

publication: 03.09.2013 07:30
source: <http://adhoc.presstext.com/news/1378186200791>
keywords: quarterly result / Zumtobel AG / Zumtobel Group

Adhoc announcement according to article 48d section 1 BörseG

Zumtobel AG: Report on the 1st Quarter 2013/14 (May - July 2013)

Zumtobel Group reports substantial improvement in adjusted operating earnings

Dornbirn (pta006/03.09.2013/07:30) - In the first quarter of the current financial year (May-July 2013) the Zumtobel Group posted a further improvement in operating earnings despite a moderate downturn in revenues. In what was still a difficult economic environment, first-quarter Group revenues fell by 4.4% year-on-year to EUR 309.3 million (prior year: EUR 323.4 million). Revenues from the sale of innovative LED products continued their progress, totalling EUR 89.3 million in the first three months. This equates to an increase of 49.7% and the LED share of Group revenues now stands at 28.9% (prior year: 18.4%).

A breakdown by segment reveals shifts in the patterns of growth in Q1. For the Components Segment (Tridonic brand) there was the first return to growth in seven quarters. For the first time, growth in LED products (+56.4%) more than offset the declining demand for magnetic and electronic ballasts. In all, segment revenues rose by 1.6% to EUR 99.7 million (prior year: EUR 98.1 million). Revenues in the Lighting Segment (Zumtobel / Thorn brands) by contrast remained impacted by the disappointing development of the commercial construction sector. Segment revenues declined by 5.4% in the first quarter to EUR 229.9 million (prior year: EUR 243.0 million).

Despite the downturn in revenues, operating earnings adjusted for special effects (adj. EBIT) showed a 40.7% rise year-on-year, reaching EUR 17.7 million (prior year: EUR 12.6 million). That equates to a return on sales of 5.7% (prior year: 3.9%). Both segments benefited from the restructuring measures implemented in the previous year, which focused on aligning cost structures with the lower level of revenues and on the ongoing development of the product portfolio. In addition, the company benefitted from reductions in the cost of materials. The exit from magnetics technology decided in June led to negative special effects of EUR 6.9 million being recognised in the first quarter of 2013/14. As a result, net profit for the period fell from EUR 8.6 million in the prior-year period to EUR 6.7 million.

Thanks to systematic inventory and receivables management, working capital totalled EUR 223.7 million, which is substantially lower than the comparable prior-year level (EUR 258.6 million). This led to a further improvement in free cash flow which totalled minus EUR 23.4 million (prior year: minus EUR 27.1 million). The quality of the balance sheet structure remains nearly unchanged. The equity ratio declined slightly from 35.9% on 30 April 2013 to 35.6% on 31 July 2013. Against the balance sheet date, seasonal factors led to an increase of EUR 35.1 million in net liabilities to EUR 148.3 million (Q1 prior year: EUR 158.4 million) and resulted in a deterioration in gearing - the ratio of net liabilities to equity - from 31.7% on 30 April 2013 to 42.3%.

The macroeconomic environment has not changed fundamentally since the presentation of results for the 2012/13 financial year two months ago. There are no signs of an easing in the current economic tensions and visibility remains very low. In light of the high forecast uncertainty, a reliable estimate for revenues and earnings is not possible at the present time. In addition to cost efficiency, activities for the current financial year will focus above all on the strategic development of the Zumtobel Group's brands.

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