

ZUMTOBEL Group

H1 2023/24

Half-Year Financial Report (May 2023 – October 2023)

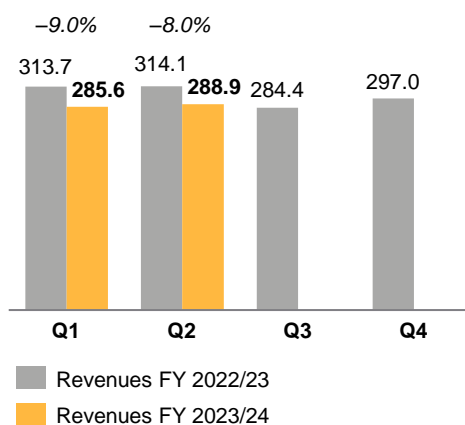


Overview of the First Half-Year 2023/24

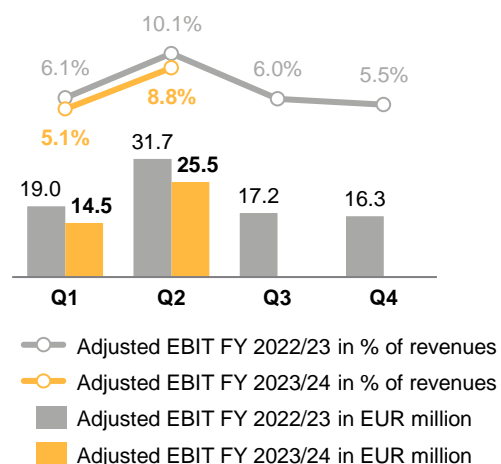
Key Data in EUR million	Q2 2023/24	Q2 2022/23	Change in %	1 HY 2023/24	1 HY 2022/23	Change in %
Revenues	288.9	314.1	(8.0)	574.4	627.8	(8.5)
Adjusted EBITDA	39.2	45.5	(13.9)	68.2	78.4	(13.0)
<i>as a % of revenues</i>	13.6	14.5		11.9	12.5	
EBITDA	30.9	45.5	(32.2)	59.8	78.4	(23.7)
<i>as a % of revenues</i>	10.7	14.5		10.4	12.5	
Adjusted EBIT	25.5	31.7	(19.7)	40.0	50.8	(21.3)
<i>as a % of revenues</i>	8.8	10.1		7.0	8.1	
Special effects	(9.1)	0.0		(9.1)	0.0	
EBIT	16.4	31.7	(48.4)	30.9	50.8	(39.2)
<i>as a % of revenues</i>	5.7	10.1		5.4	8.1	
Net profit/loss for the period	11.4	22.9	(50.4)	21.2	33.7	(37.3)
<i>as a % of revenues</i>	3.9	7.3		3.7	5.4	
Cash flow from operating results	31.3	45.5	(31.3)	60.4	78.3	(22.9)
CAPEX	19.2	18.3	4.8	27.7	34.3	(19.2)
thereof CAPEX excl. IFRS 16	16.1	12.5	28.3	22.7	27.5	(17.6)
				31 October 2023	30 April 2023	Change in %
Total assets				1,012.9	1,002.4	1.0
Equity				426.5	421.7	1.1
<i>Equity ratio in %</i>				42.1	42.1	
Net debt				93.2	86.9	7.3
Headcount incl. contract worker (full-time equivalent)				5,348	5,503	(2.8)

Development of business by quarter

Revenues development (in EUR million)



Adjusted EBIT development



Letter to Shareholders

Dear Shareholders,

As we indicated with the publication of our first quarter report, the Zumtobel Group's Components Segment is currently facing extremely difficult times. Revenues have not recovered, as feared, and Tridonic recorded a year-on-year decline of 22.8% in revenues for the first half of 2022/23. Revenues were also lower in the luminaire business, but only by a slight 1.5%. Consequently, revenues at the Group level fell by a total of 8.5% and by 6.8% after an adjustment for foreign exchange effects. Group EBIT for the first half of 2023/24 totalled EUR 30.9 million, which represents an EBIT margin of 5.4%. Below the line, net profit equalled EUR 21.2 million.

Orders in the components business are recovering very slowly, and customers' inventory levels remain high. The construction branch is confronted with widespread weakness, and the forecasts for non-residential construction, especially in the D/A/CH region, point to a further decline. In this market environment, the second half of the financial year will be more than challenging for us – and we have already taken the necessary steps.



The reorganisation of the Tridonic plant in Dornbirn was announced in mid-October. The LED products produced at this location are under enormous price pressure. In addition, the decline in revenues since the beginning of the year and the massive drop during the first quarter (EUR –26 million) have created a situation where we will be required to cut roughly 100 jobs. Our goal is to refocus the Tridonic plant in Dornbirn through its conversion into a "Centre of Production Innovation" where new production processes for the international Tridonic plants will be developed. A second focal point will be the design of series production for selected new products, and the third focal point is the series production of technically high sophisticated products. The new Tridonic innovation centre will also explore the subjects of robotics and artificial intelligence.

At the lighting plant in Dornbirn – our leading plant with a clear profile for highly automated production and expertise for customer-specific Zumtobel lighting solutions – we must also adjust our personnel capacity to reflect the weaker order levels. This will be reflected in the reduction of roughly 70 jobs. In total, approximately 170 employees in the Zumtobel Group will be affected. We developed and announced a joint social plan for both businesses in close cooperation with our social partners, the members of the Employees' Council, to make the headcount reduction socially responsible for everyone involved.

These decisions are painful for everyone, but are unavoidable to protect and strengthen the company's competitive position. The related measures led to restructuring costs of EUR –9.1 million in the current financial year. To continue to show the actual development of the Zumtobel Group's operating business in view of these circumstances, the Management Board has decided to report EBIT adjusted for special effects beginning with this half-year. This will allow us to isolate the effects of restructuring activities on operating results and provide a transparent view of the company's sustainable operating performance. Accordingly, adjusted Group EBIT fell from EUR 50.8 million to EUR 40 million in the first half of 2023/24 and the adjusted EBIT margin declined from 8.1% in the first half of the previous year to 7.0%.

New solutions planned for the Internet of Things (IoT)

The Zumtobel Group continued to invest in the strengthening of its leading technological position in recent months – precisely in the area of networked light – through an acquisition in September. As part of an asset deal, we purchased the rights to the SiteWorx software developed by Digital Lumens. Our company now holds the exclusive marketing rights to this software for Europe.

This IoT system for lighting management, which comprises the SiteWorx cloud software solution and the related Tune, Sense and Area applications, uses intelligent end devices to measure the energy consumption of lighting solutions, show the use of interior rooms through networked sensors, and store and visualise all associated data.

We are currently working on the integration of the software, but it is still somewhat too early to present the possible fields of application. However, we are already convinced that this will significantly accelerate the digitalisation of our products and services – and we will, of course, report to you on our progress.

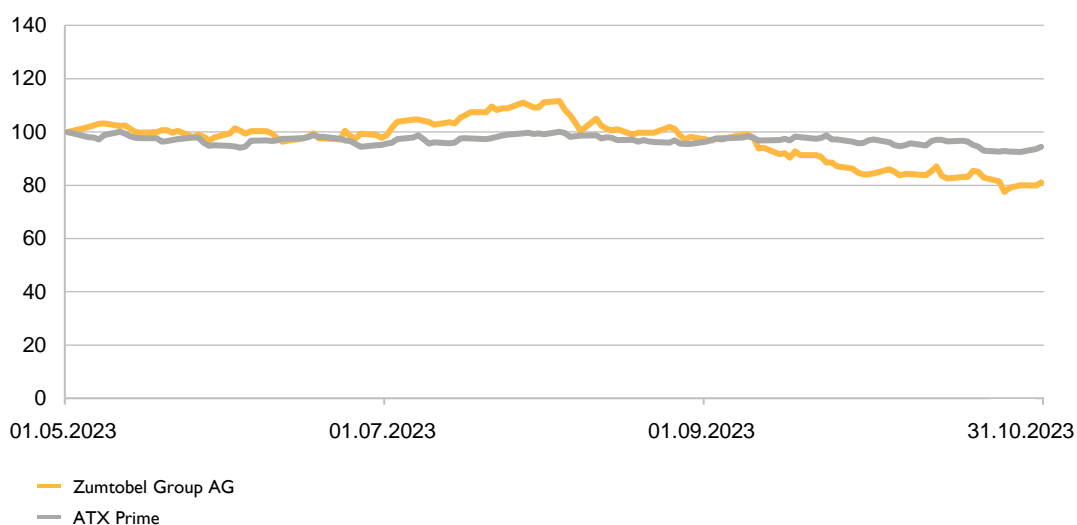
Dear Shareholders, as you can see, we are working intensively to make our company future-proof in every respect. Thank you for accompanying us on this journey.

Alfred Felder
Chief Executive Officer (CEO)

The Zumtobel Group AG Share

Based on an unchanged number of 43.5 million common shares outstanding, the market capitalisation of Zumtobel Group AG totalled EUR 251 million at the end of October 2023. The shareholder structure has not changed significantly since the end of the 2022/23 financial year: The Zumtobel family continues to hold approximately 36% 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 2023. The average daily turnover on the Vienna Stock Exchange amounted to 29,081 shares in the first half of 2023/24 (double-count, as published by the Vienna Stock Exchange). The company held an unchanged number of 353,343 treasury shares as of 31 October 2023.

Development of the Zumtobel Group AG Share (in %)



Key Data on the Zumtobel Group AG Share H1 2023/24

Closing price at 28.04.2023	EUR 7.12	Currency	EUR
Closing price at 1.10.2023	EUR 5.77	ISIN	AT0000837307
Performance HY 2023/24	(19.0)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 31.10.2023	EUR 251 Mio	Market segment	ATX Prime
Share price - high at 31.07.2023	EUR 7.95	Reuters symbol	ZUMV.VI
Share price - low at 24.10.2023	EUR 5.52	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	29,081	Number of issued shares	43,500,000

Group Management Report

General Economic Environment

High resilience in the global economy

The global economy is slowly recovering from the crises in recent years and extreme inflation. However, uncertainty remains high and has been fuelled by the flashpoint in Israel/Gaza. Momentum has been reduced by the distortions on energy and food markets as well as the tightening of financial conditions throughout the world to fight inflation. At the same time, the global economy – as seen in total – appears to be resilient.

Global growth of roughly 3% in 2023 and 2024

The latest outlook published by the International Monetary Fund (October 2023) estimates global growth at roughly 3% for 2023 and the following year, a level that is still substantially below the historical average. The US economy continues to show surprising strength, while the outlook for Europe is weak. Two of our European core markets – Germany and Sweden – are currently in a recession (Germany –0.5%, Sweden – 0.7%), and Austria is expected to see stagnation throughout the entire year (+0.1%). Only a slight increase of 0.5% to 1% is projected for other important markets like Switzerland, Great Britain, Italy and France. Forecasts point to a reduction in overall inflation from 9.2% in 2022 to 5.9% in 2023 and 4.8% in the following year. Core inflation (excluding food and energy prices) will also decline, but much more slowly than overall inflation.

The macroeconomic situation has a direct influence on commercial construction. The latest EUROCONSTRUCT data from December shows a sideways movement rather than growth in our key European markets for 2023 and 2024. The renovation market is developing more favourably than new construction. A decline in commercial building construction is expected this year in Austria, Denmark, Finland, France, Germany, Sweden, Hungary and Slovakia.

Significant Events since 30 April 2023

Dividend of 40 euro cents per share

The 47th General Meeting on 28 July 2023 approved the payment of a 40 euro cents dividend per share for the 2022/23 financial year. The dividends were distributed to shareholders on 4 August 2023.

Karin Zumtobel-Chammah and Eva Kienle re-elected to the Supervisory Board

The 47th General Meeting also re-elected Supervisory Board members Karin Zumtobel-Chammah and Eva Kienle, each for a term extending up to the 2025/26 financial year. In the constituent meeting on 28 July 2023, Karin Zumtobel-Chammah was elected chairwoman of the Supervisory Board.

A reorganisation of the Tridonic plant in Dornbirn was announced in mid-October and will result in the reduction of roughly 100 jobs. Staff capacities at the lighting plant in Dornbirn will also be adjusted to reflect the weaker order levels and include the reduction of about 70 jobs. These measures were reflected in the recognition of restructuring costs totalling EUR 9.1 million in 2023/24.

No other significant events occurred after the balance sheet date on 30 April 2023.

Subsequent Events

Announcement of share buyback programme

On 29 November 2023, the Management Board of Zumtobel Group AG decided, with the consent of the Supervisory Board, to repurchase one million shares of Zumtobel Group AG over the stock exchange during the period from 11 December 2023 (inclusive) up to, presumably, 31 January 2025 (inclusive).

No other significant events occurred after the balance sheet date on 31 October 2023.

Development of revenues in the first half of 2023/24

- >> Group revenues decline by 8.5% (FX-adjusted: –6.8%)
- >> Lighting Segment slightly below previous year (–1.5%)
- >> Substantial reduction in Components Segment (–22.8%)
- >> Adjusted Group EBIT falls to EUR 40.0 million

Income statement in EUR million	Q2 2023/24	Q2 2022/23	Change in %	1 HY 2023/24	1 HY 2022/23	Change in %
Revenues Lighting Segment	230.3	235.0	(2.0)	454.4	461.5	(1.5)
Revenues Components Segment	75.1	93.9	(20.0)	152.1	197.1	(22.8)
Reconciliation	(16.6)	(14.8)	12.0	(32.1)	(30.8)	4.3
Revenues	288.9	314.1	(8.0)	574.4	627.8	(8.5)
Adjusted Cost of goods sold	(182.8)	(200.5)	(8.8)	(365.9)	(409.1)	(10.6)
Adjusted Gross profit	106.0	113.6	(6.7)	208.6	218.6	(4.6)
<i>as a % of revenues</i>	36.7	36.2		36.3	34.8	
Adjusted SG&A expenses	(80.6)	(81.9)	(1.6)	(168.6)	(167.9)	0.4
Adjusted EBIT Lighting Segment	26.9	24.9	8.0	44.2	41.6	6.2
<i>as a % of segment revenues</i>	11.7	10.6		9.7	9.0	
Adjusted EBIT Components Segment	3.2	8.9	(63.3)	5.5	16.5	(66.8)
<i>as a % of segment revenues</i>	4.3	9.4		3.6	8.4	
Reconciliation	(4.7)	(2.0)	<-100	(9.7)	(7.3)	32.4
Adjusted EBIT	25.5	31.7	(19.7)	40.0	50.8	(21.3)
<i>as a % of revenues</i>	8.8	10.1		7.0	8.1	
Special effects	(9.1)	0.0		(9.1)	0.0	
EBIT Lighting Segment	25.6	24.9	2.6	42.8	41.6	3.0
<i>as a % of segment revenues</i>	11.1	10.6		9.4	9.0	
EBIT Components Segment	(4.5)	8.9	<-100	(2.3)	16.5	<-100
<i>as a % of segment revenues</i>	(6.0)	9.4		(1.5)	8.4	
Reconciliation	(4.7)	(2.0)	<-100	(9.7)	(7.3)	32.4
EBIT	16.4	31.7	(48.4)	30.9	50.8	(39.2)
<i>as a % of revenues</i>	5.7	10.1		5.4	8.1	
Financial results	(3.8)	(2.4)	(60.9)	(7.4)	(7.5)	2.0
Profit before tax	12.5	29.4	(57.3)	23.5	43.3	(45.7)
Income taxes	(1.2)	(6.5)	(82.1)	(2.4)	(9.5)	(75.3)
Net profit/loss for the period	11.4	22.9	(50.4)	21.2	33.7	(37.3)
Earnings per share (in EUR)	0.26	0.53	(50.4)	0.49	0.78	(37.3)

For information: EBITDA (EBIT plus depreciation and amortisation) totalled EUR 59.8 million in 1 HY 2023/24.

**8.5% decrease in
Group revenues**

Group revenues declined by 8.5% to EUR 574.4 million in 1 HY 2023/24 (1 HY 2022/23: EUR 627.8 million), primarily due to lower volumes and unfavourable foreign exchange developments. After an adjustment for foreign exchange effects, revenues declined by 6.8%.

**Lighting Segment
revenues decline by
1.5%**

In the Lighting Segment, revenues were marginally lower (–1.5%) at EUR 454.4 million in 1 HY 2023/24 (1 HY 2022/23: EUR 461.5 million). Lower sales volumes and negative foreign exchange effects were largely offset by efficient price management and volume growth in higher margin markets.

**Components Segment
revenues fall by 22.8%**

The Components Segment recorded a sharp drop of 22.8% in revenues to EUR 152.1 million in 1 HY 2023/24 (1 HY 2022/23: EUR 197.1 million). The determining factors were weak demand due to customers' high stock levels and a related increase in price competition.

Revenues in EUR million	Q2 2023/24	Change in %	1 HY 2023/24	Change in %	in % of Group
D/A/CH	106.1	(2.4)	211.0	1.3	36.7
Northern and Western Europe	67.0	(12.0)	135.6	(11.5)	23.6
Southern and Eastern Europe	76.6	(4.5)	152.7	(8.5)	26.6
Asia & Pacific	23.9	(18.7)	46.2	(29.2)	8.0
Americas & MEA	15.2	(22.4)	28.9	(15.2)	5.0
Total	288.9	(8.0)	574.4	(8.5)	100.0

The reporting period brought declines in all regions compared with the above-average good first half-year in 2021/22, specifically due to the sharp drop in the Components Segment. The D/A/CH region represented an exception, where growth was driven primarily by Switzerland. Generally declining revenues in Northern and Western Europe were only contrasted by an increase in Belgium. Revenues in the Southern and Eastern Europe region were lower year-on-year, with particularly high declines in Italy, the Czech Republic and Poland. The Asia & Pacific region, led by Macau and Australia, reported the highest declines. Revenues in the America & MEA region fell sharply as a result of disappointing sales in the USA.

**Reintroduction of
adjusted EBIT**

In connection with our press release on 13 October 2023 and the announced restructuring measures in Dornbirn (Austria), we see the reintroduction of adjusted EBIT and the related financial indicators as a decisive step to improve financial transparency and comparability. These measures reflect our efforts to isolate the effects of restructuring activities on operating results and provide a transparent view of the company's sustainable operating performance. Including the communicated restructuring measures in the adjusted financial indicators allows for differentiated financial reporting that provides a more precise evaluation of long-term economic performance.

The adjusted cost of goods sold reflects a decline in material and transport costs. Other positive factors were the reduction in inventory write-downs and consulting fees. Development costs rose by EUR 0.8 million to EUR 32.6 million in the first half of 2023/24 (1 HY 2022/23: EUR 31.8 million), chiefly due to higher personnel expenses. The adjusted gross profit margin rose to 36.3% (1 HY 2022/23: 34.8%) despite the decline in revenues, above all due to revenue growth in higher margin regions and lower inventory write-downs.

Adjusted selling and administrative expenses (incl. research) rose slightly by EUR 0.7 million to EUR –168.6 million (1 HY 2022/23: EUR –167.9 million). The main drivers were the personnel cost increases which resulted from collective agreements and bonuses, which were contrasted by a reduction in transport costs and by the earlier receipt of a research subsidy.

Adjusted Group EBIT fell from EUR 50.8 million to EUR 40.0 million in 1 HY 2023/24, and the adjusted EBIT margin declined to 7.0% (1 HY 2022/23: 8.1%). Consequently, the revenue decline and above-mentioned personnel cost increases were only offset in part.

Adjusted Group EBIT falls to EUR 40.0 million

Adjusted EBIT in the Lighting Segment rose from EUR 41.6 million in the first half of 2022/23 to EUR 44.2 million in 1 HY 2023/24. The revenue decline and fixed cost increases were more than offset by volume growth in higher margin markets and the earlier receipt of a research subsidy. The challenging market situation led to a drop in adjusted EBIT in the Components Segment from EUR 16.5 million to EUR 5.5 million in 1 HY 2023/24, whereby the decline in revenues was partly offset by an increase in capitalised development costs and the earlier receipt of a research subsidy.

Adjusted EBIT in EUR million	Q2 2023/24	Q2 2022/23	Change in %	1 HY 2023/24	1 HY 2022/23	Change in %
Adjusted EBIT	25.5	31.7	(19.7)	40.0	50.8	(21.3)
Special effects	(9.1)	0.0		(9.1)	0.0	
EBIT	16.4	31.7	(48.4)	30.9	50.8	(39.2)

Special effects of EUR –9.1 million were recognised in 1 HY 2023/24 and included personnel expenses of EUR 6.3 million, impairment charges of EUR 0.8 million and other expenses of EUR 2.0 million. These costs are related to the restructuring measures in Dornbirn (Austria) which were announced in a press release on 13 October 2023. Group EBIT fell to EUR 30.9 million in the first half of 2023/24 (1 HY 2022/23: EUR 50.8 million), and the EBIT margin equalled 5.4% (1 HY 2022/23: 8.1%).

Special effects of EUR –9.1 million

Financial result in EUR million	Q2 2023/24	Q2 2022/23	Change in %	1 HY 2023/24	1 HY 2022/23	Change in %
Interest expense	(3.0)	(1.7)	71.4	(5.6)	(2.9)	91.4
Interest income	0.1	0.1	66.2	0.3	0.2	46.2
Net financing costs	(2.9)	(1.7)	71.5	(5.3)	(2.7)	(94.5)
Other financial income and expenses	(1.0)	2.0	<-100	(2.1)	(2.1)	(2.1)
Result and impairment from associated companies	0.0	(2.7)	100.0	0.0	(2.7)	100.0
Financial results	(3.8)	(2.4)	(60.9)	(7.4)	(7.5)	2.0

Financial results amounted to EUR –7.4 million in the reporting period (1 HY 2022/23: EUR –7.5 million). Interest expense, which consisted chiefly of the interest expense for current credit agreements and finance leases, totalled EUR –5.3 million (1 HY 2022/23: EUR –2.7 million). Other financial income and expenses included, in particular, the interest expense on pension obligations as well as the earnings effects from exchange rate changes and the measurement of hedges at EUR –2.1 million.

Financial results at EUR –7.4 million

**Year-on-year decline
in net profit to
EUR 21.2 million**

Profit before tax totalled EUR 23.5 million (1 HY 2022/23: EUR 43.3 million), and income taxes equalled EUR –2.4 million (1 HY 2022/23: EUR –9.5 million). Net profit for the reporting period fell to EUR 21.2 million (1 HY 2022/23: EUR 33.7 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) declined to EUR 0.49 (1 HY 2022/23: EUR 0.78).

Cash flow

Cash Flow Statement in EUR million	Q2 2023/24	Q2 2022/23	Change in %	1 HY 2023/24	1 HY 2022/23	Change in %
Cash flow from operating results	31.3	45.5	(31.3)	60.4	78.3	(22.9)
Change in working capital	19.3	7.0	>100	4.0	(11.7)	>100
Change in other operating items	(2.8)	(3.8)	26.0	(16.0)	(18.0)	11.4
Income taxes paid	(1.9)	(3.0)	36.9	(3.1)	(4.3)	28.1
Cash flow from operating activities	45.9	45.7	0.4	45.4	44.2	2.5
Cash flow from investing activities	(16.1)	(12.7)	(27.2)	(22.3)	(27.0)	17.6
FREE CASH FLOW	29.7	33.0	(9.9)	23.1	17.2	34.0
Cash flow from financing activities	(6.4)	(12.8)	49.7	(1.3)	11.3	<-100
CHANGE IN CASH AND CASH EQUIVALENTS	23.3	20.2	15.2	21.8	28.5	(23.6)

Cash flow from operating results fell by EUR 17.9 million year-on-year from EUR 78.3 million to EUR 60.4 million, among others due to the decline in revenues in the Components Segment.

Cash outflows from the changes in other operating positions amounted to EUR –16.0 million (1 HY 2022/23: EUR –18.0 million) and resulted mainly from the reduction of provisions for bonuses, holiday allowances and termination benefits. The additions to restructuring provisions represented a contrasting factor: Cash flow from operating activities totalled EUR 45.4 million in 1 HY 2023/24 (1 HY 2022/23: EUR 44.2 million).

Cash flow from investing activities amounted to EUR –22.3 million (1 HY 2022/23: EUR –27.0 million). In addition to investments in property, plant and equipment, this position also includes cash outflows of EUR 4.5 million (1 HY 2022/23: EUR 4.0 million) for capitalised development costs.

**Free cash flow at
EUR 23.1 million**

Free cash flow equalled EUR 23.1 million (1 HY 2022/23: EUR 17.2 million).

Cash flow from financing activities declined to EUR –1.3 million (1 HY 2022/23: EUR 11.3 million), chiefly due to the reduced use of the consortium credit agreement.

Asset position

Balance sheet data in EUR million	31 October 2023	30 April 2023
Total assets	1,012.9	1,002.4
Net debt	93.2	86.9
Debt coverage ratio	0.77	0.62
Equity	426.5	421.7
Equity ratio in %	42.1	42.1
Gearing in %	21.9	20.6
CAPEX	27.7	69.4
thereof CAPEX excl. IFRS 16	22.7	54.5
Working capital	228.2	231.7
As a % of rolling 12 month revenues	19.7	19.2

The balance sheet total of the Zumtobel Group equalled EUR 1,012.9 million as of 31 October 2023 and was slightly higher than the last balance sheet date on 30 April 2023 (EUR 1,002.4 million).

Solid balance sheet structure

Working capital totalled EUR 228.2 million as of 31 October 2023 and was EUR 3.5 million below the level on 30 April 2023 (EUR 231.7 million). The main driver compared with 30 April 2023 was the reduction in trade payables as of 31 October 2023. As a per cent of rolling 12-month revenues, working capital rose from slightly from 19.2% as of 30 April 2023 to 19.7%.

The equity ratio equalled 42.1% as of 31 October 2023 and remained constant compared with 30 April 2023 (42.1%). Equity increased by EUR 4.8 million from EUR 421.7 million as of 30 April 2023 to EUR 426.5 million. Net liabilities rose to EUR 93.2 million as of 31 October 2023 (30 April 2023: EUR 86.9 million). The balance sheet structure of the Zumtobel Group remains stable and strong.

Major risks and uncertainties in the 2023/24 financial year

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

Risk management for the early identification of opportunities and risks

The economic climate in first half-year was influenced by high uncertainty, with expectations of recovery remaining subdued after the COVID-19 pandemic and the Russian invasion of Ukraine. The construction industry was confronted with a sharp drop in residential construction as well as weakness in the non-residential sector. We saw sound demand for energy-efficient lighting solutions in a number of markets, but the economic uncertainty had a negative effect on the market for professional lighting.

Review of the first half-year

Delivery times on the procurement markets for most merchandise groups have largely normalised in nearly all industrial segments due to the weaker demand and are generally comparable to pre-pandemic times. The availability of raw materials like steel and aluminium components or packaging materials improved substantially at the beginning of 2023, and plastic granulate and related finished components with various technologies are following this trend.

The semi-conductor market still presents a slightly more complex and, in part, even ambivalent picture. The availability of these components has improved, with the exception of various semi-conductors for industrial applications. However, the uncertain demand has led to a reduction, or at least the absence of any increase, in production capacity – and the market remains under close observation to ensure sufficient availability in the event demand rises. Cross-functional team coordination by various internal business areas as well as close and regular contacts with suppliers on general market developments create the necessary transparency for availability and ensure an appropriate response when and where required.

The development of the economy and, consequently, the development of the construction industry remain a key risk factor. As seen from the global viewpoint, economic recovery after COVID-19 and the Russian invasion in Ukraine has been weak and unevenly distributed – and uncertainty has been further fuelled by the flashpoint in Israel/Gaza. Growth in Europe is expected to be very weak in 2023 and 2024, and several of our core markets, including Germany and Austria, are in a recession. Inflation is still high, at least in a number of our most important markets, which means collective bargaining negotiations will lead to wage and salary increases and higher costs. The construction industry, above all residential construction, is in a state of crisis that was caused by high inflation and rising interest rates. The outlook for non-residential construction is also subdued. The lighting industry will benefit from high energy prices, sustainability efforts and the prohibition on fluorescent lamps in the EU, which will accelerate the conversion from conventional to LED lighting. Uncertainty remains, however, over the pace of this conversion in individual countries.

Outlook on the second half-year

Postponements in the major application areas like industry, office and the retail trade can lead, on the one hand, to significantly different growth rates and, on the other hand, to changes in the product mix. For example: The increasing popularity of e-commerce in the retail trade has been reflected in the expansion of warehouse space and a downward trend in retail areas, and the increased use of home office has resulted in a reduction of office space.

In addition to the new geopolitical uncertainties, the currently very weak demand in many industries and most selling markets represents the greatest risk factor for procurement. The result has been unavoidable capacity reductions in many branches which can be expected to continue. This situation, together with the knowledge that demand can only increase over the short term when stocks in the many different value creation steps are exhausted, creates a potential risk. We are currently managing these risks with various risk minimisation strategies: consignment stocks, multiple sourcing strategies, buffer stocks with suppliers and/or safety stocks in our plants. In addition to these actions, close coordination with strategic suppliers on general availability plays an essential role. These strategic partnerships give us an insight into the general demand situation – also in other industries – which we use to focus our procurement strategies. Regular coordination between internal, near-market functions, our strategic suppliers and our supply chain together with our risk minimisation measures give us the best possible preparation for various scenarios.

Reference to 2022/23 annual report

Information on other potential risks and opportunities for the Zumtobel Group is provided in the annual report for 2022/23. Based on the information currently available, there are no material individual risks at the present time that could endanger the company's continuing existence as a going concern.

Outlook for the 2023/24 financial year

- >> Revenue guidance: revenue decline in the mid-single digit per cent range
- >> Adjusted EBIT margin of 4% to 6%

The economic environment remains tense and has had an appropriate negative influence on the commercial construction sector. Contrary to the previous outlook, demand in the substantially more short-term Components Segment failed to develop the expected momentum. This weakness was a direct result of customers' continuing high stock levels. The Management Board of the Zumtobel Group continues to expect a decline in revenues in the mid-single digit per cent range for the 2023/24 financial year.

In view of the previously communicated restructuring measures together with the resulting reintroduction of adjusted EBIT and the related financial indicators, the Management Board of the Zumtobel Group has decided to focus on the adjusted EBIT margin in the future. This reorientation is intended to improve comparability and reflects efforts to isolate the effects of restructuring activities on operating results and provide a transparent view of operating performance. For the 2023/24 financial year, the Management Board of the Zumtobel Group expects an adjusted EBIT margin (excluding special effects) of 4% to 6%. This outlook is based on the assumption that there is no further deterioration in the economic environment.

Dornbirn, 6 December 2023

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Erath
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Marcus Frantz
Chief Digital Transformation Officer (CDTO)

Condensed Consolidated Interim Financial Statements
as of 31 October 2023

Consolidated Income Statement

in TEUR	Q2 2023/24	Q2 2022/23	1 HY 2023/24	1 HY 2022/23
Revenues	288,865	314,107	574,417	627,770
Cost of goods sold	(191,926)	(200,500)	(374,969)	(409,130)
Gross profit	96,939	113,607	199,448	218,640
Selling expenses	(74,172)	(72,620)	(149,842)	(147,597)
Administrative expenses	(10,432)	(9,655)	(22,362)	(20,908)
Other operating income	4,383	871	4,554	1,229
Other operating expenses	(349)	(461)	(924)	(586)
Operating profit	16,369	31,742	30,874	50,778
Interest expense	(2,980)	(1,739)	(5,571)	(2,910)
Interest income	108	65	267	183
Other financial income and expenses	(974)	1,969	(2,057)	(2,101)
Result and impairment from associated companies	0	(987)	0	(987)
Impairment loss associates	0	(1,698)	0	(1,698)
Financial results	(3,846)	(2,390)	(7,361)	(7,513)
Profit before tax	12,523	29,352	23,513	43,265
Income taxes	(1,156)	(6,457)	(2,351)	(9,518)
Net profit/loss for the period	11,367	22,895	21,162	33,747
<i>thereof due to non-controlling interests</i>	33	169	(115)	163
<i>thereof due to shareholders of the parent company</i>	11,334	22,726	21,277	33,584
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)	0.26	0.53	0.49	0.78

Consolidated Statement of Comprehensive Income

in TEUR	Q2 2023/24	Q2 2022/23	1 HY 2023/24	1 HY 2022/23
Net profit/loss for the period	11,367	22,895	21,162	33,747
Actuarial gain/loss	1,155	5,490	1,155	4,869
Deferred taxes due to actuarial gain/loss	145	(1,624)	145	(1,624)
Total of items that will not be reclassified ("recycled") subsequently to the income statement	1,300	3,866	1,300	3,245
Currency differences	2,133	(844)	(254)	2,020
Currency differences associates	0	91	0	91
Currency differences arising from loans	(983)	(2,499)	117	(2,371)
Total of items that will be reclassified ("recycled") subsequently to the income statement	1,150	(3,252)	(137)	(260)
Subtotal other comprehensive income	2,450	614	1,163	2,985
<i>thereof due to non-controlling interests</i>	47	42	43	84
<i>thereof due to shareholders of the parent company</i>	2,403	572	1,120	2,901
Total comprehensive income	13,816	23,509	22,325	36,732
<i>thereof due to non-controlling interests</i>	79	211	(72)	247
<i>thereof due to shareholders of the parent company</i>	13,737	23,298	22,397	36,485

Consolidated Balance Sheet

in TEUR	31 October 2023	30 April 2023
Goodwill	193,829	193,026
Other intangible assets	49,529	50,350
Property, plant and equipment	249,000	250,512
Financial assets	5,446	5,336
Other assets	4,431	3,535
Deferred taxes	38,610	38,297
Non-current assets	540,845	541,056
Inventories	196,596	194,414
Trade receivables	161,319	169,743
Financial assets	2,655	2,083
Other assets	44,716	36,171
Liquid funds	66,735	58,918
Current assets	472,021	461,329
ASSETS	1,012,866	1,002,385
Share capital	108,750	108,750
Additional paid-in capital	335,316	335,316
Reserves	(18,577)	(23,715)
Capital attributed to shareholders of the parent company	425,489	420,351
Capital attributed to non-controlling interests	1,051	1,374
Equity	426,540	421,725
Provisions for pensions	52,322	52,610
Provisions for termination benefits	34,420	36,626
Provisions for other employee benefits	8,188	8,125
Other provisions	19,910	20,159
Borrowings	138,949	111,038
Other liabilities	18,300	17,861
Deferred taxes	2,952	2,929
Non-current liabilities	275,041	249,348
Provisions for taxes	17,204	17,275
Other provisions	29,702	22,934
Borrowings	22,676	36,436
Trade payables	95,806	96,577
Other liabilities	145,897	158,090
Current liabilities	311,285	331,312
EQUITY AND LIABILITIES	1,012,866	1,002,385

Consolidated Cash Flow Statement

in TEUR	1 HY 2023/24	1 HY 2022/23
Profit before tax	23,513	43,265
Depreciation and amortisation	28,139	27,575
Impairment of property, plant and equipment and intangible assets	815	30
Gain/loss on the disposal of property, plant and equipment and intangible assets	610	(37)
Other non-cash financial results	2,057	2,101
Interest income/ Interest expense	5,304	2,727
Share of profit or loss and impairment in associated companies	0	2,685
Cash flow from operating results	60,438	78,346
Inventories	(2,555)	(813)
Trade receivables	9,030	(12,334)
Trade payables	(847)	(1,106)
Prepayments received	(1,621)	2,509
Change in working capital	4,007	(11,744)
Non-current provisions	(4,480)	(2,700)
Current provisions	6,761	(2,460)
Other assets	(9,148)	(7,647)
Other liabilities	(9,106)	(5,217)
Change in other operating items	(15,973)	(18,024)
Income taxes paid	(3,118)	(4,338)
Cash flow from operating activities	45,354	44,240
Cash inflows from the disposal of property, plant and equipment and other intangible assets	116	259
Cash outflows for the purchase of property, plant and equipment and other intangible assets	(22,667)	(27,515)
Change in non-current and current financial assets	5	50
Interest received	267	183
Cash flow from investing activities	(22,279)	(27,023)
FREE CASH FLOW	23,075	17,217
Cash proceeds from non-current and current borrowings	30,000	40,000
Cash repayments of non-current and current borrowings	(8,302)	(10,409)
Dividend paid to shareholders of the parent	(17,259)	(15,101)
Dividend paid to non-controlling interests	(256)	(481)
Interest paid	(5,470)	(2,714)
Cash flow from financing activities	(1,287)	11,295
CHANGE IN CASH AND CASH EQUIVALENTS	21,788	28,512
Cash and cash equivalents at the beginning of the period	36,483	41,418
Cash and cash equivalents at the end of the period	57,018	68,947
Effects of exchange rate changes on cash and cash equivalents	(1,253)	(983)
Change absolute	21,788	28,512

Consolidated Statement of Changes in Equity

1st Half-Year 2023/24

in TEUR	Attributed to shareholders of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Reserve IAS 19			
30 April 2023	108,750	335,316	110,722	(34,964)	(99,473)	420,351	1,374	421,725
+/- Net profit/loss for the period	0	0	21,277	0	0	21,277	(115)	21,162
+/- Other comprehensive income	0	0	0	(180)	1,300	1,120	43	1,163
+/- Total comprehensive income	0	0	21,277	(180)	1,300	22,397	(72)	22,325
+/- Dividends	0	0	(17,259)	0	0	(17,259)	(251)	(17,510)
31 October 2023	108,750	335,316	114,740	(35,144)	(98,173)	425,489	1,051	426,540

1st Half-Year 2022/23

in TEUR	Attributed to shareholders of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Reserve IAS 19			
30 April 2022	108,750	335,316	66,283	(25,538)	(103,462)	381,349	1,452	382,801
+/- Net profit/loss for the period	0	0	33,584	0	0	33,584	163	33,747
+/- Other comprehensive income	0	0	0	(344)	3,245	2,901	84	2,985
+/- Total comprehensive income	0	0	33,584	(344)	3,245	36,485	247	36,732
+/- Dividends	0	0	(15,101)	0	0	(15,101)	(474)	(15,575)
31 October 2022	108,750	335,316	84,766	(25,882)	(100,217)	402,733	1,225	403,958

The balance sheet position "reserves" comprises other reserves, the currency reserve and the IAS 19 reserve.

Condensed Notes

Accounting and Valuation Methods

The condensed consolidated interim financial statements for the period from 1 May 2022 to 31 October 2023 were prepared in accordance with the principles of Financial Reporting Standards, Interim Financial Reporting (IAS 34). The Zumtobel Group elected to use the option permitted by IAS 34 and provide condensed notes.

The condensed consolidated interim financial statements as of 31 October 2023 were based on 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 2023 reflect the methods applied in preparing the consolidated financial statements as of 30 April 2023, with the exception of the IFRSs which required mandatory application after 1 January 2023. A detailed description of these methods is provided in the consolidated financial statements for 2022/23 under note 2.6.4 "Accounting and Valuation Methods". Additional information on the effects of new standards can also be found under "Effects of new and revised standards and interpretations".

The consolidated financial statements for the 2022/23 financial year are also available online under <https://z.lighting/en/group/investor-relations/>.

As of 31 October 2023, there were indications of possible impairment to goodwill due to a significant earnings decline in the CGU Components. Recoverability was determined by estimating the recoverable amount of the respective cash-generating unit. The most important parameters for the impairment test are driven by forecasted cash flows and the average weighted cost of capital used for discounting. The measurement period covers a four-year forecast period, a transition year and a perpetual annuity. Planning was based on external forecasts, experience and estimates by the Management Board on the market environment and the development of earnings.

The CGU Lighting was not tested for impairment despite the shortfall in equity caused by market capitalisation because no events had occurred since the end of the financial year which would lead to conclusions of a material reduction in the substantial surplus coverage. EBIT clearly exceeded the planned amount and, as of the measurement date, is also expected to exceed the forecast at the end of the financial year.

Three scenarios were analysed for "CGU Components".

- >> In the base scenario (weighting: 60%), the declining trend in revenue was reflected in a substantially reduced revenue forecast for the remaining months of the current financial year and subsequently followed by full recovery up to the prior year level by the end of the detailed planning period. This recovery assumes a reduction in customers' excessive stocks and a return to the original sales volumes. The positive effects of restructuring measures were included in the cost of goods sold through cost reductions and the other cost positions were extrapolated by inflation. In addition, working capital included the reduction of stocks as a result of the increased revenue.
- >> The best case (20%) primarily involves additional growth of 6% to 7% over the base scenario during the last two planning years and the proportional inclusion of direct costs.
- >> The worst case (20%) primarily involves growth discounts of 7% to 9% versus the base scenario during the last three planning years and the proportional inclusion of direct costs.

The following assumption were made in planning the scenarios:

Non-observable input factors	2023/24	2022/23
Cash flow forecast period	4 years	4 years
Pre-tax discount rate	12.10%	11.50%

- >> Cash flow for the forecast period: the four-year forecast prepared by management and approved/reviewed by the Management Board.
- >> Pre-tax discount rate: reflects the specific risks of the respective CGUs and the countries in which they are active.

Recoverable amount:

The surplus coverage of the CGU Components equalled EUR 18.1 million (previous year: EUR 90.2 million).

Additional information on the impairment testing of goodwill is provided in the section on goodwill under "Selected Notes to the Consolidated Balance Sheet".

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.

Macroeconomic environment and effects of global uncertainty

The global economy is slowly recovering from the crises in recent years and extreme inflation, but uncertainty remains high. The construction industry was confronted with a strong downturn, above all in the residential sector; but non-residential construction was also weak. The demand for energy-efficient lighting solutions was high in some markets, but the economic uncertainty had a negative effect on the market for professional lighting.

Delivery times on the procurement markets for various merchandise groups have largely normalised in nearly all industrial segments due to the weaker demand and are generally comparable to pre-pandemic times. The availability of raw materials like steel and aluminium components or packaging materials improved substantially at the beginning of 2023, and plastic granulate and related finished components with various technologies are following this trend.

The semi-conductor market still presents a slightly more complex and, in part, even ambivalent picture. The availability of these components has improved, with the exception of various semi-conductors for industrial applications.

Inflation remains high. Collective bargaining agreements can therefore be expected to result in higher salaries and wages and, in turn, to further cost increases.

The increase in interest rates during the first half-year has an influence on discount factors and, above all, on the valuation of goodwill and employee-related obligations

Other significant events in the first half of 2023/24

The General Meeting approved the payment of a 40 euro cents dividend per share for the 2022/23 financial year. Dividends totalling TEUR 17,259 (previous year: TEUR 15,101) were distributed to shareholders on 4 August 2023.

The 47th General Meeting also re-elected Supervisory Board members Karin Zumtobel-Chammah and Eva Kienle, each for a term extending up to the 2025/26 financial year. In the constituent meeting on 28 July 2023, Karin Zumtobel-Chammah was elected chairwoman of the Supervisory Board.

The provisions for pensions and termination benefits were revalued due to the increase in interest rates and inflation during the first half of 2023/24. This revaluation led to a decline of TEUR 1,155.

A reorganisation of the Tridonic plant in Dornbirn was announced in mid-October and will result in the reduction of roughly 100 jobs. Staff capacities at the lighting plant in Dornbirn will also be adjusted to reflect the weaker order levels and include the reduction of about 70 jobs. These measures were reflected in the recognition of restructuring costs totalling TEUR 9,108 in 2023/24.

Foreign Currency Translation

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

1 EUR equals	Average exchange rate: Income Statement		Closing rate: Balance Sheet	
	31 October 2023	31 October 2022	31 October 2023	30 April 2023
AUD	1.6503	1.4943	1.6739	1.6664
CHF	0.9651	0.9927	0.9607	0.9839
USD	1.0821	1.0194	1.0619	1.0981
SEK	11.6646	10.6460	11.8275	11.3515
NOK	11.5475	10.1578	11.8735	11.7910
GBP	0.8627	0.8577	0.8737	0.8805

Scope of Consolidation

The condensed consolidated interim financial statements include all major Austrian and foreign companies that are controlled by Zumtobel Group AG. There were no changes in the scope of consolidation during the first half of the 2023/24 financial year; 87 companies were included through full consolidation and one company was included at equity

Selected Notes to the Consolidated Income Statement

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

Revenues

Revenues include an adjustment of TEUR 21,272 (H1 2022/23: TEUR 23,679) for sales deductions. Gross revenues total TEUR 595,689 (H1 2022/23: TEUR 651,449).

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 2023/24

	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
in TEUR					
Cost of materials	(236,027)	(3,183)	(34)	0	(239,244)
Personnel expenses	(95,133)	(86,567)	(24,275)	0	(205,975)
Depreciation	(20,093)	(4,272)	(4,589)	0	(28,954)
Other expenses	(23,671)	(42,282)	(16,488)	(924)	(83,365)
Own work capitalised	5,167	1,265	175	0	6,607
Internal charges	(7,110)	(15,186)	22,296	0	0
Total expenses	(376,867)	(150,225)	(22,915)	(924)	(550,931)
Other income	1,898	383	553	4,554	7,388
Total	(374,969)	(149,842)	(22,362)	3,630	(543,543)

1st Half-Year 2022/23

	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
in TEUR					
Cost of materials	(280,428)	(3,840)	(29)	0	(284,297)
Personnel expenses	(89,444)	(85,831)	(16,542)	0	(191,817)
Depreciation	(19,402)	(6,760)	(1,443)	0	(27,605)
Other expenses	(26,614)	(48,471)	(9,215)	(586)	(84,886)
Own work capitalised	6,553	612	255	0	7,420
Internal charges	(1,659)	(4,247)	5,906	0	0
Total expenses	(410,995)	(148,537)	(21,068)	(586)	(581,186)
Other income	1,865	940	160	1,229	4,194
Total	(409,130)	(147,597)	(20,908)	643	(576,992)

The cost of goods sold includes development costs of TEUR 32,554 (H1 2022/23: TEUR 31,784).

In addition, the cost of goods sold for the first half of 2023/24 include special effects of TEUR –9,108 from the announced restructuring measures in the Lighting and Components Segments. These special effects include TEUR 6,345 of personnel expenses, TEUR 773 of impairment charges and TEUR 1,990 of other costs.

Other Financial Income and Expenses

in TEUR	Q2 2023/24	Q2 2022/23	1 HY 2023/24	1 HY 2022/23
Interest component as per IAS 19 less income on plan assets	(1,238)	(366)	(2,546)	(1,260)
Foreign exchange gains and losses	(1,054)	252	(579)	(830)
Market valuation of financial instruments	1,318	2,083	1,068	(11)
Total	(974)	1,969	(2,057)	(2,101)

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.

Selected Notes to the Consolidated Statement of Comprehensive Income

Actuarial Gain/Loss

The reported actuarial gains of TEUR 1,155 (H1 2022/23: actuarial gains of TEUR 4,869) are attributable to revaluation effects from the Group's pension and termination obligations. They reflect the increase in interest rates and inflation levels during the first half of 2023/24.

Currency Differences

This position consists of translation effects from the conversion of subsidiaries' financial statements (TEUR -1,021; H1 2022/23: TEUR 2,075) and effects from foreign currency-related adjustments to goodwill following the application of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") (TEUR 803; H1 2022/23: TEUR -45). The currency reserve also includes a currency effect of TEUR 43 (H1 2022/23: TEUR 84) from non-controlling interests and currency effects of TEUR 0 (H1 2022/23: TEUR 91) from investments in associates. Also included here are currency differences of TEUR -79 (H1 2022/23: TEUR -94) resulting from an interest rate hedge (net investment hedge).

Currency Differences arising from Loans

The currency differences arising from loans (TEUR 117; H1 2022/23: TEUR -2,371) result from long-term intragroup loans in SEK, GBP and USD, which are classified as net investments in a foreign operation and must therefore be reported under comprehensive income.

Deferred Taxes

The deferred taxes recognised in comprehensive income during the first half of 2023/24 (TEUR 145; H1 2022/23: TEUR -1,624) are related to the provisions for pensions and termination benefits based on actuarial losses as defined in IAS 19 ("Employee Benefits"). Deferred taxes were not recognised for the actuarial losses resulting from a pension plan in a British Group company because the related amounts are immaterial.

Selected Notes to the Consolidated Balance Sheet

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2023.

Goodwill

The application of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") led to foreign currency-based adjustments of TEUR 803 to goodwill in the first half of 2023/24 (H1 2022/23: TEUR -45) which were not recognised through profit or loss. These foreign exchange effects are allocated to assets in the Lighting Segment for segment reporting.

Recoverable Amount

The surplus coverage of the CGU Components totalled EUR 18.1 million (H1 2022/23: EUR 90.2 million).

Effect of possible changes in material assumptions:

In the CGU Components, an increase in the pre-tax WACC from 12.1% to 13.3% (FY: 2023/24), from 11.5% to 17.2% (FY: 2022/23) or a decline of 10.3% in cash flow (FY: 2023/24)/36.5% (FY: 2022/23) would reduce the surplus coverage to zero.

Inventories

The following table shows the various components of inventories:

in TEUR	31 October 2023	30 April 2023
Raw materials	79,065	75,173
Work in process	2,483	2,391
Semi-finished goods	8,012	8,360
Merchandise	26,267	22,875
Finished goods	80,769	85,615
Inventories	196,596	194,414

Trade Receivables

The decline in trade receivables is primarily attributable to the lower volume of business in the Components Segment during the first half-year compared with the end of the 2022/23 financial year.

Current Financial Assets

Current financial assets consist primarily of positive market values from hedges in the form of foreign exchange derivatives (TEUR 977; 30 April 2023: TEUR 426) and also include receivables due from financial institutions from a continuing involvement in a factoring agreement (TEUR 1,663; 30 April 2023: TEUR 1.642).

Other Current Assets

The increase in other current assets resulted chiefly from a higher balance of VAT receivables.

Non-current Financial Liabilities

The increase in non-current financial liabilities is primarily attributable to the draw-down of TEUR 30,000 from the consortium credit agreement to cover higher financing requirements.

Current Provisions

The increase in other current provisions resulted, above all, from additions to the provisions for restructuring.

Current Financial Liabilities

The decline in current financial liabilities resulted chiefly from a reduction of TEUR 12,719 in the use of short-term credit lines.

Other Current Liabilities

The decrease of TEUR 12,193 in other current liabilities resulted from a reduction in bonuses due to employees and a decline in prepayments as well as from an increase in liabilities for rebates and 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

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

31 October 2023

Assets

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current financial assets	5,446	576	4,870	-			
<i>Securities and similar rights</i>	576	576	-	576			576
<i>Loans originated and other receivables</i>	4,870	-	4,870	-			
Current financial assets	2,655	977	1,678	-			
<i>Securities and similar rights</i>	1,663	-	1,663	-			
<i>Loans originated and other receivables</i>	15	-	15	-			
<i>Positive market values of derivatives held for trading</i>	977	977	-	977		977	
Trade receivables	161,319	1,663	159,656	1,663			1,663
Liquid funds	66,735	-	66,735	-			
Total	236,155	3,216	232,939				

Liabilities

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current borrowings	138,949	-	138,949	-			
<i>Loans received</i>	106,919	-	106,919	105,119			
<i>Lease liability</i>	32,030	-	32,030	-			
Other non-current liabilities	-	-	-	-			
Current borrowings	22,676	-	22,676	-			
<i>Loans received</i>	1,663	-	1,663	-			
<i>Working capital credits</i>	9,658	-	9,658	-			
<i>Lease liability</i>	11,355	-	11,355	-			
Trade payables	95,806	-	95,806	-			
Other current liabilities	5,156	4,832	324	4,832			
<i>Negative market values of derivatives held for trading</i>	420	420	-	420		420	
<i>Negative market values of derivatives (hedge accounting)</i>	4,412	4,412	-	4,412		4,412	
<i>Other</i>	324	-	324	-			
Total	262,587	4,832	257,755				

30 April 2023

Assets

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current financial assets	5,336	576	4,760	-			
<i>Securities and similar rights</i>	576	576	-	576			576
<i>Loans originated and other receivables</i>	4,760	-	4,760	-			
Current financial assets	2,084	426	1,658	-			
<i>Securities and similar rights</i>	1,642	-	1,642	-			
<i>Loans originated and other receivables</i>	16	-	16	-			
<i>Positive market values of derivatives held for trading</i>	426	426	-	426		426	
Trade receivables	169,743	1,642	168,101	1,642			1,642
Liquid funds	58,918	-	58,918	-			
Total	236,081	2,644	233,437				

Liabilities

in TEUR	Carrying amount	Accounting at		Fair value	Level 1	Level 2	Level 3
		fair value	amortized cost				
Non-current borrowings	111,038	-	111,038	-			
<i>Loans received</i>	77,536	-	77,536	75,340			
<i>Lease liability</i>	33,502	-	33,502	-			
Other non-current liabilities	-	-	-	-			
Current borrowings	36,436	-	36,436	-			
<i>Loans received</i>	2,025	-	2,025	-			
<i>Working capital credits</i>	22,376	-	22,376	-			
<i>Lease liability</i>	12,035	-	12,035	-			
Trade payables	96,577	-	96,577	-			
Other current liabilities	5,535	5,270	265	5,270			
<i>Negative market values of derivatives held for trading</i>	996	996	-	996		996	
<i>Negative market values of derivatives (hedge accounting)</i>	4,274	4,274	-	4,274		4,274	
<i>Other</i>	265	-	265	-			
Total	249,586	5,270	244,316				

Selected 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.

Transition to Cash and Cash Equivalents

in TEUR	31 October 2023	30 April 2023
Liquid funds	66,735	58,918
Not available for disposal	(59)	(59)
Overdrafts	(9,658)	(22,376)
Cash and cash equivalents	57,018	36,483

Segment Reporting

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

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

2nd Quarter 2023/24

in TEUR	Lighting Segment		Components Segment		Reconciliation		Group	
	Q2 2023/24	Q2 2022/23	Q2 2023/24	Q2 2022/23	Q2 2023/24	Q2 2022/23	Q2 2023/24	Q2 2022/23
Net revenues	230,332	235,027	75,137	93,908	(16,604)	(14,828)	288,865	314,107
External revenues	230,114	234,803	58,751	79,304	0	0	288,865	314,107
Inter-company revenues	218	224	16,386	14,604	(16,604)	(14,828)	0	0
Adjusted Gross profit	91,214	90,608	13,322	20,741	1,510	2,258	106,047	113,607
Adjusted EBIT	26,903	24,915	3,247	8,854	(4,673)	(2,027)	25,477	31,742
Special effects	(1,332)	0	(7,776)	0	0	0	(9,108)	0
Operating profit	25,571	24,915	(4,529)	8,854	(4,673)	(2,027)	16,369	31,742
Investments	12,455	5,325	2,736	3,445	909	3,774	16,100	12,544
Adjusted Depreciation	(9,192)	(9,455)	(3,452)	(3,219)	(1,081)	(1,115)	(13,725)	(13,789)

1st Half-Year 2023/24

in TEUR	Lighting Segment		Components Segment		Reconciliation		Group	
	1 HY 2023/24	1 HY 2022/23	1 HY 2023/24	1 HY 2022/23	1 HY 2023/24	1 HY 2022/23	1 HY 2023/24	1 HY 2022/23
Net revenues	454,450	461,520	152,101	197,062	(32,134)	(30,812)	574,417	627,770
External revenues	454,069	461,012	120,348	166,758	0	0	574,417	627,770
Inter-company revenues	381	509	31,753	30,304	(32,134)	(30,812)	0	0
Adjusted Gross profit	176,843	173,460	28,465	41,617	3,249	3,562	208,556	218,640
Adjusted EBIT	44,170	41,579	5,475	16,499	(9,663)	(7,300)	39,982	50,778
Special effects	(1,332)	0	(7,776)	0	0	0	(9,108)	0
Operating profit	42,838	41,579	(2,301)	16,499	(9,663)	(7,300)	30,874	50,778
Investments	16,054	15,505	5,148	6,680	1,465	5,330	22,667	27,515
Adjusted Depreciation	(19,182)	(18,896)	(6,803)	(6,493)	(2,196)	(2,217)	(28,181)	(27,605)

	Lighting Segment		Components Segment		Reconciliation		Group	
	31 October 2023	30 April 2023	31 October 2023	30 April 2023	31 October 2023	30 April 2023	31 October 2023	30 April 2023
Headcount (full-time equivalent)	3,590	3,657	1,596	1,687	162	159	5,348	5,503

The number of employees reported in the above table includes 50 (H1 2022/23: 173) 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 2023/24	Q2 2022/23	1 HY 2023/24	1 HY 2022/23
Group parent companies	(4,645)	(2,094)	(9,573)	(7,147)
Group entries	(28)	66	(90)	(153)
Operating profit	(4,673)	(2,027)	(9,663)	(7,300)

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.

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

in TEUR	Lighting Segment		Components Segment		Reconciliation		Group	
	31 October 2023	30 April 2023	31 October 2023	30 April 2023	31 October 2023	30 April 2023	31 October 2023	30 April 2023
Raw materials	47,988	44,274	55,713	53,266	0	0	103,701	97,540
Work in process	897	736	1,586	1,654	0	0	2,483	2,391
Semi-finished goods	9,188	8,952	296	353	0	0	9,484	9,304
Merchandise	23,732	22,280	8,712	7,915	0	0	32,444	30,195
Finished goods	48,888	54,028	46,930	45,129	(740)	(649)	95,078	98,508
Impairment loss	(21,634)	(21,632)	(24,960)	(21,892)	0	0	(46,594)	(43,524)
Inventories	109,059	108,639	88,276	86,424	(740)	(649)	196,596	194,414

Related Party Transactions

All business transactions with related persons are based on normal market terms. There were no material supply or service relationships with related parties or persons in the first half of 2023/24.

Contingent Liabilities and Guarantees

The Zumtobel Group has issued bank guarantees totalling TEUR 10,667 (30 April 2023: TEUR 14,735) for various purposes.

Subsequent Events

On 29 November 2023, the Management Board of Zumtobel Group AG decided, with the consent of the Supervisory Board, to repurchase one million shares of Zumtobel Group AG over the stock exchange during the period from 11 December 2023 (inclusive) up to, presumably, 31 January 2025 (inclusive).

No other significant events occurred after the interim balance sheet date on 31 October 2023.

Dornbirn, 6 December 2023

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Erath
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Marcus Frantz
Chief Digital Transformation Officer (CDTO)

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, 6 December 2023

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Erath
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Marcus Frantz
Chief Digital Transformation Officer (CDTO)

We draw attention to the fact that the English translation of this report 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 October 31, 2023. The condensed consolidated interim financial statements comprise the consolidated balance sheet as at October 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period from May 1 to October 31, 2023 as well as the condensed notes to the condensed consolidated interim financial statements that summarize the significant accounting and valuation methods and include other disclosures.

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

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

Scope of the review

We conducted our review in accordance with the professional standards applicable in Austria, in particular KFS/PG 11 "Guidelines for the review of financial statements". A review of financial statements consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements were not – in all material aspects – prepared in accordance with the IFRSs on Interim Financial Reporting as adopted by the EU.

Statement on the interim management report for the Group and on the statement by management pursuant to section 125 BörseG 2018 (Austrian Stock Exchange Act 2018)

We have read the interim 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 interim management report for the Group does not contain any apparent inconsistencies with the condensed consolidated interim financial statements.

The consolidated interim financial report contains the statement by management as set forth under section 125 para. 1 subsec. 3 BörseG 2018.

Vienna
December 6, 2023

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

Disclosure, publication and duplication of the condensed consolidated interim financial statements together with our review report according to section 281 para. 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

General Information

The use of automatic data processing equipment can lead to rounding differences.

Financial Terms

CAPEX	Capital expenditure
Debt coverage ratio	= Net debt divided by EBITDA
EBIT	Earnings before interest and taxes
Adjusted EBIT	EBIT adjusted for special effects
Adjusted EBIT margin	= Adjusted EBIT as a percentage of revenues
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Adjusted EBITDA	EBITDA adjusted for special effects
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 – receivables from credit institutions from a continuing involvement based on the factoring agreement
Working capital	= Inventories + trade receivables – trade payables – prepayments received – customer bonuses, discounts and rebates

Financial Calendar

Interim Report Q1–Q3 2023/24 (1 May 2023 – 31 January 2024)

07 March 2024

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Financial Reports

Our financial reports are available in English and German for download under: <https://z.lighting/>

More Information

on Zumtobel Group AG and our brands can be found on the Internet under: <https://z.lighting/>

Imprint

Publisher: Zumtobel Group AG, Investor Relations, Eric Schmiedchen

Coordination Financials: Bernhard Chromy

Translation: Donna Schiller-Margolis

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Produced in-house with FIRE.sys

Disclaimer

This quarterly report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. These statements on future developments are normally characterised by expressions like "preview", "outlook", "believe", "expect", "estimate", "intend", "plan", "goal", "evaluation", "can/could", "become" or similar terms or can be interpreted as a statement on future developments because of the context. The statements on future developments are not to be understood as guarantees. On the contrary, future developments and results are dependent on a wide range of factors and connected with various risks and incalculable events. They are also based on assumptions that may prove to be incorrect. Included here, for example, are unforeseeable changes in the political, economic and business environment, especially in the regions where the Zumtobel Group operates as well as the competitive situation, interest rates and foreign exchange rates, technological developments and other risks and incalculable events. Risks may also arise as a result of price developments, unforeseeable events in the operating environments of acquired companies or Group companies as well as ongoing cost optimisation programmes. Neither the Zumtobel Group nor any persons involved in the preparation of this quarterly report accepts any liability whatsoever for the correctness and completeness of the statements on future developments contained in this report. The Zumtobel Group does not plan to update these forward-looking statements. The quarterly report is also presented in English, but only the German text is binding. This quarterly report does not represent a recommendation or invitation to buy or sell securities issued by the Zumtobel Group.