flow from investing activities	**(13,476)**	**(28,169)**
FREE CASH FLOW	**41,518**	**(24,859)**
Change in net borrowings	(25,702)	63,524
thereof restricted cash	*(75)*	*(2)*
Capital increases	0	733
Dividends	(8,629)	(9,888)
Interest paid	(3,677)	(4,595)
Interest received	163	209
Cash flow from financing activities	**(37,845)**	**49,983**
Effects of exchange rate changes on cash and cash equivalents	(246)	(2,157)
CHANGE IN CASH AND CASH EQUIVALENTS	**3,427**	**22,967**
Cash and cash equivalents at the beginning of the period	75,305	43,151
Cash and cash equivalents at the end of the period	78,732	66,118
Change absolute	**3,427**	**22,967**

Statement of Changes in Equity

1st Half-Year 2016/17

	Attributed to shareholders of the parent company										
in TEUR	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the period	Total	Non-controlling interests	Total equity
30 April 2016	**108,750**	**335,316**	**(636)**	**(23,167)**	**(2,046)**	**19,479**	**(120,791)**	**11,367**	**328,272**	**4,973**	**333,245**
+/- Additions to reserves	0	0	11,367	0	0	0	0	(11,367)	0	0	0
+/- Total comprehensive income	0	0	0	3,716	451	0	(18,782)	27,561	12,946	96	13,042
+/- Dividends	0	0	(8,629)	0	0	0	0	0	(8,629)	0	(8,629)
31 October 2016	**108,750**	**335,316**	**2,102**	**(19,451)**	**(1,596)**	**19,479**	**(139,572)**	**27,561**	**332,589**	**5,069**	**337,658**

1st Half-Year 2015/16

	Attributed to shareholders of the parent company										
in TEUR	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the period	Total	Non-controlling interests	Total equity
30 April 2015	**108,750**	**335,316**	**(2,013)**	**(9,782)**	**(2,814)**	**19,479**	**(142,718)**	**12,231**	**318,449**	**4,152**	**322,601**
+/- Additions to reserves	0	0	12,231	0	0	0	0	(12,231)	0	0	0
+/- Total comprehensive income	0	0	0	(5,614)	348	0	0	27,343	22,077	209	22,286
+/- Capital increases	0	0	0	0	0	0	0	0	0	733	733
+/- Dividends	0	0	(9,492)	0	0	0	0	0	(9,492)	(396)	(9,888)
31 October 2015	**108,750**	**335,316**	**726**	**(15,396)**	**(2,466)**	**19,479**	**(142,718)**	**27,343**	**331,034**	**4,698**	**335,732**

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

Notes

Accounting and Valuation Methods

The condensed consolidated interim financial statements as of 31 October 2016 were prepared in accordance with the principles set forth in International Financial Reporting Standards (IAS 34, Interim Financial Reporting). The company has elected to make use of the option set forth in IAS 34 and provide selected explanatory notes.

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

The accounting and valuation methods applied as of 31 October 2016 reflect the methods applied in preparing the consolidated financial statements as of 30 April 2016, with the exception of the IFRSs which require mandatory application as of 1 January 2016.

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

Revised standards and interpretations		Mandatory application in financial years beginning on or after
IAS 1	Changes to IAS 1: Presentation of Financial Statements	1 January 2016
IFRS 10 / IFRS 12 / IAS 28	Changes to IFRS 10, IFRS 12 and IAS 28: Investment entities, application of the consolidation exception	1 January 2016
IFRS 11	Changes to IFRS 11: Accounting for the acquisition of an interest in a joint operation	1 January 2016
Various	Improvements to IFRS - Cycle 2012(2014)	1 January 2016

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

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

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

Foreign Currency Translation

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

	Average exchange rate Income Statement		Closing rate Balance sheet	
1 EUR equals	31 October 2016	31 October 2015	31 October 2016	30 April 2016
AUD	1.4879	1.5067	1.4397	1.4948
CHF	1.0918	1.0657	1.0820	1.0984
USD	1.1179	1.1156	1.0946	1.1403
SEK	9.4762	9.3705	9.8650	9.1689
NOK	9.2516	8.9955	9.0345	9.2150
GBP	0.8348	0.7212	0.9005	0.7803

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 2016	**97**	**2**	**99**
Included during reporting period for first time	1		1
thereof newly founded	*1*		*1*
liquidated during reporting period	(2)		(2)
31 October 2016	**96**	**2**	**98**

- ATCO Industrial Pty. Ltd., an Australian company, was liquidated in August 2016 and therefore deconsolidated in the first half of 2016/17.
- Thorn Lighting (Mauritius) Holdings Ltd. was liquidated in September 2016 and subsequently deconsolidated.
- The newly founded Tridonic Inc., USA was initially consolidated as of October 2016.

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

Notes to the Income Statement

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

Seasonality

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

Revenues

Revenues include an adjustment of TEUR 30,182 (previous year: TEUR 29,009) for sales deductions (primarily customer discounts). Gross revenues total TEUR 697,450 (previous year: TEUR 730,999).

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 2016/17

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

1st Half-Year 2015/16

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(296,814)	(3,055)	(22)	(29)	(299,920)
Personnel expenses	(115,841)	(95,834)	(17,265)	(6,901)	(235,841)
Depreciation	(26,151)	(3,752)	(512)	(197)	(30,612)
Other expenses	(47,501)	(61,236)	(8,991)	1,154	(116,574)
Own work capitalised	8,628	0	0	0	8,628
Internal charges	1,825	(3,514)	1,689	0	0
Total expenses	**(475,854)**	**(167,391)**	**(25,101)**	**(5,973)**	**(674,319)**
Other income	**1,241**	**3,652**	**159**	**4,216**	**9,268**
Total	**(474,613)**	**(163,739)**	**(24,942)**	**(1,757)**	**(665,051)**

The cost of goods sold includes development costs of TEUR 40,151 (previous year: TEUR 41,471).

Development costs of TEUR 6,239 (previous year: TEUR 8,417) were capitalised during the reporting period. The amortisation of capitalised development costs amounted to TEUR 9,908 (previous year: TEUR 9,023).

Other Operating Results

in TEUR	Q2 2016/17	Q2 2015/16	1 HY 2016/17	1 HY 2015/16
Government grants	2,538	1,262	2,512	1,703
License revenues	1,632	1,046	2,890	1,854
Special effects	(5,470)	(4,272)	(7,727)	(5,353)
Restructuring	*(5,812)*	*(3,060)*	*(8,069)*	*(5,233)*
Impairment charges to current assets	*(55)*	*(1,212)*	*(55)*	*(1,349)*
Changes in the scope of consolidation	*398*	*0*	*398*	*1,229*
Miscellaneous	267	(111)	(49)	39
Total	**(1,033)**	**(2,075)**	**(2,374)**	**(1,757)**

As in the previous year, government grants for the first half of 2016/17 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 restructuring expenses reported for the first half of 2016/17 comprise TEUR 7,567 for the Lighting Segment, TEUR 322 for Zumtobel Group AG and TEUR 179 for the Components Segment. The main components are as follows: TEUR 5,319 for the shutdown of the plant in Usingen, Germany; TEUR 840 for the restructuring of the worldwide sales organisations (among others in the DACH region, Australia, Asia and Northern and Southern Europe) and TEUR 736 for the restructuring of global operations.

The deconsolidation of the Australian company ATCO Industrial Pty Limited, which was liquidated in the second quarter of 2016/17, resulted in a positive effect of TEUR 423. In contrast, the liquidation of Thorn Lighting (Mauritius) Holdings Ltd. resulted in a negative effect of TEUR 26.

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

Interest Expense

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

Other Financial Income and Expenses

in TEUR	Q2 2016/17	Q2 2015/16	1 HY 2016/17	1 HY 2015/16
Interest component as per IAS 19 less income on plan assets	(1,705)	(819)	(2,790)	(1,641)
Foreign exchange gains and losses	(2,138)	(845)	(4,285)	(1,451)
Market valuation of financial instruments	(1,253)	3,060	2,449	6,260
Total	**(5,096)**	**1,396**	**(4,626)**	**3,168**

The negative change in foreign exchange gains and losses is attributable primarily to the valuation of receivables and liabilities that are denominated in a foreign currency. The changes reflect the appreciation or devaluation of the most important currencies for the Zumtobel Group versus the euro during the reporting period. The substantial fluctuations in the market valuation of financial instruments resulted from the high volatility on the foreign exchange market, above all in connection with the BREXIT referendum.

The negative year-on-year effect in the second quarter of 2016/17 resulted primarily from the realisation of a foreign exchange transaction with a previously positive market value.

Income Taxes

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

in TEUR	Q2 2016/17	Q2 2015/16	1 HY 2016/17	1 HY 2015/16
Current taxes	315	(269)	(3,676)	(2,107)
thereof current year	*313*	*(118)*	*(3,676)*	*(1,959)*
thereof prior years	*2*	*(151)*	*0*	*(148)*
Deferred taxes	(4,975)	(5,063)	(4,773)	(6,144)
Income taxes	**(4,660)**	**(5,332)**	**(8,449)**	**(8,251)**

The deferred tax expense recognised in the first half of 2016/17 were based chiefly on the positive results recorded for the reporting period and the subsequent use of deferred tax assets.

Earnings per Share

Basic earnings per share are calculated by dividing net profit for the period by the average number of shares outstanding as of the balance sheet date for these interim financial statements.

Diluted earnings per share reflect the assumption that that the options granted under the stock option programme (SOP/MSP) will be exercised. These shares are included in the calculation of the average number of shares outstanding. No options will be exercised in 2016/17 because the stock option programme was terminated during the first quarter of 2015/16.

1st Half-Year 2016/17

in 1,000 pcs.	Balance sheet date	Average
1 May 2016	**43,147**	**43,147**
Stock options – exercises	0	0
31 October 2016	**43,147**	**43,147**

2015/16 Financial Year

in 1,000 pcs.	Balance sheet date	Average
1 May 2015	**43,146**	**43,146**
Stock options – exercises	1	1
31 October 2015	**43,147**	**43,147**
Stock options – exercises	0	0
30 April 2015	**43,147**	**43,147**

Notes to the Statement of Comprehensive Income

Currency Differences

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

Currency Differences arising from Loans

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

Actuarial Losses

The actuarial losses resulted from the revaluation of the Group‘s pension and severance obligations and were caused by the decline in interest rates during the first half of 2016/17.

Deferred Taxes

The deferred tax effect in 2016/17 resulted chiefly from the revaluation of IAS 19 obligations. Deferred tax assets were not recognised for the actuarial losses related to a pension plan in a British subsidiary because of immateriality.

Notes to the Balance Sheet

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2016.

Goodwill

In accordance with the reporting structure, the goodwill resulting from the acquisition of the Thorn Lighting Group has been allocated to the “CGU Lighting“ since 2014/15 and is tested annually, or more frequently if required, for indications of impairment. The “CGU Lighting“ represents the operating Lighting Segment in the sense of IFRS 8.5.

The application of IAS 21 (“The Effects of Changes in Foreign Exchange Rates“) led to foreign currency-based adjustments of TEUR -4,684 in the first half of 2016/17 (previous year: TEUR -1,478) which were not recognised through profit or loss. These foreign exchange effects are allocated to assets in the Lighting Segment for segment reporting.

In 2015/16 the Zumtobel Group acquired a controlling interest (60%) in the British LED lighting producer AC/DC LED Holdings Ltd (acdc) and therefore also a controlling interest in the acdc Group. The purchase price for the controlling interest (60%) is based on acdc’s balance sheet structure on the acquisition date.

In addition, a call/put option was concluded with the seller for the purchase of the remaining interest (40%) in acdc in 2020. The purchase price for this 40% interest is linked to the future development of acdc’s revenues. The holder of the non-controlling interest no longer has access to the company’s returns, and the valuation of the remaining 40% was therefore based on the anticipated acquisition method. Under this method, 100% of the shares were recognised as of the acquisition date and no non-controlling interest is reported. The expected purchase price for the non-controlling interest included in the cost of this business combination was recognised as a non-current liability.

The accounting treatment of this business combination will be adjusted if new information becomes known within one year of the acquisition date concerning facts and circumstances that existed as of that date and would have led to the adjustment of the recognised amounts or to the recognition of additional provisions. In this connection, the value of inventories was adjusted by

TEUR -412 in the third quarter of 2015/16. The provision for license fees was also reduced by TEUR 2,255 in the previous year, which led to an increase of TEUR 766 in the purchase price based on a contractual agreement with the seller.

The accounting treatment of the acdc acquisition was adjusted during the first half of 2016/17 through a reduction of TEUR 8,396 in the liability for the call/put option to TEUR 406. This led, in turn, to an adjustment of the goodwill arising from the acquisition from TEUR 13,386 to TEUR 4,990.

The following table summarises the values of the acquired assets and liabilities as well as the agreed purchase price for the acquisition.

in TEUR	acdc
Other intangible assets	3,048
Property, plant and equipment	1,279
Financial assets	13
Inventories	1,622
Trade receivables & Other assets	2,227
Cash and cash equivalents	44
Borrowings	(4,572)
Other provisions	(714)
Trade payables & Other liabilities	(2,179)
Purchase price	5,758
thereof cash	5,352
thereof call/put option	406
Equity	768
Goodwill	**4,990**

Other Non-Current Assets

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

Inventories

The seasonal increase in inventories in the first half of 2016/17 is designed to ensure sufficient supplies for production and customer orders during the remainder of the financial year.

Non-current Provisions

The change in the provisions for pensions and severance compensation resulted from the current development of interest rates, which led to the revaluation of the IAS 19 obligations.

Non-current Financial Liabilities

The decline in non-current financial liabilities resulted, above all, from the repayment of TEUR 10,000 from the consortium credit agreement as of 31 October 2016.

Other Non-current Liabilities

The decline in other non-current liabilities during the first half of 2016/17 resulted chiefly from a reduction of TEUR 8,396 in the expected obligation for the purchase of the remaining 40% interest in acdc.

Other Current Liabilities

The decline in other current liabilities is attributable primarily to a decrease in amounts due to employees.

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

As of 31 October 2016, the balance sheet of the Zumtobel Group shows non-current financial assets of TEUR 1,240 (30 April 2016: TEUR 1,203), current financial assets of EUR 3,649 (30 April 2016: TEUR 2,309) and miscellaneous current liabilities of TEUR 127,074 (30 April 2016: TEUR 141,766). The financial instruments measured at fair value through profit or loss are classified in the valuation hierarchy as follows:

31 October 2016

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Securities and similar rights	598	598	-	-	598
Loans originated and other receivables	-	-	-	-	-
Current financial assets					
Loans originated and other receivables	-	-	-	-	-
Positive market values of derivatives held for trading	4,131	4,131	-	4,131	-
Other	-	-	-	-	-
Total	**4,729**	**4,729**	**-**	**4,131**	**598**

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other non-current liabilities	**333**	**333**	**-**	**-**	**333**
Other current liabilities	**9,094**	**9,094**	**-**	**9,094**	**-**
Derivatives held for trading	975	975	-	975	-
Derivatives (hedge accounting)	8,119	8,119	-	8,119	-
Total	**9,427**	**9,427**	**-**	**9,094**	**333**

30 April 2016

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Securities and similar rights	600	600	-	-	600
Loans originated and other receivables	-	-	-	-	-
Current financial assets					
Loans originated and other receivables	-	-	-	-	-
Positive market values of derivatives held for trading	2,294	2,294	-	2,294	-
Other	-	-	-	-	-
Total	**2,894**	**2,894**	**-**	**2,294**	**600**

in TEUR	Carrying amount	Fair value	Level 1	Level 2	Level 3
Other non-current liabilities	**8,802**	**8,802**	**-**	**-**	**8,802**
Other current liabilities	**10,235**	**10,235**	**-**	**10,235**	**-**
Derivatives held for trading	1,642	1,642	-	1,642	-
Derivatives (hedge accounting)	8,593	8,593	-	8,593	-
Total	**19,037**	**19,037**	**-**	**10,235**	**8,802**

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

The other non-current liabilities of TEUR 8,802 reported in the previous year resulted primarily from obligations arising from the call/put option for the purchase of the remaining 40% of acdc in 2020. The purchase price for the non-controlling interest is linked to the future development of acdc's revenues.The valuation of this obligation is based on acdc's forecasted revenues.

The consolidated interim financial statements of Zumtobel Group AG as of 31 October 2016 also include an insignificant amount of financial instruments whose valuation is not based on listed prices or input factors that can be monitored on the market (Level 3). These items consist primarily of minor shareholdings in various companies. There were no significant changes in these shareholdings since 30 April 2016, and no profit distributions were received on these investments during the reporting period.

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

Notes to the Cash Flow Statement

Cash flow was determined on a monthly basis in accordance with the indirect method. The resulting monthly cash flows were translated at the applicable average monthly exchange rate and then aggregated, while the balance sheet positions were translated at the exchange rate in effect on the respective closing date. This procedure leads to currency translation differences, above all in individual positions under cash flow from operating activities, and therefore to material differences compared with the respective balance sheet positions.

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

Cash flow from operating activities rose from TEUR 3,310 in the first half of 2015/16 to TEUR 54,994, whereby this increase includes TEUR 14,015 from the change in working capital. The seasonal rise in working capital during the reporting period was substantially lower than the first half of the previous year due to strict receivables and payables management. The positive cash flow effect from other current and non-current assets and liabilities is attributable primarily to changes in the amounts due to employees, taxation and customs authorities as well as effects from foreign currency translation.

Cash flow from investing activities consists mainly of investments in various production facilities and also includes investments in tools for new products, expansion projects, maintenance and capitalised research and development costs. Investments in non-current assets were lower than the comparable prior year period at TEUR 19,673 in the first half of 2016/17 (previous year: TEUR 29,807). The positive cash flow effect from the change in non-current and current financial assets resulted primarily from realised gains on foreign currency hedges.

In 2015/16, the sale of property in Landskrona, Sweden, led to cash inflows of TEUR 2,676, which are reported under proceeds from the sale of non-current assets. The prior year change in liquid funds from changes in the scope of consolidation involves cash inflows from the sale of Tridonic NZ Limited in Auckland, New Zealand, as well as cash outflows for the acquisition of the British LED lighting producer AC/DC LED Holdings Ltd. (acdc).

The improvement in cash flow from operating activities and the decline in investment activity supported an increase of TEUR 66,377 in free cash flow to TEUR 41,518 for the reporting period.

Cash flow from financing activities consists primarily of a decrease in the use of the credit lines provided by the consortium credit agreement and interest paid during the first half of the reporting year. The dividend of EUR 0.20 per share for the 2015/16 financial year, which was approved by the annual general meeting on 22 July 2016 (TEUR 8,629) was paid on 2 August 2016.

Transition to Cash and Cash Equivalents

in TEUR	31 October 2016	30 April 2016	30 April 2015
Liquid funds	85,705	81,394	59,345
Not available for disposal	(415)	(205)	(204)
Overdrafts	(6,558)	(5,884)	(15,990)
Cash and cash equivalents	**78,732**	**75,305**	**43,151**

Notes to the Statement of Changes in Equity

Dividend

The annual general meeting on 22 July 2016 approved the payment of a EUR 0.20 dividend per share for the 2015/16 financial year. Based on this resolution, TEUR 8,629 was paid to the holders of the 43,146,657 shares outstanding (43,500,000 shares issued less 353,343 treasury shares) on 2 August 2016.

Other Reserves

This position includes profit carried forward.

Currency Translation Reserve

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

Hedge Accounting

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

Share Programme and Development of Treasury Shares

in pcs.	Total
Share buyback (to 30 April 2015)	1,539,211
Exercised (to 30 April 2015)	(1,185,348)
30 April 2015	**353,863**
Exercised or issue of treasury shares	(520)
30 April 2016 = 31 October 2016	**353,343**

The Stock Option Programme (SOP) was terminated during the first quarter of 2015/16, and there will be no further exercise of options in this connection.

Reserve for Stock Options

The reserve for stock options resulted from the accounting treatment in earlier years of two share-based remuneration programmes which are no longer active. The Stock Option Programme (SOP) and the Matching Stock Programme (MSP) were settled and are no longer active, and there were no allocations from either programme during the reporting year or the previous year

IAS 19 Reserve

This position includes the actuarial losses arising from the application of IAS 19. The change during the reporting period resulted primarily from revaluation effects from the Group's pension and severance compensation obligations and were based on the decline in interest rates during the first half of the current financial year.

Segment Reporting

The Zumtobel Group comprises two operating segments: the Lighting Segment and the Components Segment. The Lighting Segment covers Thorn, Zumtobel, acdc, Special Purpose Products (SPP) and Controls & Systems (C&S). It markets lighting solutions, interior and exterior lighting as well as electronic-digital lighting and room management systems. The Components Segment includes the Tridonic business, which develops, produces and markets electronic lighting components and LED lighting components.The transfer of goods and services between the two divisions is based on ordinary market conditions.

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

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

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

2nd Quarter 2016/17

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	Q2 2016/17	Q2 2015/16	Q2 2014/15	Q2 2016/17	Q2 2015/16	Q2 2014/15	Q2 2016/17	Q2 2015/16	Q2 2014/15	Q2 2016/17	Q2 2015/16	Q2 2014/15
Net revenues	**265,970**	**276,283**	**257,569**	**93,415**	**106,176**	**99,832**	**(17,773)**	**(22,911)**	**(17,635)**	**341,612**	**359,548**	**339,766**
External revenues	*265,914*	*276,077*	*257,180*	*75,691*	*83,465*	*82,515*	*7*	*6*	*72*	*341,612*	*359,548*	*339,767*
Inter-company revenues	*56*	*206*	*389*	*17,724*	*22,711*	*17,317*	*(17,780)*	*(22,917)*	*(17,707)*	*0*	*0*	*0*
Operating profit/loss	**18,595**	**19,292**	**23,213**	**12,960**	**12,887**	**8,652**	**(5,073)**	**(7,658)**	**(5,301)**	**26,482**	**24,520**	**26,564**
Investments	**6,419**	**9,236**	**9,441**	**2,875**	**6,021**	**4,688**	**1,029**	**1,790**	**643**	**10,323**	**17,047**	**14,772**
Depreciation	**(8,863)**	**(9,019)**	**(8,273)**	**(5,652)**	**(5,699)**	**(4,816)**	**(1,105)**	**(1,009)**	**(630)**	**(15,620)**	**(15,727)**	**(13,719)**

1st Half-Year 2016/17

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	1 HY 2016/17	1 HY 2015/16	1 HY 2014/15	1 HY 2016/17	1 HY 2015/16	1 HY 2014/15	1 HY 2016/17	1 HY 2015/16	1 HY 2014/15	1 HY 2016/17	1 HY 2015/16	1 HY 2014/15
Net revenues	**514,633**	**531,079**	**500,927**	**190,674**	**215,525**	**196,385**	**(38,039)**	**(44,614)**	**(34,091)**	**667,268**	**701,990**	**663,221**
External revenues	*514,448*	*530,654*	*500,048*	*152,805*	*171,271*	*163,030*	*15*	*64*	*143*	*667,268*	*701,990*	*663,221*
Inter-company revenues	*185*	*425*	*879*	*37,869*	*44,254*	*33,355*	*(38,054)*	*(44,679)*	*(34,234)*	*0*	*0*	*0*
Operating profit/loss	**32,203**	**27,743**	**35,154**	**21,715**	**23,778**	**11,437**	**(9,621)**	**(14,580)**	**(10,934)**	**44,297**	**36,939**	**35,657**
Investments	**10,775**	**17,585**	**19,060**	**6,551**	**9,653**	**8,918**	**2,347**	**2,569**	**951**	**19,673**	**29,807**	**28,929**
Depreciation	**(17,866)**	**(18,030)**	**(16,275)**	**(11,125)**	**(10,628)**	**(9,588)**	**(2,174)**	**(1,955)**	**(1,212)**	**(31,165)**	**(30,613)**	**(27,075)**

in TEUR	Lighting Segment 31 Oct. 2016	30 April 2016	30 April 2015	Components Segment 31 Oct. 2016	30 April 2016	30 April 2015	Reconciliation 31 Oct. 2016	30 April 2016	30 April 2015	Group 31 Oct. 2016	30 April 2016	30 April 2015
Assets	725,712	736,685	743,925	178,151	173,395	207,140	152,103	158,568	135,210	1,055,966	1,068,648	1,086,276

	Lighting Segment 31 Oct. 2016	30 April 2016	30 April 2015	Components Segment 31 Oct. 2016	30 April 2016	30 April 2015	Reconciliation 31 Oct. 2016	30 April 2016	30 April 2015	Group 31 Oct. 2016	30 April 2016	30 April 2015
Headcount (full-time equivalent)	4,883	4,913	5,302	1,616	1,638	1,752	208	210	180	6,707	6,761	7,234

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

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

The reconciliation column comprises the following:

in TEUR	Q2 2016/17	Q2 2015/16	1 HY 2016/17	1 HY 2015/16
Group parent companies	(5,773)	(7,658)	(10,621)	(14,580)
Group entries	700	0	1,000	0
Operating profit/loss	**(5,073)**	**(7,658)**	**(9,621)**	**(14,580)**

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 2016	30 April 2016
Assets used by more than one segment	145,064	150,848
Group parent companies	55,133	59,827
Group entries	(48,093)	(52,107)
Assets	**152,103**	**158,568**

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

Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel Group AG. As of 31 October 2016 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions. Trade receivables due from associated companies totalled TEUR 1,270 as of 31 October2016 (30 April 2016: TEUR 775) and trade payables equalled TEUR 2,398 (30 April 2016: TEUR 1,839). No receivables due from associated companies were derecognised due to failed collection in the first half of 2016/17, and no receivables due from associated companies were classified as uncollectible as of 31 October 2016.

As of 31 October 2016, a financial liability of TEUR 254 was due to an associated company (30 April 2016: financial liability of TEUR 325).

Contingent Liabilities and Guarantees

The Zumtobel Group has issued bank guarantees totalling TEUR 9,629 (30 April 2016 TEUR 8,586) for various purposes.

Subsequent Events

No significant events occurred after the balance sheet date on 31 October 2016.

Statement by the Management Board in accordance with § 82 (4) 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, 6 December 2016

The Management Board

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

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of

Zumtobel Group AG,

Dornbirn,

for the period from 1 May 2016 to 31 October 2016. These condensed interim consolidated financial statements comprise the condensed consolidated statement of financial position as of 31 Ochtober 2016 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statements of cash flows and condensed consolidated statement of changes in equity for the period from 1 May 2016 to 31 October 2016 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

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

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

Scope of review

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

Conclusion

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

Statement on the consolidated interim management report for the 6 month period ended 31 October 2016 and on management's statement in accordance with § 87 Austrian Stock Exchange Act (BörseG)

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

The interim financial information contains the statement by management in accordance with § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 6. december 2016

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Thomas Smrekar
Wirtschaftsprüfer

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

Service

Financial Terms

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

Financial Calendar

Report on the First Three Quarters 2016/17 (1 May 2016 – 31 January 2017)	07 March 2017
Annual Results 2016/17	23 June 2017
Record Date Annual General Meeting	11 July 2017
41st Annual General Meeting	21 July 2017
Ex-Dividend Day	31 July 2017
Record Date Dividend	01 August 2017
Dividend Payout Day	02 August 2017
Report on the First Quarter 2017/18 (1 May 2017 – 31 July 2017)	05 September 2017
Report on the First Half-year 2017/18 (1 May 2017 – 31 October 2017)	05 December 2017
Report on the First Three Quarters 2017/18 (1 May 2017 – 31 January 2018)	06 March 2018

Contact Information

Investor Relations
Harald Albrecht
VP Investor Relations
Telephone +43 (0)5572 509-1125
E-Mail *harald.albrecht@zumtobelgroup.com*

Press / Corporate Communication
Simone Deitmer
Head of Corporate Communications
Telephon +43 (0)5572 509-575
E-Mail *simone.deitmer@zumtobelgroup.com*

Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com. You can also order a copy by calling +43 (0)5572 509-1510.

More Information

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

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.tridonic.com
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