Annual Financial Report 2007/08 Zumtobel AG

1 May 2007 to 30 April 2008

zumtobel group

Five-Year Overview

in EUR million	2007/08	2006/07	2005/06*	2004/05	2003/04
Revenues	1,282.3	1,234.0	1,168.0	1,129.2	1,142.2
Adjusted EBITDA	162.2	154.1	137.7	132.0	125.4
as a % of revenues	*12.7*	*12.5*	*11.8*	*11.7*	*11.0*
Adjusted EBIT	123.0	112.3	99.1	90.1	73.2
as a % of revenues	*9.6*	*9.1*	*8.5*	*8.0*	*6.4*
Net profit for the year	93.5	103.6	49.5	29.1	12.6
as a % of revenues	*7.3*	*8.4*	*4.2*	*2.6*	*1.1*
Total assets	1,105.9	1,145.4	1,085.8	1,023.0	1,057.3
Equity	514.2	441.6	187.8	173.6	147.2
Equity ratio in %	*46.5*	*38.6*	*17.3*	*17.0*	*13.9*
Net debt	129.0	185.7	356.1	397.1	447.1
Cash flow from operating results	166.0	173.8	128.8	102.1	101.6
ROCE in %	18.9	17.3	15.9	14.8	11.5
Investments	66.0	54.3	49.6	45.9	34.8
as a % of revenues	*5.1*	*4.4*	*4.2*	*4.1*	*3.1*
Headcount (full-time equivalent)	7,708	7,480	7,182	7,000	7,643

See section 5. Service – Financial terms for the definition of the above indicators.

* The figures were adjusted to reflect the application of IFRS 5 and IAS 19

Contents

1. Group Management Report

Contents

1. Group Management Report

The Zumtobel Group is utilising the option provided by § 267 (4) of the Austrian Commercial Code in connection with § 251 (3) of the Austrian Commercial Code for the first time in the 2007/08 financial year. This option permits the combination of the Group management report and the management report of Zumtobel AG into a common document.

1.1 The Zumtobel Group – An Overview

"We have a common vision: We aim to be the world authority on lighting."

The Zumtobel Group is aiming to become the recognised worldwide authority in the lighting industry. Driven by this vision, the Zumtobel Group is working to further strengthen its position as a global player and the innovation leader in the industry. By making use of synergies, boosting efficiency and optimising processes, the aim is to further enhance the earnings power of the Zumtobel Group and become the global industry benchmark in terms of profitability and quality.

1.1.1 Group structure: brands and divisions

The Group is pursuing a multi-brand strategy, addressing different fields of business and customer target groups in the lighting marketplace through a combination of strong internationally established and young newly created brands. One aspect common to all the Group's brands is their unremitting focus on innovation and new technologies, as well as on energy efficiency and sustainability.

Zumtobel AG serves as the parent company of the Group and provides a wide range of management and service functions across the Group. These include strategy and corporate development, human resources, corporate accounting, taxes and legal, internal audit, insurance, treasury, IT, corporate communications and investor relations.

Until the end of the reporting year, the Group's operations were handled by the Zumtobel Lighting Division and the TridonicAtco Division. Each division has its own marketing and sales organisation, as well as a production and purchasing network. The Zumtobel Lighting Division – with the Zumtobel and Thorn brands as well as the much smaller OEM brand Reiss – covers the professional luminaire, lighting management and lighting solutions business for indoor and outdoor applications. The Zumtobel and Thorn brands are differentiated by their portfolios, their customer target groups and their way to market, and thus ensure broad coverage of the international luminaire market. Under the brand name TridonicAtco, the division of the same name is a leading manufacturer of components for the OEM sector. The division manufactures lighting components and management systems, LED modules and systems and connection technology. The TridonicAtco Division ships most of its products to luminaire manufacturers around the world, but also supplies internal customers within the Zumtobel Lighting Division, who account for 17% of its revenues.

Effective 1 May 2008, the structure of the Group was revised: in order to generate the best possible response to the opportunities and challenges that the new LED light sources represent, the Group created the Zumtobel LED Division to act as an internal specialist for this key technology of the future. As an internal technology provider, the LED Division supports all of the Group's brands and through the Ledon brand will be opening up new fields of application and accessing new customer target groups for trendsetting LED lighting solutions. Also effective 1 May 2008, the Zumtobel Residential Division was established. Through the Zumtobel Lighteriors brand, this division will handle the development and sale of high-end luminaires for private residential applications. As well as building up a profitable business with high-quality residential luminaires, the aim here is to further reinforce the image of the core Zumtobel brand. In the course of these organisational measures, the TridonicAtco Division was renamed the Zumtobel Components Division.

For subgroup reporting purposes, the two segments "Luminaires" and "Components" will continue to feature separately. The Luminaires segment comprises the Zumtobel Lighting Division, the Zumtobel Residential Division and part of the Zumtobel LED Division. The Components segment comprises the Zumtobel Components Division and the remainder of the Zumtobel LED Division.

1.1.2 Management of the Group

The Management Board of Zumtobel AG is responsible for the direction and management of the Zumtobel Group. The operations of the divisions are managed by the respective divisional management teams, which report directly to the Management Board. The activities of the divisions and their strategic direction are guided and supported by the Management Board in the course of regular meetings with divisional management.

The operating management of the Zumtobel Group is generally based on three key financial indicators: the growth of revenues, earnings before interest and taxes (adjusted EBIT) and working capital. Return on capital employed (ROCE) serves as the comprehensive indicator. To reflect the importance of technology and innovation for the Group, the range of management instruments has been expanded to include the use of resources for research and development, the capacity for innovation – reflected by the new product rate – as well as investments in tangible assets (capex). Throughout the Group, these indicators are used when setting targets and measuring performance, broken down for the respective area of responsibility. A system of performance control for the Group and its divisions, based on the balanced scorecard principle, is currently being set up.

1.1.3 Corporate strategy and goals

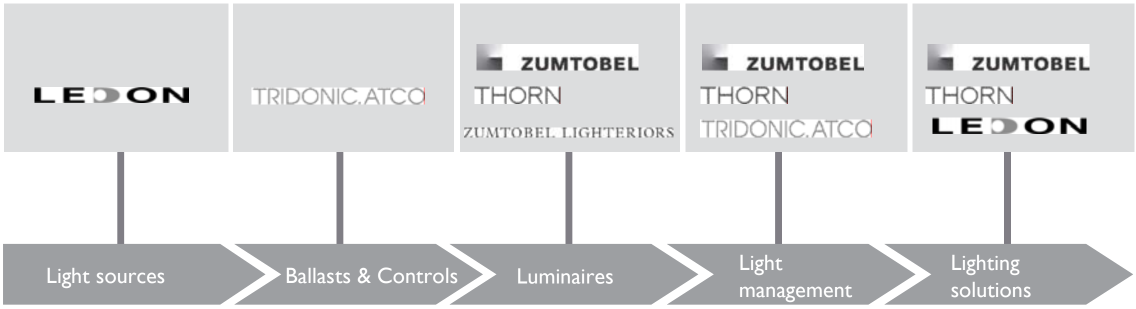
As a group of leading lighting brands and lighting producers, Zumtobel develops and markets comprehensive professional lighting solutions, luminaires, light management systems and lighting components for a wide range of interior and exterior applications. Driven by innovation and quality in all business processes, the Zumtobel Group aims to establish and maintain a position as the preferred supplier for its many customers throughout the world. The highest standards for quality and service make it possible for Zumtobel to not only meet but also exceed the expectations of customers. A willing acceptance of its responsibility for the environment and society is reflected in the everyday conduct of business by the Group.

The primary objective of the Zumtobel Group is to offer all its stakeholders – shareholders, customers and employees – an attractive long-term perspective as a successful and independent corporation that is focused on the subject of light.

This claim to a leading position on the international lighting market is based on the Group's standing as one of the most important technological innovators for the development of lighting solutions, products and services. In addition, the Zumtobel Group positions itself with its various brands in a worldwide network of decision-makers and opinion leaders that includes architects, the lighting industry, investors, wholesalers, municipalities, specifiers, planners and engineers involved in building construction and infrastructure projects. These channels have allowed the Zumtobel Group to develop a range of competitive advantages as a global player with a presence in selected regions and participation in international lighting projects. The Group currently operates 24 plants on four continents and cooperates with sales companies and partners in over 70 countries.

The expertise of the Zumtobel Group ranges from professional interior and exterior lighting, light management and emergency lighting systems to lighting components, LED and, in the future, will also include exclusive lighting for residential areas. The activities of the Zumtobel Group in the lighting sector cover the following areas of application: office and communication, education and science, industry and engineering, presentation and retail, art and culture, sport and leisure, hospitality and wellness, health and care, transit areas and car parks, orientation and safety as well as exterior lighting for streets, tunnels and public areas. In the component business, the Group positions itself as an innovative supplier with a broad-based product range through the TridonicAtco brand.

The five-step value added chain in the field of professional lighting is covered in full by the divisions and brands of the Zumtobel Group. In the areas of lighting sources, the Group concentrates exclusively on LED technology.



Size and financial power provide the Zumtobel Group with a solid foundation to expand its leading role in production, research and development. Economies of scale have created numerous advantages in the areas of technology, innovation and efficiency improvement, above all in competition with many small and mid-sized lighting producers.

The Zumtobel Group intends to play a key role in the development of the lighting industry through acquisitions as well as the establishment of LED technology and participation in the design of effective legal regulations to support energy-efficient lighting.

Growth

The Zumtobel Group utilises its position as a supplier of integrated lighting solutions to create new trends and transform these trends into new applications and concepts. This ability represents the primary driver for organic growth.

LED as the technology of the future

One of the key issues that will determine the future direction of the lighting industry is the potential of LED (light-emitting diode) technology: an enormous increase in performance and parallel decline in the cost of LED chips have also significantly increased the importance of LEDs for professional lighting. In applications such as emergency or advertising lights, the substantially lower maintenance and operating costs now justify the higher initial investment, which is generally offset by the realised savings within a brief period. In addition, the semi-conductor properties and smaller size of LED lights have opened a wide range of new opportunities for product design and functionality. The Zumtobel Group intends to utilise these opportunities as an application specialist in close cooperation with architects, designers and lighting planners. From a technological standpoint, the Group has positioned itself with a clear focus on white LED light. Zumtobel plans to realise above-average growth to over EUR 100 million with LED technology by 2010/11 (2007/08 financial year: approx. EUR 37 million).

Energy-efficiency as a growth driver

The subject of lighting is receiving greater attention in connection with energy savings and the reduction of CO_2 emissions. The prohibition on the use of traditional light bulbs in Australia has triggered a useful discussion at the international level: lighting is currently responsible for 19% of worldwide energy consumption. The most promising opportunities for energy savings (69%) can be found in the commercial sector, e.g. in office buildings, factories and exterior lighting – in other words, applications that form the core expertise of the Zumtobel Group. Beyond the prohibition of light bulbs (the lighting solutions developed by the Zumtobel Group are based almost exclusively on more energy-efficient lamps, such as fluorescent tubes or metal halide lamps), lighting systems carry a significantly greater potential for energy savings that ranges up to 80% of electricity consumption. This potential can be realised through the combination of various optimisation measures, beginning with the design of the luminaire and the improvement of thermal management and light distribution (reflector surfaces, reflector profiles, diffuser optics etc.) to the use of dimmable electronic ballasts as a substitution for their significantly less efficient magnetic counterparts and the use of intelligent control systems that focus on time management and presence detection to optimally regulate light levels. Energy-efficient products are responsible for over 70% of Group revenues generated by the lighting business, while the comparable figure for the component business is over 60%. The development of this business is supported by marketing campaigns such as the Humanergy Balance at Zumtobel, Performance, Efficiency & Comfort at Thorn and Ecolution at TridonicAtco.

Politics has also recognised the enormous potential for CO_2 reduction that can be realised through energy-efficient professional lighting. The European Union has defined a framework with its directives regarding the energy performance of buildings, the efficiency of energy using products and energy service, and the successive implementation of these regulations into national law is expected to create additional demand. The Zumtobel Group helps to design and accompanies this legislative process through the activities of its CEO as chairman of the presidium of the Federation of National Manufacturers Associations for Luminaires and Electrotechnical Components for Luminaires in the European Union (CELMA) as well as its participation in other professional associations.

The Zumtobel Group offers an extensive and complete range of services and products, which support the realisation of energy savings and also meet demands for improved lighting comfort. The increased cost of higher quality and more energy-efficient lighting solutions is offset by lower maintenance costs, the longer service life of lamps and significantly reduced electricity consumption within only a few years.

Expansion strategy and acquisitions

The Zumtobel Group is continuing to develop and expand its international sales network, which is comprised of sales subsidiaries in large or potentially stronger markets as well as specialist teams that manage international projects and the key account business and also operate in countries where the Group does not have its own sales organisation. Special focus is placed on the strategic growth regions in Eastern Europe, China, Hong Kong, Singapore, India and the Middle East.

Additional growth is realised through selected acquisitions, which are analysed on the basis of three major criteria: regional expansion, innovative applications and new technologies. The goal is to create added value within the existing international sales and production network through the utilisation of synergies, market opportunities and application know-how.

Zumtobel continued its regional expansion during the 2007/08 financial year with the acquisition of sales companies in India, Hungary and Denmark. Similar transactions could also take place in several West European countries to fill the "white spots" in the sales network as well as in Eastern Europe and Asia if suitable acquisition targets can be identified.

The product portfolio in the applications area was enlarged with the acquisition of OY light, a specialist for premium residential lighting segment, and the takeover of SpaceCannon, a development expert for LED-based exterior, facade and event lighting.

In the technology area, my-tronic GmbH was successfully integrated in the Zumtobel Group during the reporting year. This company was acquired in January 2007 and is specialised in LED media communications facades.

A low debt ratio gives the Zumtobel Group a solid balance sheet structure. In June 2008 a new credit agreement was signed with a bank consortium, which will provide up to EUR 280 million of additional funds that can be drawn if required over the five-year term. This credit facility will create the necessary financial latitude for further strategic steps.

Improvement in profitability

The Zumtobel Group continues to pursue a variety of measures to improve efficiency and strengthen cost discipline. The next milestone for the European production network will be the planned start of full operations at the new plant in Spennymoor (UK) by December 2008, which represents one of the last steps in the master plan to upgrade the Group's lighting production facilities. The increasing utilisation of capacity at the Asian and East European plants will improve the Group's cost structure and also ensure a stable production basis for the successful development of the project business in these regions. An additional increase in production and logistics efficiency will be supported by numerous measures to optimise processes, increase automation and further concentrate procurement activities as well as the introduction of the Lean Six Sigma method to the Zumtobel Lighting Division, which has already proven its success in the TridonicAtco Division.

In the sales area, the know-how and training of employees represent key elements for the success and earning power of the lighting solutions business. Systematic product lifecycle management transforms the Group's intensive commitment to research and development into an innovative, state-of-the-art product portfolio. Sales processes focus on customer orientation and high-quality service and are supported by regular investments in the IT infrastructure, while improvements in the administrative area pursue lean, standardised and cost-efficient processes.

Market position

Zumtobel is the European market leader for professional lighting systems. The Group also holds a leading position on the worldwide market for lighting components and lighting management systems, and is one of the few global players in the international lighting industry. Roughly 80% of Group revenues are generated in Europe. A wide-ranging sales force places the Group close to its customers and also supports strong contacts with key decision-makers and opinion leaders.

Long-term goals

Zumtobel is convinced that innovation is the key to future success and has therefore set a mid-range goal to generate roughly 30% of revenues with new products that are not older than three years. As the technology and innovation leader in the industry, the Zumtobel Group intends to expand its market presence through its strong brands. The target for growth is to outperform the commercial construction sector in Europe and record a double-digit increase in selected global markets. The Group has set a target to generate revenues of EUR 1.5 billion over the mid-term, with the future-oriented LED technology providing EUR 100 million of this total. Selected acquisitions will provide added support for this growth.

The Zumtobel Group has also set ambitious goals for earnings. Growth and the realisation of further synergies and efficiency improvements, above all through the Group-wide implementation of the Lean Six Sigma method and the continuous development of the product portfolio, are expected to support a steady increase in earning power. Assuming a positive economic environment, the initial goal of the Group is to achieve a double-digit EBIT margin and subsequently raise this margin to 12% over the long-term.

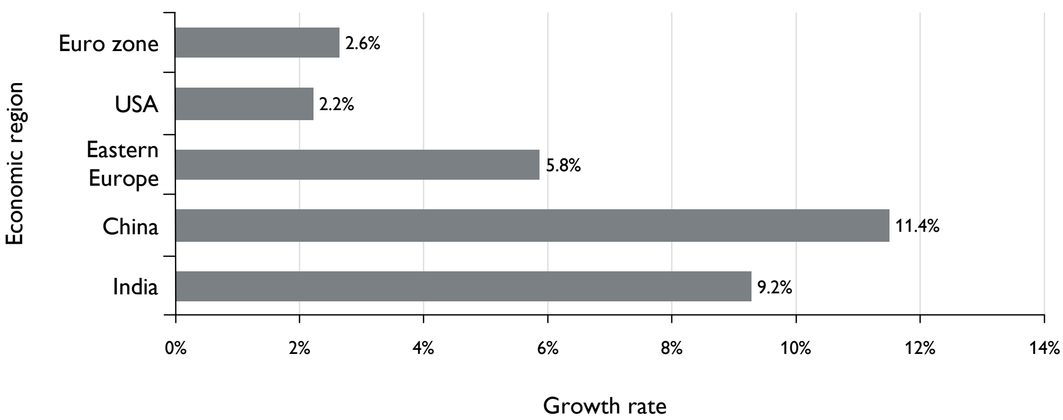
1.2 General Economic Environment

Global economy influenced by financial market crisis and high momentum in emerging countries

The economic climate during the reporting year of Zumtobel AG (1 May 2007 to 30 April 2008) was influenced by the crisis on international financial markets as well as continuing momentum in the emerging countries and a sharp rise in the value of the euro. Reports on the global economy were dominated by positive indicators up to the beginning of July 2007, but subsequently shadowed by the effects of the subprime crisis, especially in the USA and other western industrialised countries. The pace of growth in the emerging countries remained largely untouched by this crisis, which allowed the worldwide economy to realise growth of 4.9% in 2007 according to reports by the International Monetary Fund (IMF).

In the USA, a significant slowdown in the wake of the credit crisis limited growth to 2.2% in 2007. The euro zone was able to generate slightly higher growth of 2.6% for the year according to the Organisation for Economic Cooperation and Development (OECD). In Germany the Federal Ministry for the Economy and Technology reported a plus of 2.5% (price-adjusted) in the gross national product. Great Britain recorded an increase of 3.1% according to the IMF. However, the development of the global economy was driven primarily by momentum in the emerging countries of Asia and Eastern Europe, with growth reaching 11.4% in China, 9.2% in India and 5.8% in Central and Eastern Europe.

Economic growth 2007



Reports by the OECD on the first quarter of the 2008 calendar year show a steady weakening of growth, above all in the USA. Even though this period was better than originally forecasted with a plus of 1.0%, the remainder of the year is expected to initially bring a further decline. A similar pattern is reflected by developments in the euro zone (plus 3.1%) and in the 30 OECD member countries (plus 2.1%) for the first quarter of the 2008 calendar year. Lower growth rates during the remaining months of 2008 will most likely follow this sound start.

1.3 Significant Events since 30 April 2007

Conclusion of plant merger in Australia

The new lighting plant in the west of Sydney started operations at the end of May 2007, and the sale of the former plant site in Smithfield took place during the second quarter of 2007/08. The merger of these two previously separated lighting production facilities represents an important milestone in the restructuring project for Zumtobel's lighting activities in Australia, in spite of the operational difficulties incurred during the start-up of this facility.

"LITE" property project: construction in Spennymoor proceeding quickly

Following the start of construction in July 2007, the building shell for the new plant in Spennymoor (UK) was completed during April 2008. The interior construction is proceeding on schedule and is expected to be finished by autumn 2008. The relocation of production to the new facility will take place successively and should be completed by the end of the 2008 calendar year. Rationalisation measures connected with this project led to the recognition of special effects totalling EUR 2.0 million as expenses in 2007/08, which are comprised primarily of severance payments. Plans call for the sale of the former plant site during 2008, if the market conditions are attractive.

Expansion in growth markets

In order to better focus on the above-average growth in India, the eleventh largest lighting market in the world, the Group increased its investment in Thorn India Pvt. Ltd. from 10% to the current level of 70% during May 2007. This sales organisation with over 40 employees generated revenues of approximately EUR 6.8 million in 2007/08.

The previous sales partner in Hungary was acquired as of 1 October 2007. Following a change in the name of the company to Zumtobel Lighting Kft., these 10 employees will support the Group's efforts to utilise the growth opportunities on the Hungarian market and increase annual revenues over the current level of approximately EUR 5 million.

A further milestone in the development of the regional sales network was set on 5 December 2007 with the acquisition of a majority stake in Lightmakers A/S, the previous Zumtobel sales partner in Denmark.

In order to strengthen its activities in the premium residential lighting segment, Zumtobel acquired OY light, Milan, through a purchase contract dated 1 April 2008. This company previously recorded revenues of less than EUR 1.0 million. The acquisition is intended to form the basis for the development of an independent business in the area of exclusive interior lighting. The takeover of OY light will expand the product portfolio of Zumtobel Lighteriors, and also provide access to a flexible supply chain and an agency structure that is directed to the retail business. Zumtobel will take on management responsibility for this company as of 1 May 2008.

1.4 Significant Events after the Balance Sheet Date

Acquisition in new areas of application

The Zumtobel Group announced a further acquisition in April 2008, which will be included in the financial statements beginning in May 2008: the takeover of SpaceCannon, a company located in Alessandria / Piedmont. This company is specialised above all in LED-based lighting solutions for exterior, facade and event lighting, and generates annual revenues of approximately EUR 7 million with nearly 50 employees. SpaceCannon will be integrated into the newly created Zumtobel LED Division, the Group specialist for LED technology.

New credit agreement secures long-term financing

On 12 June 2008 the Zumtobel Group concluded a credit agreement with a consortium of seven banks. This agreement has a term of five years and a maximum volume of EUR 480 million. The funds will be used in part as of 30 June 2008 to refinance the outstanding balance of EUR 200 million on the long-term loans that were concluded in 2001 for the Thorn acquisition, prior to the original due date on 31 December 2009.

The remaining credit line of EUR 280 million will be available to finance growth projects and acquisitions, and is currently not in use.

No other significant events occurred during the reporting period or after the balance sheet date.

1.5 Related Party Transactions

Related parties include the Management Board and Supervisory Board of Zumtobel AG. As of the balance sheet date on 30 April 2008, there were no business relations with related parties.

The Group has concluded supply and delivery agreements with associated companies and joint ventures, which reflect normal market conditions.

1.6 Review of Operations

1.6.1 At a glance

The Zumtobel Group can look back on a successful year in 2007/08, which brought a further increase in both revenues and operating profit.

Revenues rose by 3.9% year-on-year to EUR 1,282.3 million, or by 5.5% after an adjustment for negative foreign exchange effects. With this growth, the Zumtobel Group has again outperformed the commercial construction sector in Europe by a substantial margin.

Adjusted EBIT increased 9.5% to EUR 123.0 million. Expressed as a percentage of revenues, this represents an EBIT margin of 9.6%. Financial results reflected a significant charge of EUR 9.8 million, in part due to the strong impact of foreign currency fluctuations.

Net profit for the 2007/08 financial year (including minority interests) totalled EUR 93.5 million. Prior year net profit was higher at EUR 103.6 million, above all due to non-recurring income of EUR 9.4 million from the sale of the airfield business.

Free cash flow doubled to EUR 111.8 million.

1.6.2 Revenues

- Solid 5.5% growth excluding foreign exchange effects
- Repercussions of the financial market crisis
- Currency translation effects reduce growth by EUR 20 million
- Positive development in both divisions
- Price increase on magnetic products due to higher cost of materials
- Increase of 80% in LED technology
- Revenues in Europe exceed EUR 1 billion for first time
- Overseas regions below expectations

Revenues recorded by the Zumtobel Group in 2007/08 (1 May 2007 to 30 April 2008) rose by 3.9% over the prior year to EUR 1,282.3 million. This growth was negatively influenced by currency translation effects of minus EUR 20.0 million or 1.6%. After an adjustment for these foreign exchange factors, the increase in revenues equalled 5.5%.

Solid 5.5% growth excluding foreign exchange effects

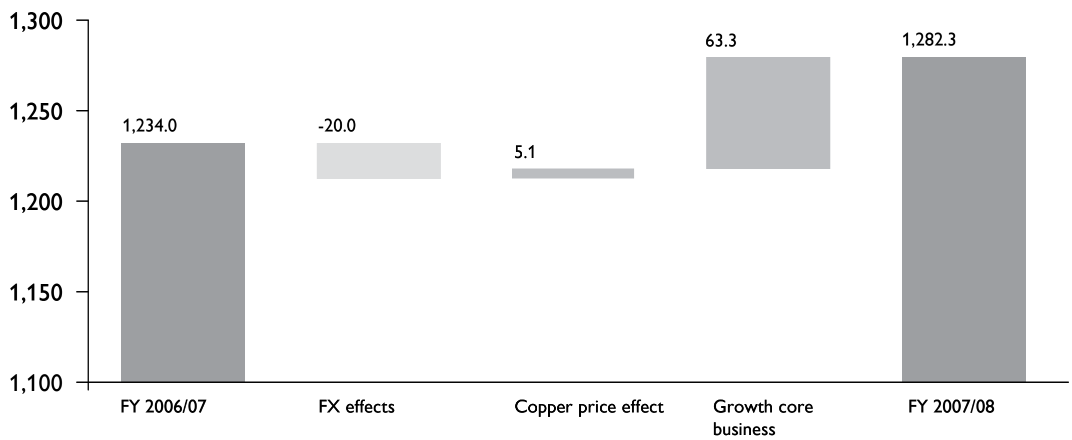
Repercussions of the financial market crisis

The financial market crisis was responsible for the steady unfavourable development of foreign exchange rates in relation to the euro beginning with October 2007. As a result, the reporting year was split into two very different six-month periods. During the first half-year (May to October), the growth rate reached 6.5% and foreign exchange effects were relatively minor at minus EUR 1.6 million. In the second six months (November to April), the sharp rise in the value of the euro led to negative translation effects of EUR 18.3 million in relation to the comparable prior year period and limited the growth in revenues to 1.3%. Additionally, the growing uncertainty of customers over the latest turbulence on capital markets and a lack of confidence over the development of the economy were reflected in the increasing volatility of monthly growth rates during the second half-year.

Currency translation effects reduce growth by EUR 20 million

This foreign exchange effect resulted from the strong rise in the value of the euro, above all in relation to the British pound (GBP): the Zumtobel Group generates revenues of roughly GBP 175 million in Great Britain. The increase in the value of the euro – also reflecting the use of average exchange rates for the year – led to a reduction of 5.4% or EUR 13.9 million in revenues. Further negative effects of EUR 9.0 million resulted from a decline in the value of revenues recorded in US dollars, most of the Asian currencies and the Swiss frank (CHF). These developments were only offset to a lesser extent (plus EUR 3.0 million) by positive effects from the Australian dollar (AUD), New Zealand dollar (NZD) and several East European currencies. The translation effect across all currencies was negative at EUR 19.9 million.

Development of revenues (in EUR million)



Positive development in both divisions

The Zumtobel Lighting Division was affected to an above-average degree by foreign currency translation, effects which reached EUR 16.8 million in 2007/08. Revenues therefore rose by only 2.9% to EUR 948.9 million for the reporting year (2006/07: EUR 921.9 million). After an adjustment for these foreign exchange effects, the increase in revenues equalled 4.8%.

Price increase on magnetic products due to higher cost of materials

The development of business in the TridonicAtco Division was negatively affected by only EUR 3.2 million of foreign exchange effects, but favourably influenced by a EUR 5.1 million increase in the price of magnetic ballasts (1.3% growth). However, this price increase was only able to partly offset the higher purchase cost of copper, which represents a key material for these components. The technological substitution effect in the ballast sector remained unchanged during the reporting year: the strong increase in sales volumes of the technologically more sophisticated, higher priced electronic ballasts was more than able to compensate for the decline in sales volumes of magnetic ballasts. The TridonicAtco Division recorded growth of 5.7% in revenues to EUR 400.4 million for 2007/08, thereby exceeding the EUR 400 million-mark for the first time:

Division development in EUR million	2007/08	2006/07	Change in %
Zumtobel Lighting Division	948.9	921.9	2.9
TridonicAtco Division	400.4	378.9	5.7
Other & Consolidation	(66.9)	(66.8)	(0.1)
Zumtobel Group	1,282.3	1,234.0	3.9

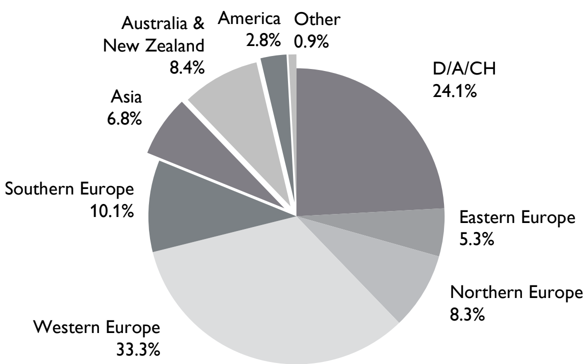
Increase of 80% in LED technology

The Zumtobel Group also set a further milestone during the reporting year in the development of business with the future-oriented light-emitting diode (LED) technology. In addition to the use of LED modules, above all in advertising lighting, Zumtobel was also able to establish a position as a supplier of integrated LED-based lighting solutions. This successful positioning was made possible by rapid technological improvements in the light output of LEDs as well as the Group's own development work. At the Stadioncenter Wien, the largest LED project realised by the Zumtobel Group to date, and the BMW Museum in Munich, the Zumtobel Group successfully combined its expertise in the creation of lighting solutions with proven application know-how in the area of LED technology. Revenues from LED-based products and solutions rose by 80% to EUR 37. 1 million in 2007/08 (2006/07: EUR 20.6 million).

Distribution of revenues by region

2007/08	Growth +- in %	Revenues in EUR million
D/A/CH	5.7	308.9
Eastern Europe	9.9	67.9
Northern Europe	7.6	106.9
Western Europe	4.2	427.4
Southern Europe	9.1	129.9
Europe	5.9	1041.0
Asia	(6.5)	87.4
Australia & New Zealand	4.1	107.5
America	(14.6)	35.5
Others	(16.7)	10.9
Total	3.9	1,282.3

Distribution of regional turnover



Revenues in Europe exceed EUR 1 billion for first time

The Zumtobel Group recorded revenues of EUR 1,041.0 million in Europe, which represent 81% of total Group revenues. The growth rate in this key economic region equalled 5.9% for the reporting year, and 7.6% after an adjustment for foreign exchange effects.

The strongest growth in the D/A/CH region (Germany, Austria and Switzerland) was reported by Germany, but Switzerland was able to generate further growth in spite of negative foreign exchange effects. Revenues in the growth market of Eastern Europe rose by 9.9% to EUR 67.9 million. The development of business in Northern Europe was sound, in particular with a further stabilising of the turnaround in Norway. In Western Europe, the Thorn brand was able to record significant revenue improvement in Great Britain after an unsatisfactory prior year and developments in France remained positive. After an adjustment for translation effects resulting from the devaluation of the British pound (GBP), the growth in Western Europe totalled 7.6%.

Overseas regions below expectations

The situation in Asia is not satisfactory: in addition to a year-on-year decline in revenues from major projects in China, the development of business in the Zumtobel Lighting Division was also negatively influenced by a far-reaching halt to construction activity in Macao, which was triggered by an internal political affair, as well as a significant slowdown to the public tender process in Hong Kong. After a decline in revenues during the first three quarters, the Zumtobel Group was able to realise a slight revenue increase in the fourth quarter of the reporting year from project deliveries.

In the American region, a 10% drop in the value of the US dollar (USD) was responsible for the major component of the decline in revenues. The difficult economic environment in the USA also made it impossible for the Zumtobel Group to realise major projects of the scope completed in previous years. In Australia/New Zealand revenues increased 4.1% in 2007/08, supported by positive foreign exchange effects of 2.5%.

1.6.3 Earnings

>> Adjusted EBIT rises by EUR 10.7 million
>> Gross profit margin increases to 38.2%
>> Production costs improve despite wage increases and higher material prices
>> Overseas lighting business below expectations
>> Net interest expense declines to EUR 4.2 million
>> Financial results negatively influenced by strong euro
>> Income from deferred taxes

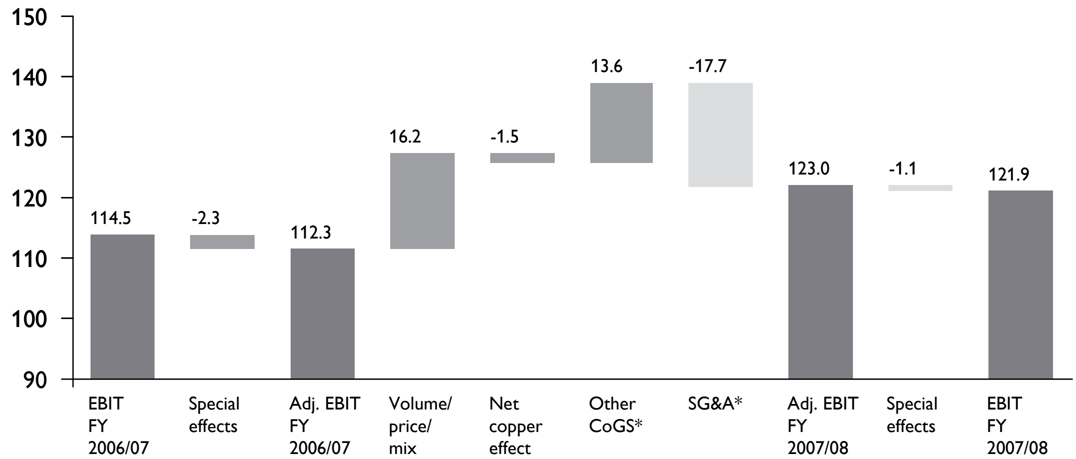
Income Statement in EUR million	2007/08	2006/07	Change in %
Revenues	1,282.3	1,234.0	3.9
Cost of goods sold	(792.9)	(772.9)	(2.6)
Gross profit	489.5	461.1	6.2
as a % of revenues	*38.2*	*37.4*	
SG&A expenses adjusted from special effects	(366.5)	(348.8)	(5.1)
Adjusted EBIT	123.0	112.3	9.5
as a % of revenues	*9.6*	*9.1*	
Special effects	(1.1)	2.3	<(100)
EBIT	121.9	114.5	6.4
Financial results	(34.0)	(24.2)	(40.1)
Profit before tax	87.9	90.3	(2.7)
Income taxes	6.1	3.9	0.6
Net profit for the year for discontinued operations	(0.5)	9.4	<(100)
Net profit for the year	93.5	103.6	(9.8)
thereof due to shareholders of the parent company	93.0	103.2	(9.9)
Depreciation and amortisation adjusted for special effects	39.3	41.8	(6.1)
Earnings per share (in EUR)	2.09	2.34	(10.8)

Note: EBITDA (EBIT plus depreciation and amortisation) equalled EUR 161.1 million in 2007/08

Adjusted EBIT rises by EUR 10.7 million

EBIT adjusted for special effects rose by EUR 10.7 million or 9.5% to EUR 123.0 million in 2007/08 (2006/07: EUR 112.3 million). This figure also represents a year-on-year improvement of 50 basis points in the return on sales to 9.6%.

Development of adjusted EBIT (in EUR million)



Gross profit margin increases to 38.2%

Gross profit rose by EUR 28.4 million to EUR 489.5 million in 2007/08, and the gross profit margin increased 80 basis points to equal 38.2% of revenues. The improvement in gross profit was supported above all by additional contribution from the growth in revenues as well as increased efficiency in the area of production costs.

Net copper effect

The net copper effect (increases in the selling prices of magnetic ballasts less higher costs for copper purchases) had a negative influence of EUR 1.5 million on earnings in comparison with 2006/07.

Production costs improve despite wage increases and higher material prices

Other production costs (i.e. the cost of goods sold adjusted for the copper effect) improved by EUR 13.6 million compared with the prior year. This development resulted from various programmes to increase efficiency and reduce costs at the production facilities in Europe. Personnel expenses included in the cost of goods sold declined from 14.6% to 14.5% of revenues, despite wage and salary increases mandated by collective bargaining agreements. Lower depreciation and amortisation provided further relief for cost structures, but were contrasted by higher material prices, above all for aluminium, steel and plastics.

Overseas lighting business below expectations

The development of earnings in the overseas regions of the Zumtobel Lighting Division was not satisfactory. The relocation of the plant in Australia was completed at the beginning of the 2007/08 financial year, but start-up problems delayed the realisation of the targeted improvement in earnings. As was the case in Asia, operating results in Australia also declined in year-on-year comparison.

Increase in selling expenses

Selling, administrative and other expenses – adjusted for special effects – rose by 5.1% to EUR 366.5 million in 2007/08 (2006/07: EUR 348.8 million). This increase resulted from a general rise in costs, above all in personnel expenses as a result of wage and salary adjustments resulting from collective bargaining agreements (roughly 3%), as well as the addition of more than 80 sales employees (on an average basis) to support the expansion of business activities.

* GoGS = Cost of goods sold
SG&A = Selling, general and administrative expenses

Special effects in operating profit

Special effects of EUR 1.1 million were recognised as expenses during the reporting year. This figure represents the net total of proceeds on the sale of properties in Germany, Australia and Austria as part of the "LITE" project and restructuring costs connected with preparations for the relocation of the plant in Spennymoor, costs for the completed relocation of the plant in Australia and other impairment losses.

Status of "LITE" project

In connection with the "LITE" project, adjustments were made to eight objects in the property portfolio during the period from October 2006 to 30 April 2008. These transactions generated EUR 14.6 million of liquidity, which is reported as income of EUR 5.5 million under special effects for the 2007/08 and 2006/07 financial years. As a last step, the former plant site in Spennymoor will be sold during 2008 if conditions are attractive.

The following table shows the adjustment of reported EBIT to reflect the above-mentioned special effects:

Adjusted EBIT in EUR million	2007/08	2006/07	Change in %
Reported EBIT	121.9	114.5	6.4
thereof special effects	(1.1)	2.3	<(100)
Adjusted EBIT	123.0	112.3	9.5
as a % of revenues	9.6	9.1	

Net interest expense declines by EUR 4.2 million

The net total of interest income and interest expense improved by EUR 4.2 million year-on-year during the reporting period, and resulted in net interest expense of EUR 18.2 million. Premature repayment costs totalled only EUR 0.6 million in 2007/08 (2006/07: EUR 2.3 million). Additionally, the reduction in net debt and expansion of the Group's cash pool permitted the structural optimisation of interest-bearing positions.

Financial results negatively influenced by strong euro

Other financial income and expenses declined by EUR 12.1 million to minus EUR 15.7 million. This shift resulted above all from the negative development of foreign exchange rates and the resulting recognised and unrecognised translation losses as well as additions to a provision for the lease in Spennymoor. Additional information on foreign currency transactions and a change in presentation is provided in sections 2.5.3.3 and 2.5.4.5 of the notes.

Financial results declined by a total of EUR 9.8 million to equal net expenses of EUR 34.0 million for the 2007/08 financial year.

Financial results in EUR million	2007/08	2006/07	Change in %
Interest expense	(22.6)	(24.8)	8.9
Interest income	4.4	2.4	86.3
Net financing costs	(18.2)	(22.4)	19.0
Other financial income and expenses	(15.7)	(3.6)	<(100)
Profit/(loss) from associated companies	(0.1)	1.8	<(100)
Financial results	(34.0)	(24.2)	(40.1)

Income from deferred taxes

Valuation discounts to deferred tax assets, which are related to tax loss carryforwards, were reduced through profit or loss in 2007/08 to reflect the favourable development of earnings. This transaction is similar to the adjustment made in the previous financial year. An offset against other deferred tax items resulted in deferred tax income of EUR 10.2 million (2006/07: EUR 13.0 million). Current tax expense declined EUR 5.0 million to EUR 4.1 million. The net total of all tax items equals tax income of EUR 6.1 million (2006/07: tax income of EUR 3.9 million).

Cash flow includes actual payments of EUR 12.1 million for taxes. The resulting cash tax rate equals 14% on profit before tax of EUR 87.9 million.

Net profit for the year reaches EUR 93.5 million

Net profit for the year (including minority interests) declined by EUR 10.1 million to EUR 93.5 million. The improvement in EBIT and income taxes was more than offset by the negative development of financial results, which led to a decrease of EUR 0.2 million in net profit on continuing operations to EUR 94.0 million. Results for 2006/07 included EUR 9.4 million of income on the sale of the airfield business (discontinued operations), which increased net profit over the EUR 100 million-mark for the first time in that year.

For the shareholders of Zumtobel AG, earnings per share (basic with 44.5 million shares) equalled EUR 2.09 in 2007/08 (2006/07: EUR 2.34 with 44.1 million shares).

1.6.4 Economic position of Zumtobel AG and dividend

Function of Zumtobel AG

Zumtobel AG serves as the parent company of the Zumtobel Group, and provides corporate management and other services in its function as a strategic and financial holding company. These functions cover the areas of strategy and corporate development, investor relations, taxes and legal, insurance, treasury, IT and corporate communications. In addition, the company manages the majority of the properties owned in Austria. Zumtobel AG had no branch offices during the reporting year.

Individual financial statements of Zumtobel AG

Net revenues of EUR 32.7 million for 2007/08 (2006/07: EUR 30.0 million) include EUR 16.6 million (2006/07: EUR 14.3 million) of IT services, EUR 7.6 million (2006/07: EUR 7.5 million) of rental income and EUR 8.5 Mio EUR (2006/07: EUR 8.2 million) of other services.

Operating profit declined EUR 2.2 million below the prior year level and was negative at EUR 2.6 million. Income from subsidiaries rose from EUR 12.1 million in 2006/07 to EUR 46.4 million for the reporting year. This improvement resulted above all from a withdrawal of EUR 26.3 million (2006/07: EUR 12.0 million) from TridonicAtco GmbH & Co KG, the parent company of the TridonicAtco Division, as well as a distribution of EUR 20 million (2006/07: EUR 0) from Zumtobel Lighting GmbH as the parent company of the Zumtobel Lighting Division.

Net profit for the year increased from EUR 3.1 million to EUR 32.4 million.

Zumtobel AG was responsible for EUR 13.1 million of the EUR 82.1 million repayment on long-term loans made by the Zumtobel Group in April 2008.

Proposed increase of 40% in dividend

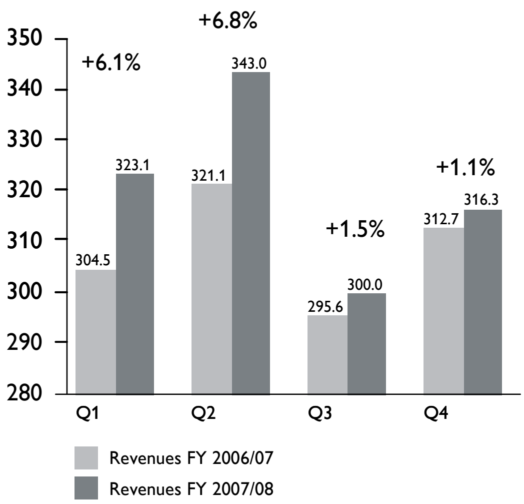
Retained earnings of EUR 60.3 million (2006/07: EUR 50.1 million) are available for distribution as dividends. Based on the improvement in EBIT, cash flow and the balance sheet structure, the Management Board and Supervisory Board will recommend that the annual general meeting on 29 July 2008 approve a 40% increase in the dividend to EUR 0.70 per share (2006/07: EUR 0.50).

1.6.5 Seasonality, cash flow and asset position

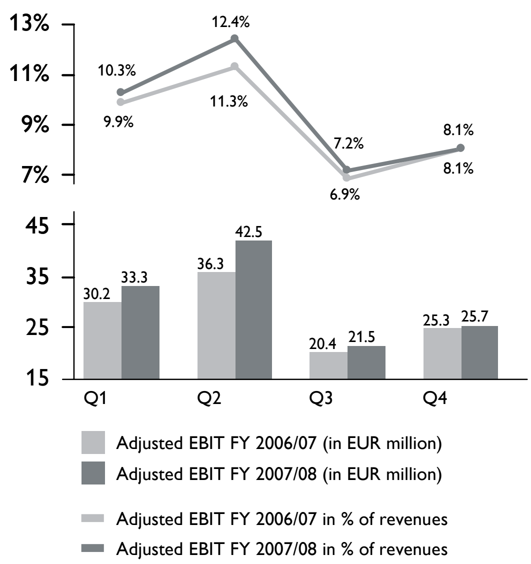
Strong seasonality shapes development of business

The development of business in the Zumtobel Group is subject to strong seasonality: during the first half of the financial year (1 May to 31 October) the volume of business is higher because most construction projects are concluded during the summer and autumn and the installation of the lighting represents one of the last steps prior to completion. During the third quarter (1 November to 31 January), revenues are substantially lower as a result of the Christmas and winter break in the construction branch. In the fourth quarter (1 February to 30 April) the pace of business begins to accelerate once again. Earnings reflect the development of revenues, and are also subject to seasonality. As illustrated by adjusted EBIT, the third quarter shows a significantly lower level.

Revenues (in EUR million)



Adjusted EBIT



Average order backlog for the reporting year equalled EUR 170 million, which represents an increase of 0.7% over 2006/07. As of the balance sheet date on 30 April 2008, order backlog amounted to EUR 162 million.

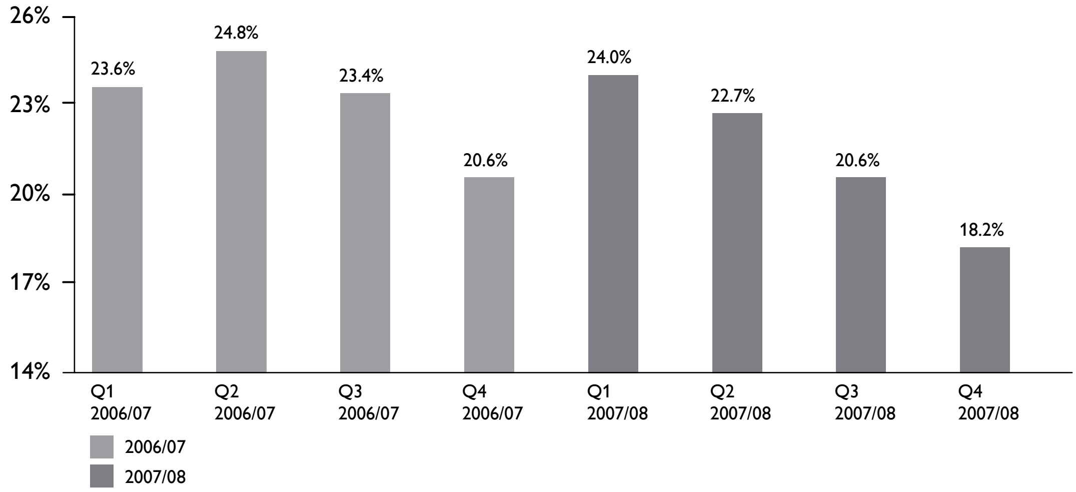
EUR 33.1 million increase in cash flow from operating activities

Cash flow from operating activities rose by EUR 33.1 million to EUR 156.0 million. This development resulted primarily from an improvement of EUR 23.3 million in working capital over the prior year: in spite of the 3.9% growth in revenues, working capital generated EUR 9.8 million of liquidity. Consistent working capital management supported a significant decline in inventories during the course of the year. Progress was also noted in the area of trade receivables: the outstanding balance was decreased; the age structure was improved; and the balance of overdue items was reduced. Trade payables rose by 2.8%. Cash outflows for provisions declined by EUR 25.2 million. In the prior financial year, this position included payments from the provisions for the initial public offering in May 2006.

Positive development of working capital

The development of working capital, expressed as a per cent of rolling 12-month revenues, followed the seasonal pattern of business: working capital rose during the first half-year in proportion to the higher volume of business, but declined gradually during the second six months.

Working capital as a % of rolling 12-month revenues



The continued focus on working capital management has led to a steady year-on-year improvement in this indicator since the second quarter of 2007/08. Working capital equalled 18.2% of revenues as of 30 April 2008.

EUR 22.4 decline in cash flow from investing activities

Capital expenditure in the Zumtobel Group amounted to EUR 66.0 million in 2007/08, which reflects an increase of EUR 11.7 million over the prior year. Of this total, EUR 9.2 million represent installations and equipment for the new plant in the English city of Spennymoor. In addition to maintenance and modernisation investments for buildings and production facilities, investments also include the production of tools as well as EUR 12.7 million (2006/07: EUR 10.8 million) of capitalised research and development costs. Depreciation and amortisation in the Zumtobel Group totalled EUR 39.3 million for the 2007/08 financial year (2006/07: EUR 42.4 million).

Cash inflows from the disposal of non-current assets, above all properties sold as part of the "LITE" project, rose by EUR 8.5 million to EUR 11.6 million. Additional funds of EUR 11.8 million were generated by the sale of financial assets. In the prior year, the creation of financial assets led to cash outflows of EUR 20.3 million.

Dividend payment of EUR 22.6 million

Free cash flow of EUR 111.8 million (2006/07: EUR 55.9 million) was used for the dividend payment of EUR 22.6 million as well as substantial repayments of EUR 101.5 million on financial liabilities. These repayments included a voluntary premature instalment of EUR 82.1 million, which was funded from bank deposits.

Balance sheet data in EUR million	30 April 2008	30 April 2007
Total assets	1,105.9	1,145.4
Net debt	129.0	185.7
Equity	514.2	441.6
Equity ratio in %	*46.5*	*38.5*
Gearing in %	*25.1*	*42.1*
Average capital employed	650.2	647.4
ROCE in %	18.9	17.3
Investments	66.0	54.3
Working capital	232.9	253.7
As a % of rolling 12 month revenues	*18.2*	*20.6*

Solid balance sheet structure improves credit standing

The balance sheet structure of the Zumtobel Group was strengthened during the 2007/08 financial year. Equity rose by EUR 72.6 million to EUR 514.2 million in spite of the dividend payment. The repayment of financial liabilities from bank deposits reduced the balance sheet total to EUR 1,105.9 million, although the volume of business expanded. This led to an increase in the equity ratio from 38.6% in 2006/07 to 46.5% for the reporting year. Net liabilities declined from EUR 185.7 million to EUR 129.0 million, and gearing fell from 42.1% to 25.1% during the same period.

ROCE rises by 160 basis points

The 9.5% increase in EBIT to EUR 123.0 million and slight increase of 0.4% in capital employed to EUR 650.2 million resulted in an improvement of 160 basis points in ROCE to 18.9% (2006/07: 17.3%).

Sound credit rating reduces credit margin

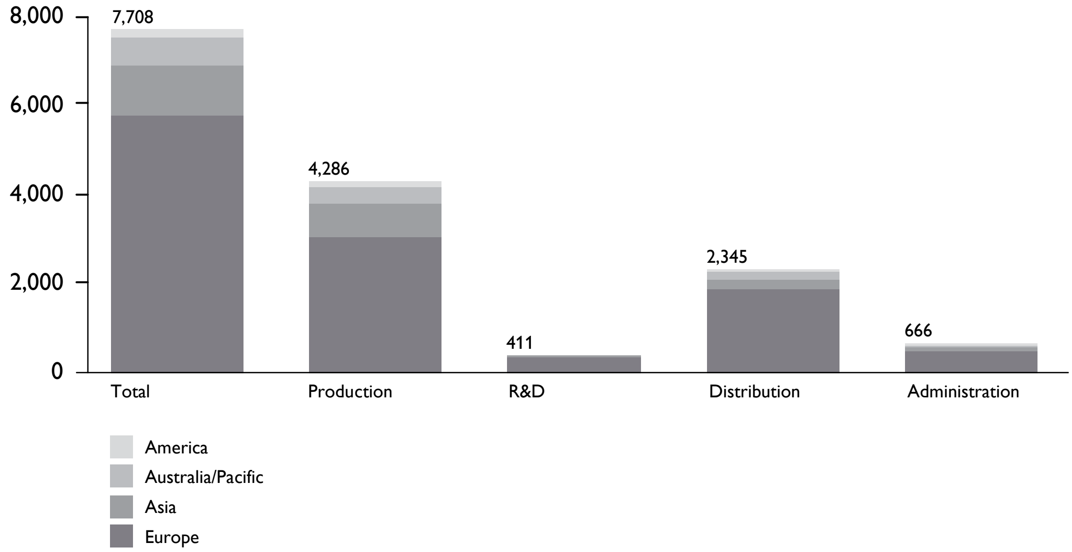
The improvement in profitability and strengthening of the balance sheet structure in recent years also had a favourable impact on the credit rating and financing opportunities available to the Zumtobel Group. The new five-year credit agreement for EUR 480 million that was signed on 12 June 2008 (see section 1.4 "Significant events after the balance sheet date") will permit the refinancing of EUR 200 million in existing loans and provide an additional EUR 280 million for growth and acquisition financing. The current balance sheet structure and earning position of the Zumtobel Group are reflected in an improvement of roughly 40 basis points in financing conditions to a credit interest margin of 65 basis points.

1.7 Human Resources

Human resource development activities at the Zumtobel Group are decisively influenced by the Group's vision of being the world authority on lighting. In line with this aim, all measures and projects in the reporting year were geared to recruiting the right high-potentials for key positions, fostering and boosting employee capabilities and firmly positioning the Group as an attractive employer.

On the balance sheet date (30 April 2008) the size of the workforce at the Zumtobel Group showed a year-on-year rise of 228 to a total of 7,708 full-time employees. The following chart shows a breakdown by activity and region:

Breakdown by activity and region



Employees at 30 April 2008	Total	Production	Research & development	Sales	Administration
Zumtobel Group	7,708	4,286	411	2,345	666
Europe	5,764	3,035	372	1,859	498
Asia	1,131	747	29	250	105
Australia/Pacific	599	354	9	192	44
America	214	150	1	44	19

Development labour productivity and revenues per employee

Labour productivity[1] rose from 30.1% in the previous year to 31.9% in the reporting year. Revenues per employee (based on average values) increased to EUR 171,000 compared to EUR 168,000 in the previous year.

Anchoring the Corporate Values and Code of Conduct

The implementation of the Corporate Values and Code of Conduct initiated in the 2006/07 financial year was further driven forward in the reporting year. The Corporate Values put the Zumtobel Group's commitment to its customers, to its employees, to business excellence and to integrity firmly on centre stage. The Code of Conduct is based on the Corporate Values and at the same time implements the guidelines of the Partnering Against Corruption Initiative (PACI) of the World Economic Forum in Davos, to which the Zumtobel Group became the first corporate signatory from Austria in September 2004. The Code of Conduct sets out in detail the behaviour expected of all company employees in sensitive areas of business life, including such issues as combating corruption and showing zero tolerance towards all forms of discrimination.

Workshops were staged to familiarise employees who were not involved in the initial implementation phase with the contents of the code. In a process of dialogue with management, the employees were able to get to grips with the Corporate Values and the Code of Conduct, and identify their concrete impact on their own particular day-to-day work and their everyday interaction. Other events were staged to realise the

[1] Labour productivity = Adjusted EBIT as a % of personnel expenses

potential improvements in daily working relations that were identified during the initial implementation phase.

Remuneration studies for critical areas

Pan-European compensation studies were carried out for areas with a particular bearing on the company's success (product lifecycle management, research & development, IT) in order to respond to the difficult market conditions impacting on this group of employees and be able to offer additional incentives that facilitate the recruitment and retention of highly-qualified staff in these areas.

Performance management

The annual employee review meeting has been standard practice at the Zumtobel Group around the world for many years now as a career planning and professional development tool for each and every employee. As such, it forms the basis for a consistent performance management process. At this meeting the employee's performance over the past year is reviewed in terms of expertise and behaviour, targets for the coming year are set and a personal development plan is drawn up. This includes measures designed to foster the employee's professional expertise and personal skills. Employees have access not only to external training opportunities but also to an ever-increasing range of in-house training courses covering specialist, leader-ship and personal skills and led by both internal and external trainers.

Spotlight on research & development, production and sales

The Sales Excellence project at the Zumtobel Lighting Division (ZLD) enabled further progress to be made with the implementation of a management system designed to promote a holistic and sustainable approach to boosting sales efficiency. At the core of this management system is a consistent and transparent performance appraisal process for sales staff, as well as a catalogue of measures for the consistent identification of potential among employees and the fostering of that potential. Another measure was the creation of the Salesperson of the Year Award to reward the performance of the best sales staff from across all European sales units and create an additional incentive. The best young salespersons are also honoured.

Along with the sales sector, another area again in the spotlight in the reporting year was research & development. The HR marketing initiative begun in the previous year to attract high potentials specifically to the research & development sector was not only continued but significantly expanded. At TridonicAtco, for example, a pan-European evaluation of target universities was undertaken and particularly suitable partner universities were selected and close contacts established. On top of this, representatives of the HR units for the first time made use of the lighting industry's premier trade fair, Light +Building in Frankfurt, to intensify existing contacts with universities, make contact with interested students from the relevant technical faculties and conduct initial interviews with potential applicants. In all, the number of employees in the research & development sector showed a further rise in the reporting year, increasing from 364 in the previous year to 411.

On the production side, the production sectors of the two main plants of the TridonicAtco Division and the Zumtobel Lighting Division were the subject of extensive performance management measures. At the ZLD plant in Dornbirn an internal training offensive was initiated, targeting a progressive rise in skill levels among production workers. At TridonicAtco in Dornbirn, a change management project in the production sector was designed to lead the change from line-based to process-based structures, aiming for significant increases in capacity as well as more flexible production processes. In pursuit of sustained improvement, production staff were encouraged to take ownership of the change process, contributing their expertise to the process design effort. Measures were also agreed and introduced to optimise communications and working culture in the production sector and thereby boost motivation.

Developing skills at in-house academies

The in-house academies created in the previous financial year – the Thorn Academy of Light and the TridonicAtco Academy – both became operational in the reporting year. Experts from all the relevant sectors provided brand-specific training for sales staff on products, applications and business processes.

Training events were held at various training centres around the world, some of them newly created. Thus for example the TridonicAtco Academy provided training for over 200 participants from 20 countries in the reporting year, with training sessions staged Austria, Switzerland, Turkey, China, Singapore and Australia. The high quality of the training provided is assured by minimum standards for course content, as well as by professional in-house train-the-trainer sessions. In addition, the training courses for Zumtobel Lighting Solutions Consultants, which are already a lighting industry benchmark for sales staff training, were again improved. Classroom learning was complemented by the development and provision of an extensive range of e-Learning modules. The high media-didactic quality of the online material has made the learning process more efficient than ever.

Executive development and succession planning

For several years now the Leadership Development Programme has been making a successful contribution to the systematic annual identification of high potentials with exceptional personal and professional skills from across the Zumtobel Group. The progress of these men and women is then stewarded as part of a comprehensive succession planning scheme. As a result, in the reporting year 60% of all upper management vacancies across the Group were filled by candidates from the Group's own ranks. Moreover, all internal leadership training courses were aligned with current needs and with the growing internationalisation of the Zumtobel Group. As of the beginning of the 2008/09 financial year, all Zumtobel Group executives are under obligation to attend an internal cross-Group management training course that matches their experience profile and level of hierarchy within the space of three years. Training courses for executives with international responsibilities are held in English; courses for executives with local responsibilities are held in their local language.

Worldwide employee satisfaction survey

The Group's first ever worldwide employee survey was kicked off in the reporting year. All employees of the Zumtobel Group were called upon to take part in the survey, either online or by completing a printed questionnaire. The purpose of the survey was to discover how satisfied employees are with their working environment and the extent to which the Corporate Values are actually lived out in the course of a normal working day. The findings of the survey will be available at the beginning of the 2008/09 financial year.

Focus on safety in the workplace

The topic of safety in the workplace was assigned high priority in the reporting year. Thus at all Zumtobel Group plants a package of measures was implemented based on standardised monthly reporting of the TRI rate (total recordable injuries per million working hours), the aim being to achieve a marked drop in the number of accidents in the workplace. The programme is accompanied at all locations by intensive and ongoing employee communications to drive greater awareness. In addition, the various plants have developed and implemented specific measures designed to prevent accidents in the workplace.

A significant improvement was recorded in the relevant indicator – the total recordable injuries rate – during the 2007/08 financial year:

TRI rate	2007/08	2006/07
Zumtobel Lighting Division[2]	23.9	29.4
TridonicAtco Division	10.7	15.4

Integration of foreign employees

The integration of foreign employees is promoted by language courses that are offered both during and after normal working hours and paid for by the company.

[2] Zumtobel Lighting Division, only the European lighting plants

Advancement of women and measures to help combine career and family life

At all Group plants, employees wishing to return to work after parental leave are reintegrated in line with the legal requirements and in some cases additional measures are taken. Flexible working hour models, for example, and the creation of homeworking opportunities enable career and family life to be better combined. While this mostly applies to mothers, the Group also offers parental leave and part-time schemes to fathers who wish to benefit from these opportunities.

Promotion of disabled employees

To help employees with a disability, in the context of a national programme in Austria the Group conducts vocational training for young people with learning disabilities. Specially supervised workplaces are available to course graduates. In the case of employees with disabilities that arise in the course of their working life, within the bounds of what is operationally feasible the company endeavours to offer an appropriate alternative workplace. The necessary technical aids are built or procured when necessary at the company's expense.

Apprenticeships and management trainee programme

The apprentice training programme that the Zumtobel Group has carried out for many years now, mainly in Austria and Germany, remains a key pillar of the company's HR development work. At Group level the international management trainee programme has now become firmly established. The first intake of Group trainees have completed their two-year course and been offered challenging positions within the Group. In the reporting year, five additional trainees were recruited for the sales & marketing, operations and R&D sectors. Based on the positive feedback from the specialist departments, an additional four trainees have been hired for the 2008/09 financial year and the programme has been expanded to include the finance & controlling sector.

1.8 Corporate Responsibility for the Environment, Quality and Society

Our corporate responsibility

On the basis of its Corporate Vision and Corporate Values, the Zumtobel Group is committed to fulfilling its corporate responsibilities. One key element of these responsibilities concerns the Group's compliance with transparent management and good governance practices, based on the Austrian Code of Corporate Governance and documented each year in the Group's Corporate Governance Report. In keeping with the principles of corporate social responsibility, the Zumtobel Group lives up to its responsibilities towards its employees, society and the environment. As an international corporate player, in line with its understanding of good corporate citizenship, the Group also enters into sponsoring activities and other voluntary social commitments.

Our responsibility for the environment, quality and safety

For the Zumtobel Group, energy efficiency and a sustainable approach to the consumption of natural resources are of great importance, both in terms of the development of innovative and energy-efficient products and lighting solutions (see Management Report under Strategy / Research & Development) and also of environmentally friendly production operations that conserve resources. As a company with production facilities around the world, the Group respects internationally recognised quality and environmental standards. Its production processes are geared to the efficient use of resources and materials are selected and used in line with strict quality criteria. Apart from the two factories in the United States, all of the Group's other 22 production plants are already certified in accordance with the quality management standard ISO 9001. In the long term, the Zumtobel Group is also targeting step-by-step certification of all its production facilities worldwide in line with the environmental management standard ISO 14001.

The company also meets its responsibilities in respect of its supply chain. The aim of the Zumtobel Group is to implement a code of values and conduct at all its suppliers to ensure compliance with international social, quality and environmental standards. Another key aspect of the Group's corporate responsibility in the production sector concerns measures and strategies designed to enhance safety in the workplace for all its employees.

Certification and process improvements at TridonicAtco

Within the TridonicAtco Division all environmentally relevant procedures are considered integral components of the process management system. All employees are involved in this process and thus play their part in safeguarding an intact environment. The main plant in Dornbirn / Austria has been certified to ISO 14001 since 2004 and in 2008 was for the twelfth time awarded the "Ökoprofit" seal by the Government of the State of Vorarlberg. One major activity in the 2007/08 financial year involved preparation for certification of the division's industrial health and safety management system in line with ISO 18001. Initial certification is to take place in July 2008. Two other electronics plants at the Innsbruck and Jennersdorf locations, both in Austria, were certified to the environmental standard ISO 14001 in 2007. For the first time, the Innsbruck plant was named a "sustainable company" by the State of Tyrol in the course of its 2008 "Sustainability Check". At the Chinese plant in Shenzhen preparations are under way for initial certification in accordance with ISO 14001 and are due to be completed by the end of the calendar year. Plans then envisage certification of the production operations in Ennenda, Switzerland, and at the new plant in Spennymoor, UK, in line with ISO 14001. The TridonicAtco Division aims to have all its electronics plants certified to ISO 14001 by the end of 2009.

Environmental protection at TridonicAtco

Numerous measures undertaken at many of the TridonicAtco production facilities have led to substantial savings and optimisations in environmental technology. At the Dornbirn plant, for example, the use of acetone for cleaning purposes has been reduced by 89% and the amount of polystyrene waste cut by 8,900 kilograms or 64%. Also, preventive noise abatement measures were implemented with regard to stamping and milling operations. On account of the general water shortage, a drinking water project was organised at the Melbourne plant. This led to annual savings of around twelve million litres, enabling the freshwater uptake to be cut back to approximately one-third of its original level. At the Spennymoor plant new waste compactors were installed as part of a waste separation and recycling programme. When operations move to the new plant in Spennymoor at the end of the current calendar year, the energy balance sheet will see further improvement: the new plant, which is to be used by both TridonicAtco and the Zumtobel Lighting Division is equipped with a heat recovery system and high-speed doors, makes optimum use of daylight and has a dimmable lighting solution, thereby making a further contribution to greater energy efficiency. 10% of energy needs at the Spennymoor plant will in future be met from renewable resources. Together, all of these measures will lead to a 20% drop in CO_2 emissions from the new plant.

Lean Six Sigma continued

With a view to ensuring an ongoing improvement in quality, TridonicAtco's Lean Six Sigma programme was consistently pursued in the reporting year. The primary aim of the programme is to cut throughput cycles and improve productivity in the production processes and administrative procedures. In all, 80 projects were completed in the financial year as a whole. In line with the targeted rollout of Lean Six Sigma in England, China, Australia, New Zealand and Malaysia in the 2007/08 financial year, 30% of these projects were implemented at locations outside German-speaking countries. In the meantime, 184 employees from around the world have completed Lean Six Sigma training. 40 of them have attained Green Belt status (project leader) and nine are Black Belts, which means that they work full-time as Lean Six Sigma experts. A further 60 projects are planned for the 2008/09 financial year.

Introduction of a Supplier Code

Based on the Zumtobel Group's Corporate Values and Code of Conduct, at the beginning of 2008 TridonicAtco also began the process of involving its supply chain in its commitment to social, quality and environmental standards. In an initial step, an appropriate Supplier Code was drawn up and sent to all

Category A suppliers. For new suppliers this code forms an integral part of the award of an order. Compliance with the Supplier Code is verified by random spot checks in the course of the supplier approval audit.

Certification and process improvements at Zumtobel Lighting Division

Within the Zumtobel Lighting Division (ZLD) the Landskrona plant in Sweden has been certified to ISO 14001 for many years now. In 2008, the luminaire plant and electronics production operations in Dornbirn, Austria, were awarded an Ökoprofit certificate for the twelfth time. At the new plant in Curtici, Romania, preparations are currently underway for initial certification to ISO 14001, which is targeted for the end of the financial year. The new plant at Wetherill Park, Australia, is certified to ISO 9001 and its laboratory accredited by the NATA (National Association of Testing Authorities). Within ZLD the current focus of the ongoing implementation of environmental management systems in line with ISO 14001 is on the plant in Dornbirn and the new facility in Spennymoor, UK.

Environmental protection at ZLD

At the Zumtobel Lighting Division too there was further progress in the reporting year in terms of the environmentally compatible resource-efficient use of material and energy. At the Landskrona plant a chemicals register was set up and a new recycling management function put in place. Also, based on an energy review, an energy-efficiency programme was signed off that will focus on the heating and air-conditioning at the plant. At the Usingen plant an energy concept was drawn up which, when implemented, will lead to annual savings of EUR 50,000 in energy costs and cut CO2 emissions from the plant by approximately 25%.

The introduction of a new cardboard compactor at the Les Andelys facility in France will reduce the volume of waste and in Australia too the company is signalling its environmental awareness by taking product recycling into account as early as the ordering process. At Spennymoor an energy-saving initiative across the entire plant was one focus of activities which also extended to reducing volumes of packaging material and steel scrap. At the Lemgo facility in Germany, the reporting year witnessed the commissioning of a new UV paintshop which, thanks to better reproducibility of painting parameters and reduced dust inclusion, has led to marked improvements in quality and has also enhanced the flexibility of the production process.

Systematic introduction of Lean Six Sigma

In the reporting year the existing Lean Six Sigma activities at ZLD were intensified. Since the beginning of 2008, preparations for the systematic introduction and rollout of Lean Six Sigma methods have been under way at all ZLD's European plants. Implementation will be geared to improving the key indicators Six Sigma quality, on-time delivery, productivity and cycle efficiency. By the end of the 2007/08 financial year, initial workshops had already been staged at the Dornbirn, Lemgo, Usingen, Spennymoor and Landskrona plants. The further rollout at all ZLD plants will form a key focus of activities in the current 2008/09 financial year.

Focus on safety in the workplace

The topic of safety in the workplace was assigned high priority in the reporting year. Detailed information is provided in section 1.7 “Human resources“.

Corporate citizenship

Zumtobel Group Award presented for the first time

The Zumtobel Group concentrates its engagement in the area of socio-political responsibility through long-term programmes at Group level. With the "Zumtobel Group Award for Sustainability and Humanity in the Built Environment", first presented in September 2007, the Group encourages the development of sustainable solutions by architects and engineers that make a pioneering contribution to improving the quality of life. This award, which carries a total purse of EUR 140,000, is presented every two years. In 2007 the award in the category "Research & Initiative" went to the engineering consultants Schlaich Bergermann Solar for the concept of a solar updraft tower. In the "Built Environment" category the winner was the US architect and Pritzker laureate Thom Mayne for the ecologically and aesthetically model architecture of the US Federal Building in San Francisco. To make the projects commended by the jury accessible to a wider audience the company joined forces with the curators of the award, Aedes Architekturforum Berlin, to create a travelling exhibition which in the reporting year already went on show in Dornbirn, Vienna and Berlin. Preparations are under way to stage the exhibition at Zumtobel Light Centres around the world. A book entitled "Architecture of Change" to accompany the Zumtobel Group Award was published by Gestalten Verlag in April 2008. Further information can be found on the Internet at www.zumtobel-group-award.com.

Zumtobel brand promotes the arts

Based on its tightly-knit network involving prominent architects, artists and designers, the Zumtobel brand in particular actively promotes culture and the arts through sponsoring. The aim of the brand as it supports light art projects is to formulate new challenges in terms of creative lighting tasks and generate new impetus for the ongoing development of its product portfolio and for the corporate culture of the Group. The brand engages in long-term collaboration with many internationally renowned artists. In the reporting year, Zumtobel supported the realisation of light installations by artists including James Turrell, Ola-fur Eliasson, Karsten Höller and Siegrun Appelt. The brand's engagement also extends to supporting art galleries and museums, such as the Swiss Architecture Museum in Bern, the Neue Sammlung in Munich, Germany, and Art Basel Miami Beach in the USA. The brand frequently provides the lighting technology for exhibitions, although in some cases Zumtobel also installs trend-setting permanent lighting solutions, as was the case in the Liebieghaus Museum in Frankfurt, Germany, where Zumtobel installed an innovative, daylight-controlled LED system.

Knowledge transfer by Thorn

The Thorn brand too demonstrated social responsibility in its core field of business in the reporting year. As a member of the LUCI Forum, an international network of municipalities, lighting designers, universities and companies that aims to help developing countries by providing good outdoor lighting, Thorn is supporting the illumination of historical landmarks in the city of Jericho in the Palestinian West Bank. As well as lighting up tourist attractions, the project also focuses on the transfer of knowledge to the local authorities to enable the quality illumination of public spaces in future.

Integration of the disabled at HQ in Dornbirn

For 18 years now, in a further example of good corporate citizenship, at its headquarters in Dornbirn the Zumtobel Group has been committed to helping integrate disabled young people into the world of work. In a two-year vocational training programme, young people with disabilities are progressively introduced to a manufacturing environment. Their targeted training is designed to help them pursue an independent working life. Each year, four or five young people can join the programme. In this way, since 1989, more than 70 young men and women have benefited from the Zumtobel vocational training programme. 20 of them have gone on to take up permanent employment with the Group.

1.9 Research and Development

Key Data on Research and Development

Expenditures for research and development (R&D) include expenses recognised to the income statement as well as capitalised development costs. Research and development expenditures calculated in accordance with this definition rose by 13.2% to EUR 41.1 million during the 2007/08 financial year.

Expenditures for research and development in EUR million	2007/08	2006/07
R&D through P&L	28.4	25.5
Capitalised R&D	12.7	10.8
R&D total	41.1	36.3
as a % of revenues	*3.2*	*2.9*
R&D headcount (full-time equivalent)	411	364

1.9.1 Zumtobel Lighting Division

LED as key focus of development

R&D activities in the Zumtobel Lighting Division were influenced to a significant degree in 2007/08 by the light-emitting diode (LED) as a new lighting source for general applications. LEDs are small, very strong lighting points with high energy efficiency, long service life and various colours. As the light source of the third millennium, they have become an increasingly popular replacement for traditional light bulbs, halogen lights and compact fluorescent lamps.

The Zumtobel Lighting Division has meet this shift in demand with the development of completely new products for the LED lighting medium as well as the addition of models with LED lamps to its existing product lines.

In addition, the following new products will strengthen the core segments of the Thorn and Zumtobel brands:

Continued update and improvement of Thorn product portfolio

PLANOR marks the introduction of microprism technology to the Thorn brand. The market launch of the Plurio, Alumet and New Areaflood exterior lights underscores the position of Thorn as an innovative producer of lighting for exterior applications. In the interior segment, the development of a platform for moisture-proof luminaires was completed with the highly successful X-Force. The Zumtobel Lighting Division now has a complete moisture-proof luminaire portfolio for both of its brands, which is based on a common platform and therefore permits the efficient utilisation of economies of scale. The new Glacier II high-bay reflector luminaire and the robust Piazza II multi-purpose luminaire round out the new Thorn developments for the indoor segment.

Design and technology innovation at Zumtobel

The Zumtobel brand has developed two new products, SCONFINE and ARCOS, for the rapidly growing area of hotel and museum lighting, which will allow architects and planners to combine classic forms with modern light sources and lighting technology. The LINARIA lighting strip was developed for the new OSRAM fluorescent lamp in cooperation with the manufacturer, and will eliminate the dark and distracting socket areas between adjoining luminaires. SOLINA reflects the trend toward flatter high-bay luminaires. The SLOTLIGHT II line of luminaires can be used in interior and exterior applications, and allows architects to create a continuous image of light and form both inside and outside a building.

The Zumtobel brand developed new products in two different areas to meet the growing trend toward energy-saving light management solutions. DIMLITE is a modular, easy-to-install light management system that is based on the "plug&play" concept. In contrast, LITENET represents a professional system for demanding light and facility management applications, above all in larger administrative buildings.

1.9.2 TridonicAtco Division

Expertise for progress

With the introduction of its new "xitec" processor technology, TridonicAtco has set another milestone in the use of digital control technology. The control gear intelligence in these products is concentrated in application-specific integrated circuits (ASIC). This in-house development is used exclusively with

TridonicAtco-equipment. Since its initial development five ASIC generations have documented the digital competence of TridonicAtco, whereby the inner workings of the fifth generation have 100-times the number of components and 30-times the functions compared with the first products. A total of 69 new patents were registered in this area during the 2007/08 financial year. The development of this technology is also reflected in more than 1,000 active patents over the last 20 years.

"xitec" is a leading technology that bundles nearly two decades of experience and development know-how in dimmable and non-dimmable ballasts. The impressive results are a high degree of integration and a wide range of innovative functions for intelligent luminaires and light management. For example, the new thermal concept guarantees energy-efficient operations as well as a constant flow of light from fluorescent lamps. Preventive monitoring supports the control of input voltage and temperature in the ballast, and thereby prevents damage. The objective is to maximise the error-free operation of the control devices, and the result is future-oriented, intelligent control gear with high functionality and energy efficiency.

In 2007/08 a programme was started to convert the entire portfolio of electronic control gear for fluorescent lamps, high-pressure lamps and emergency lighting units to the new "xitec" processor technology by 2010. A team of 150 expert developers throughout the world are currently working on this project.

TridonicAtco recently launched a non-dimmable line of ballasts for fluorescent lamps, which offers enhanced properties. This reflects the growing importance of energy efficiency in purchase decisions and the development of applications. The improvements result, among others, from a reduction in dissipation through superior thermal management, which decreases the internally generated heat and thermal load in the ballast and thereby improves the overall reliability of the device. With these properties, the new generation not only demonstrates its capability to support a wide range of applications but also provides outstanding lighting comfort.

A new line of dimmable and non-dimmable ballasts for multi-luminaire operations will be introduced to the market beginning in autumn 2008, and will offer even greater user benefits. This launch will pave the way for a significant streamlining of the ballast product line. A reduced number of devices will create numerous advantages for customers: wholesalers and lighting producers will be able to streamline their component and lighting stocks, since luminaires with multi-lamp ballasts can be outfitted with multiple lamps of the same length. Planners, operators and facility managers will also have greater flexibility because the lighting intensity can be adjusted accordingly if the use of the object changes or there is a turnover in tenants. In this area of business, TridonicAtco places its focus on quality in multi-lamp operations. The appropriate lamp is correctly identified and operated exactly in accordance with the parameters, i.e. with longer service life and high luminous flux.

TridonicAtco has also introduced a low-cost solution for emergency lighting with fluorescent lamps, which combines the emergency control units and digital ballast in a space-saving low profile housing. Optimised lamp controls in emergency operations, efficient battery control and preventive protection measures are some of the innovative properties of this product.

The range of control gear for high-pressure lamps will be expanded during the coming months to include a new product line with innovative properties. The key features include reliability and energy efficiency as well as compact dimensions, low weight and outstanding lamp management.

The new line of ignitors covers a broad spectrum of key applications, and can operate all conventional high-pressure lamps from 35 W to 2,000 W in accordance with the relevant specifications. This product line is characterised by small casing dimensions, optimised temperature response and improve operating properties.

An important feature of the new TE VIPER electronic transformer is its excellent price-performance ratio. It can be used for applications with 60 VA and 105 VA to operate halogen lamps, and combines user friendliness with the proven TridonicAtco technology and quality.

1.9.3 LED

Wide range of applications for LED modules

The successful Signage product line for advertising lighting was expanded to include models with specific white tones. The new chain modules in yellow-white are designed above all for illuminated letters with a yellow appearance, and have been used to realise projects for IKEA, La Poste (F) and McDonalds. Colours that can be specifically matched to meet customer requirements are a unique selling property of the TridonicAtco Division, and also provide optimal energy efficiency in use. This portfolio will be enlarged in the coming year to include products with high protective features (dirt and moisture) for new applications as well as specifications for the US market.

At the Light+Building trade fair in Frankfurt, prototypes of an LED spotlight were presented in April 2008. This product is based on an entirely new type of LED technology, which TridonicAtco has registered for a patent. The technology permits the generation of white light with maximum colour consistency and homogeneity in the smallest area, even under the use of highly bundled optics. The prototypes deliver a light flux of over 1000 lumen at a distribution angle of 25°. This product will be introduced to the market during the 2008/09 financial year.

Substantial interest has accompanied the market launch of the Talexx engine line, which is designed for applications in the shop and retail area. This series of linear LED luminaires can be configured in various lengths up to 120 cm and is intended to replace fluorescent lighting in refrigeration units, shelves and freezers. The product line in the standard white tones (daylight, neutral and warm white) will be enlarged to include specific colours that are especially well suited for the presentation of items such as meat, cheese or salads. The presentation of this product line at the Euroshop trade fair in 2008 was a great success. Newly designed optics will further expand the scope of applications in the coming year to include refrigerators and freezers.

The Talexx engine EM-AP 001 emergency lighting module was developed for applications in connection with the new TridonicAtco EmPower LED converter. This product can be refitted in existing luminaires and provides two alternatives for low-cost anti-panic and emergency exit lighting in the proven white light quality.

Flexible LED conductor boards

The Talexx Tape Power White FP 101 was developed to complement the product portfolio for architecture, design and signage applications. It involves the mounting of NanoXed components on flexible conductor boards, which give customers a high degree of freedom with modular strips that can be cut to the desired length and provide the surface curvature for the LED modules. This product will be launched during the first half of 2008.

LED components

A number of major LED-based projects were realised during the reporting year. One was the lighting for the BMW Museum in Munich, which will soon be opened to the public. This project involved the installation of 400,000 NanoXeds in mountable profiles. With its 2.5 x 2.5 millimetres and luminous flux of 30 lumens, the NanoXed is the smallest high-performance LED lamp currently available on the worldwide market.

The XED product line from the Lexedis Lighting laboratories was extended to include the PowerXed with a luminous flux of 60 lumens. It provides a higher luminous intensity in all available colours at the same size.

Proven expertise in white LED light

A further technological innovation with LED modules was presented during the past year, which allows for the variable selection of specific white light colour temperatures from warm white (2700 Kelvin) to cold white (8000 Kelvin) and at the same time operates with maximum efficiency. Modules of this type for museum applications have already been introduced to the market.

The LED activities of the Zumtobel Group follow a unique process that guarantees extremely high security in spite of the low colour conversion volume and makes it possible to hold colour variances within extremely narrow tolerance limits (zero colour binning).

Patent strategy

The Zumtobel Group continued its strategy to actively safeguard innovations through LED patents. Applications were filed for 23 new patent groups in 2007/08, which is more than double the prior year level. The number of licensees for key patents has increased to over 25.

In order to accelerate the activities of the Zumtobel Group in the LED area, this business will be bundled in a separate, newly created LED division during the coming year.

Strategic partnership with CREE

A strategic cooperation with the leading US producer CREE was announced at the Light+Building trade fair. This cooperation will give the Zumtobel Group access to the most efficient high-performance chips, and represents a perfect complement to the strategic partnership with the Japanese chip manufacturer Toyoda Gosei in the low and middle performance range.

1.10 Risk Management

Zumtobel views risk management as the direct interaction with a variety of risks in order to safeguard the asset, financial and earnings position of the Group and also support the identification of opportunities and the evaluation of entrepreneurial decisions. Risk management in the Zumtobel Group is an independent process with an underlying system that is adapted and improved continuously. The responsibility for the handling of risks is assigned to the operating units or specialised headquarters departments, in line with the risk potential for the Group. The managers of the operating units provide the Management Board with regular reports on the current and expected development of business as well as existing risks and opportunities. In addition to the monthly financial reports, the Group has introduced a performance report and a risk report that focus on the critical success factors for the individual divisions and the corporation as a whole.

A corporate financial analysis and risk management function was installed in March 2008, which will take on the primary responsibility for the development of risk management and risk monitoring in the Zumtobel Group.

The risk management system of the Zumtobel Group is closely linked to corporate controlling processes. The Group works continuously to improve the existing systems and present risks in a more transparent manner to facilitate the implementation of effective measures.

The major risks and possible countermeasures are described in the following sections:

1.10.1 Market and competitive risks in the lighting industry

Strong cyclical patterns

The Group's regional sales markets are heavily dependent on the development of the construction industry, which is subject to strong cyclical fluctuations. High brand recognition and unique technical selling propositions reduce the dependency on economic cycles. The Zumtobel Group minimises risk in this area by increasing the flexibility of its cost structures in production and sales (e.g. through the use of temporary employees). Moreover, the regional expansion of markets and technological leadership in product features and design make it possible to in part offset market fluctuations.

Danger to market position

The Group works to prevent the weakening or loss of its leading position on the core European market in particular through innovation and the optimisation of products, designs and production processes.

Consolidation in the industry

The lighting sector in Europe is highly fragmented. The ten largest luminaire producers cover roughly one-third of the market, while the remaining two-thirds are served by nearly 800 suppliers. Zumtobel has the financial strength to continue its active role in the consolidation process in Europe and also generate growth through acquisitions.

Technology shift through LED

Technological changes, especially through the introduction of LED as a lighting source, could encourage new competitors to enter the market and possibly also accelerate the consolidation of the industry. Zumtobel is actively participating and shaping technological development and research in the field of LED. The Group's internal expertise will now be bundled through the creation of a separate LED division, and the focus on this field of business will be strengthened. The activities of the new LED Division will be directed to the development and marketing of lighting solutions for commercial applications and, in particular, on white LED light. The concentration of these new technologies in a separate division will allow Zumtobel to react quickly and flexibly to the needs of customers and also make use of existing potential and new opportunities, without forfeiting the technical and market-know-how in its core business.

Risks in personnel management

A lack of specialised personnel, especially in research and development, can endanger the successful pursuit of a company's strategy over the long-term. In order to ensure the availability of this necessary expertise, Zumtobel places high value on training and continuing education for employees. This goal is met through the creation of internal academies as well as external training programmes. The Group offers specialists and managers in all areas qualified opportunities to strengthen their know-how and acquire new skills. Personnel development forms an integral part of the Group's strategy. Moreover, Zumtobel is committed to the goal-oriented and performance-based payment of employees.

1.10.2 Business risks/sales/production

Dependency on business partners and opinion leaders

Zumtobel uses highly qualified sales and marketing teams that have been trained in internal academies to provide optimal service for its network of business partners, opinion leaders and decision-makers. Training courses for customers form an additional part of the customer loyalty process. Zumtobel has also established an excellent technological network with research institutes and universities, which allows the Group to remain on the cutting edge of technology and actively participate in the creation of technological and design-oriented trends.

IT risk

The Group uses state-of-the-art hardware and software and has concluded appropriate maintenance contracts to minimise risk in the data processing area. In addition, firewall and virus protection software have been installed as a precaution against attacks by IT hackers. IT systems are protected by a back-up computing centre, which is operated by a service provider and reflects the latest technology. IT management has developed a wide range of procedures, guidelines and measures to ensure that the Group's information technology will always meet the demands of the business. These processes and procedures are evaluated each year, and adjusted whenever necessary. The routine replacement of hardware and software minimises the risk of breakdown and loss of data. Databases are examined continuously by virus scanners and stored on a regular basis.

Political risk

The Zumtobel Group acts in a global business environment, whereby its activities are focused on the core markets of Central Europe, Australia and the USA as well as those markets in Asia that are currently viewed as secure. Investments in property, plant and equipment are also concentrated in these regions, which generally minimises the risks connected with the expropriation of assets, the transfer of capital, war and the like. In other countries the Group operates primarily through agency contracts or is not active at all. The analysis of investment projects also includes an assessment of the political risk at the target location.

Procurement risk

The demand for raw materials and other supplies remains strong and has led to a sharp rise in prices, which cannot be hedged at all or only with a delay (e.g. copper, energy and aluminium). A decline in the quality of raw materials or semi-finished goods could also have a negative effect on the Zumtobel Group.

The central coordination of procurement for all key raw materials and supplies – and the resulting larger purchase volumes – can create a stronger position for negotiations with suppliers. Long-term supply contracts are used to improve coordination with supplying companies. Copper prices are hedged in part on a rolling basis through commodity futures. Increases in material prices are passed on to customers whenever possible. The risk of dependency on major suppliers is minimised through worldwide procurement activities, long-term contracts for critical raw materials and the continuous optimisation of the supplier portfolio.

The Zumtobel Group is well known as a supplier of quality products, and sets the same high standards for its suppliers. Regular supplier audits and the inspection of incoming goods help to identify quality risks at an early point in time and allow the Group to implement appropriate measures. Professional communication and cooperation with suppliers makes it possible for the Group to identify and eliminate possible risks.

1.10.3 Asset risks

Damage to assets

A policy that calls for regular maintenance and replacement investments reduces the risk that technical defects will lead to a production stoppage. Investments in key equipment are linked to maintenance contracts. In accordance with the above-mentioned criteria, suppliers are also selected with a view to establishing long-term relationships.

A resident fire brigade at the main production locations as well as the regular review of technical safety standards by external experts substantially minimises the risk of damage and business interruption. In addition, the Zumtobel Group has concluded comprehensive all-risk insurance, which will generally provide compensation for damage to assets. Risk management also works closely with the insurance department to identify other risks that can be insured and arrange for the appropriate coverage.

The Group is currently working to successively achieve a "high protected risk status" at all major production locations, e.g. through the installation of sprinkler systems.

Valuation of finished goods

Inventories are carried and revalued based on turnover rates, with measurement reflecting the principle of prudence.

1.10.4 Product liability risks

These risks represent regress claims arising from quality defects, which could be the result of errors in product development or production. Quality assurance systems monitor compliance with the Group's internally defined, high demands for product quality. The Group has also concluded product liability insurance to provide coverage for related claims.

1.10.5 Legal risks

Legal risks can arise from changes in labour laws, political risks or legal disputes as well as from changes in environmental regulations.

The Zumtobel Group regularly monitors the legal framework in the major regions where it is active in order to take suitable actions on a timely basis. These activities are carried out at Group headquarters and also by the local operating companies.

1.10.6 Financial risks

Financial risks are caused by fluctuations in interest rates, foreign exchange rates and commodity prices as well as liquidity risks.

Market risks

The Zumtobel Group is exposed to a variety of financial risks because of its global operations. This risk is limited where possible through the regular monitoring of developments in areas considered to be at risk as well as the use of derivative instruments (also see section 2.5.9.3 of the notes). Group guidelines provide clear instructions for the interaction with these risks. These guidelines are reviewed each year by the Management Board and adjusted if necessary.

The Group treasury and risk management departments are responsible for the identification and assessment of these risks. Necessary measures are implemented under the direction of the Management Board.

The Zumtobel Group installed a new treasury management system during the reporting year, which is designed to describe and evaluate all trading activities.

Liquidity risks

A cash pooling system was implemented to improve the efficiency and effectiveness of liquidity management in the Group. Moreover, the Zumtobel Group only works with selected financial institutions that can demonstrate a very good rating. This provides sufficient balances of cash and cash equivalents as well as ample lines of credit to completely eliminate liquidity risk over the medium term.

1.10.7 Credit risk

The default risk associated with trade receivables is largely limited by monitoring processes that form a part of credit management and through appropriate credit insurance for receivables (also see section 2.5.9.1 of the notes).

Overall risk evaluation of the Zumtobel Group

The risk identification and measurement tools used by the Group are continuously improved and developed in cooperation with the internal audit department and the auditor of the financial statements.

A general analysis of the above factors shows a concentration on market risks, which is a result of the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. In contrast, internal production processes are associated with substantially lower risk. Financial risks can be controlled through hedging activities. Based on currently available information, there are no major individual risks – at the present time or in the foreseeable future – that could endanger the continued existence of the Zumtobel Group. Moreover, a cumulative evaluation of the individual risks does not reveal any threats to the continued existence of the Zumtobel Group. The risks arising from the Group's innovative, earnings- and growth-oriented strategy can be identified quickly by the employees of the Zumtobel Group and/or internal controlling and review processes, and limited if necessary.

1.11 Information pursuant to § 243a of the Austrian Commercial Code

1. The share capital of Zumtobel AG totals EUR 111,760,860 and is divided into 44,704,344 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.5 each in share capital. A total of 29,434,984 shares were securitised in a collective certificate and deposited with Österreichische Kontrollbank (OeKB). A further 15,269,360 shares were securitised through interim certificates and deposited with the company. As of 30 April 2008 Zumtobel AG held 112,181 shares as treasury stock. These shares were purchased over the stock exchange and will be used to service the two employee stock participation programmes (see point 5).

2. AUGMENTOR private foundation (4,165,752 shares), ASTERIX private foundation (4,115,752 shares), GWZ private foundation (1,044,660 shares), Hektor private foundation (2,310,180 shares), ORION private foundation (3,090,752 shares), Ingrid Reder (264,088 shares), Fritz Zumtobel (164,088 shares) and Jürg Zumtobel (124,248 shares) are parties to a syndicate contract. This contract requires the parties to agree on a course of action prior to each annual general meeting, and to designate one party as a representative to vote on behalf of all parties in accordance with the decisions made by the syndicate.

The syndicate contract also requires the syndicate to hold at least 30% plus one share up to 31 December 2008 and at least 25% plus one share up to 31 December 2009.

The company is not aware of any other limitations on voting rights or the transfer of shares.

3. The company is not aware of any other holdings in excess of 5%.

4. None of the company's shares carry special control rights.

5. The Zumtobel Group has two employee stock participation programmes ("SOP" and "MSP") for key employees of Group companies. Neither of these programmes calls for the control of voting rights. Detailed information on the stock participation programmes is provided under section 2.5.5.13 of the notes.

6. If a member of the Supervisory Board resigns before the end of his/her term of office, a replacement will be elected at the next annual general meeting. However, vacant seats must be filled without delay by an extraordinary general meeting if the number of members on the Supervisory Board falls below three. New members are elected for the remaining term of office of the member who has resigned. The maximum age for members of the Management Board on the date of their initial appointment or reappointment is 65 years. The maximum age for members of the Supervisory Board on the date of their initial appointment or reappointment is 75 years. There are no other extra-legal regulations governing the appointment or dismissal of members of the Management Board and Supervisory Board or amendments to the articles of association of the company.

7. The annual general meeting of the company on 7 April 2006 authorised the Management Board, with the approval of the Supervisory Board, to increase the share capital of the company by up to EUR 31,425,000 through the issue of up to 12,570,000 shares of zero par value bearer stock at a minimum issue price equal to 100% of the proportional amount of share capital up to a total of EUR 123,448,360 in exchange for cash or contributions in kind. This authorisation is valid for five years, beginning on the date the relevant amendment to the articles of association is filed with the Austrian Company Register. In addition, the Management Board is authorised to determine the price and conditions for this issue (authorised capital). The subscription rights of shareholders to the new shares issued from authorised capital are excluded. The Supervisory Board is empowered to approve any amendments to the articles of association that are required in connection with the issue of shares from authorised capital.

In order to formalise the above resolutions of the Management Board and Supervisory Board from 25 April 2006, the Management Board passed a resolution with the approval of the Supervisory Board on 10 May 2006 to increase the share capital of the company by EUR 19,737,500 to EUR 111,760,860 through the issue of 7,895,000 new shares of zero par value bearer stock with voting rights. The remaining authorisation to increase share capital equals EUR 11,687,500 or 4,675,000 shares.

The annual general meeting of the company on 7 April 2006 also authorised the Management Board, with the approval of the Supervisory Board, to increase the share capital of the company – in multiple tranches if necessary – through a conditional capital increase for the purpose of granting stock options to employees, key managers and members of the Management Board of the company or one of its subsidiaries. This conditional capital increase may equal up to EUR 3,312,840 and may be executed through the issue of up to 1,325,136 new bearer shares in exchange for cash or contributions in kind. This authorisation is valid for five years, beginning on the date the relevant amendment to the articles of association is filed with the Austrian Company Register. In addition, the Management Board is authorised to determine the price and conditions for this issue (authorised conditional capital). The Supervisory Board is empowered to approve any amendments to the articles of association that are required in connection with the issue of shares from authorised conditional capital. In order to formalise this general resolution, the Management Board approved a conditional capital increase on 20 February 2008, which was subsequently approved by the Supervisory Board on 14 March 2008. This approval covered a conditional capital increase of EUR 607,500 through the issue of up to 243,000 shares of bearer stock, whereby the exact number of shares issued will depend on the exercise of subscription rights by eligible employees, key managers and members of the Management Board. None of the eligible persons has exercised his/her subscription rights to date.

In accordance with a resolution of the Annual General Meeting on 7 April 2006 and a resolution of the Management Board on 29 June 2006, and in agreement with the Supervisory Board, 800,000 shares of Zumtobel stock were repurchased up to 31 October 2006 to service the employee stock participation programmes; 687,819 of these shares were distributed to employees.

8. The company concluded a credit agreement with a bank consortium on 29 January 2001 which, according to the version dated 7 February 2006, defines a total outstanding liability of roughly EUR 200 million as of 30 April 2007 and a term extending to 31 December 2009. If the stake held by the above-mentioned syndicate (see point 2 above) falls below 25% plus one share or another group of shareholders acquires a stake that is larger than the syndicate holding at any time during the term of this agreement, the entire remaining balance of the credit would become due and payable immediately. This credit agreement will be repaid as of 30 June 2008 (see section 1.4 "Significant events after the balance sheet date"). The line of credit that will be used for this refinancing only includes a change-of-control clause, which is linked to a change in the absolute majority of voting rights.

9. In the event of a mandatory offer or an offer that is directed to obtaining a controlling interest as defined in the Austrian Takeover Act, all options to be granted under the "SOP" for the current financial year or the following financial year are considered to be granted in full. Moreover, the granted options (including options that are considered to be granted) will be classified as exercised on the last day of the relevant offer (with no additional notice required by the company). Every option classified as exercised entitles the holder to a cash payment, which equals the positive difference between the offer price and the exercise price (if applicable to the SOP participant). Any such difference is due and payable on the 15th calendar day after the announcement of the results of the offer.

In the event of a mandatory offer or an offer that is directed to obtaining a controlling interest as defined in the Austrian Takeover Act, the "MSP" will be terminated and settled in an appropriate manner to be decided by the Supervisory Board of Zumtobel AG based on a recommendation of the Management Board.

10. The Management Board contracts were amended in April 2008 to include a change of control clause. If the company is taken over by a new majority shareholder, the members of the Management Board have the right to terminate their contracts unilaterally. In this case, the member(s) of the Management Board would be entitled to receive the previously agreed fixed and variable remuneration up to the end of the originally agreed contract term, with a minimum payment covering a period of 12 months. The members of the Management Board have no other special claims or entitlements at the end of their function.

1.12 Outlook and Goals

Continuation of worldwide growth in 2008/09

Forecasts call for the continued expansion of the global economy during the 2008/09 financial year of the Zumtobel Group, which begins on 1 May 2008. The International Monetary Fund (IMF) has announced an estimate of 3.7% for worldwide growth in 2008, whereby momentum in the USA should begin to improve towards the end of this year. According to estimates by the Organisation for Economic Cooperation and Development (OECD), this year-end recovery will be responsible for a major part of 1.2% annual growth forecasted for the USA. Developments in the euro zone and Japan should be somewhat stronger according to the IMF, with an increase of 1.4% in the gross national product (GNP). Similar growth rates of 1.4 to 1.6% are expected for the major European economies in France, Great Britain and Germany. In contrast, Italy will most likely be faced with stagnation. Eastern and South-eastern Asia will again serve as the primary drivers for growth in 2008. China and India are forecasted to record GNP increases of 9.3% and 7.9%, respectively, and optimism also characterises expectations for Eastern Europe under the leadership of Russia (plus 6.8%).

For the 2009 calendar year, the International Monetary Fund forecasts growth of 3.8% for the global economy. The traditional industrial regions in North America, Europe and Japan can expect an increase of 1.3%, but the USA will hardly provide any support for worldwide growth with a plus of only 0.6%. The euro zone should realise a moderate increase of 1.2%, with similar development expected in Germany (plus 1.0%) and France (plus 1.2%). The pace of growth in Great Britain should reach 1.6%, and Japan is forecasted to nearly match this level with an increase of 1.5%. In contrast, forecasts for the emerging countries point to economic growth of 6.6%. This development will again be driven by China with an increase of 9.5% in the gross national product and India with plus 8.0%. Dynamic growth should also be recorded by the economies in Russia (plus 6.3%) and the Middle East (plus 6.1%).

The second quarter of 2008 has brought renewed uncertainty over the effects of the subprime crisis in the USA. Additionally, the Organisation for Economic Cooperation and Development sees a growing risk of inflation throughout the world, which the national banks are unable to counter through interest rate corrections without endangering growth. The primary causes for this latest round of inflation are the upward spiral in the price of oil and a sharp rise in the cost of foodstuffs and raw materials. Export-dependent countries and companies in the euro zone are also threatened by the effects of the weak US dollar (USD) and British pound (GBP). All these factors have combined to produce a relatively difficult climate for the economy and business sector over the short-term.

Outlook: cautious optimism prevails

Euroconstruct expects slower growth

The Zumtobel Group expects a weaker operating environment on its markets during the remainder of 2008. This outlook is confirmed by the Euroconstruct June 2008 report: the forecasts for commercial construction in the seven most important European markets for the Zumtobel Group (Austria, Switzerland, Germany, France, Great Britain, Italy and Scandinavia) have been reduced from 3.0% to 1.5% for the 2008 calendar year and from 2.1% to 0.6% for 2009.

Foreign exchange effects remain negative

Negative currency translation effects will continue to represent a major problem for the development of revenues in the 2008/09 financial year. The euro has gained significantly in value versus the major western currencies, above all the British pound (GBP), compared to the first six months of the 2007/08 financial year. The Management Board of the Zumtobel Group also expects demand to remain highly volatile, which makes precise growth forecasts more difficult. After an adjustment for foreign exchange factors, revenues recorded by the Zumtobel Group should outpace the growth rates in the relevant European markets by 2-3% in the 2008/09 financial year.

In view of the highly uncertain market environment, the substantial impact of the strong euro and the marked rise in personnel and material costs, the Zumtobel Group considers an EBIT margin of between 8% and 9% to be realistic for the 2008/09 financial year. The highest negative variances to 2007/08 are expected to occur during the first half-year because of foreign exchange developments and strong performance in the comparable prior year period.

Long-term goal remains intact

Assuming the economic environment returns to an upward trend and exchange rates stabilise in the key Zumtobel regions, the Group confirms its goal to achieve a double-digit EBIT margin over the medium term and increase this margin to as much as 12% over the long-term. These goals are based on the proven earning potential of the Group's core business in Europe, on the targeted improvement in revenues and earnings from activities outside Europe, above all in Asia, and on the future contribution to earnings of its LED activities.

Dornbirn, 19 June 2008

Andreas Ludwig Chief Executive Officer	Thomas Spitzenpfeil Chief Financial Officer

2. Consolidated Financial Statements

Contents

2. Consolidated Financial Statements

2.1 Income Statement

in TEUR	Notes	2007/08	2006/07	Change in %
Revenues	2.5.4.1	1,282,338	1,233,951	3.9
Cost of goods sold	2.5.4.2	(792,882)	(772,854)	2.6
Gross profit		**489,456**	**461,097**	**6.2**
as a % of revenues		38.2	37.4	
Selling expenses	2.5.4.2	(294,153)	(278,474)	5.6
Administrative expenses	2.5.4.2	(77,385)	(74,667)	3.6
Other operating results	2.5.4.3	3,941	6,578	(40.1)
thereof special effects		*(1,097)*	*2,276*	*>100*
Operating profit		**121,859**	**114,534**	**6.4**
as a % of revenues		9.5	9.3	
Interest expense	2.5.4.4	(22,595)	(24,799)	(8.9)
Interest income	2.5.4.4	4,441	2,384	86.3
Other financial income and expenses	2.5.4.5	(15,733)	(3,619)	>100
Profit/(loss) from associated companies	2.5.5.4	(89)	1,791	>100
Financial results		**(33,976)**	**(24,243)**	**40.1**
as a % of revenues		(2.6)	(2.0)	
Profit before tax		**87,883**	**90,291**	**(2.7)**
Income taxes	2.5.4.6	6,100	3,916	55.8
Net profit for the year from continuing operations		**93,983**	**94,207**	**(0.2)**
Net profit for the year from discontinued operations	**2.5.4.7**	**(525)**	**9,436**	**>100**
Net profit for the year		**93,458**	**103,643**	**(9.8)**
as a % of revenues		7.3	8.4	
thereof due to minority shareholders		*471*	*449*	*4.9*
thereof due to shareholders of the parent company		*92,986*	*103,193*	*(9.9)*

Average number of shares outstanding - basic (in 1000 pcs.)	44,531	44,060
Average diluting effect (stock options) (in 1000 pcs.)	235	154
Average number of shares outstanding - diluted (in 1000 pcs.)	44,766	44,214
Earnings per share (in EUR)		
Basic earnings per share	2.09	2.34
Diluted earnings per share	2.08	2.33
Earnings per share from continuing operations (in EUR)		
Basic earnings per share	2.10	2.13
Diluted earnings per share	2.09	2.12

The Management Board and the Supervisory Board will make a recommendation to the annual general meeting on 29 July 2008, which calls for the payment of a dividend of EUR 0.70 per share. The total dividend will equal a maximum of TEUR 31,293 depending on the number of shares held as treasury stock on the distribution date.

2.2 Balance Sheet

in TEUR	Notes	30 April 2008	in %	30 April 2007	in %
Goodwill	2.5.5.1	278,967	25.2	278,468	24.3
Intangible assets	2.5.5.2	40,635	3.7	30,884	2.7
Property, plant and equipment	2.5.5.3	211,222	19.1	196,451	17.2
Investments in associated companies	2.5.5.4	6,486	0.6	7,164	0.6
Financial assets	2.5.5.5	15,604	1.4	26,828	2.3
Other receivables & assets	2.5.5.6	5,338	0.5	7,179	0.6
Deferred taxes	2.5.5.7	43,035	3.9	35,157	3.1
Non-current assets		**601,287**	**54.4**	**582,131**	**50.8**
Inventories	2.5.5.8	162,181	14.7	174,908	15.3
Trade receivables	2.5.5.9	225,113	20.4	228,766	20.0
Other receivables & assets	2.5.5.6	28,750	2.6	29,169	2.5
Financial assets	2.5.5.5	497	0.0	644	0.1
Liquid funds	2.5.5.10	87,678	7.9	126,486	11.0
Available-for-sale assets	2.5.5.11	442	0.0	3,275	0.3
Current assets		**504,661**	**45.6**	**563,248**	**49.2**
ASSETS		**1,105,948**	**100.0**	**1,145,379**	**100.0**
Share capital		111,761	10.1	111,761	9.8
Additional paid-in capital		355,893	32.2	354,143	30.9
Reserves		(48,409)	(4.4)	(129,074)	(11.3)
Net profit for the year		92,986	8.4	103,193	9.0
Capital attributed to shareholders of the parent company		512,231	46.3	440,023	38.4
Capital attributed to minority shareholders		1,969	0.2	1,567	0.1
Equity	**2.5.7**	**514,200**	**46.5**	**441,590**	**38.5**
Provisions for pensions	2.5.5.16	35,762	3.2	55,317	4.8
Provisions for severance compensation	2.5.5.16	29,931	2.7	28,962	2.5
Other provisions	2.5.5.12	10,392	1.0	11,679	1.1
Borrowings	2.5.5.14	211,631	19.1	303,287	26.5
Other liabilities	2.5.5.18	1,012	0.1	1,036	0.1
Deferred taxes	2.5.5.7	10,224	0.9	9,632	0.8
Non-current liabilities		**298,952**	**27.0**	**409,913**	**35.8**
Provisions for taxes		29,196	2.6	35,875	3.1
Other provisions	2.5.5.12	21,121	1.9	16,306	1.4
Borrowings	2.5.5.14	5,024	0.5	8,906	0.8
Trade payables		144,326	13.1	140,387	12.3
Other liabilities	2.5.5.18	93,129	8.4	92,402	8.1
Current liabilities		**292,796**	**26.5**	**293,876**	**25.7**
EQUITY AND LIABILITIES		**1,105,948**	**100.0**	**1,145,379**	**100.0**

2.3 Cash Flow Statement

in TEUR	2007/08	2006/07
Operating profit from continuing and discontinued operations	121,333	124,002
Depreciation and amortisation	39,270	42,357
Other non-cash changes	5,378	15,833
Results from discontinued operations	0	(8,437)
Cash flow from operating results	**165,981**	**173,755**
Inventories	8,038	(28,387)
Trade receivables	(5,654)	12,996
Trade payables	7,110	2,310
Prepayments received	344	(333)
Change in working capital	**9,838**	**(13,414)**
Non-current provisions	(9,287)	(12,526)
Current provisions	(73)	(22,020)
Other current and non-current receivables and liabilities	1,638	4,399
Change in other operating items	**(7,722)**	**(30,147)**
Taxes paid	**(12,141)**	**(7,315)**
Cash flow from operating activities	**155,956**	**122,879**
Proceeds from the sale of non-current assets	11,644	3,119
Capital expenditures	(66,013)	(54,324)
Change in non-current and current financial assets	11,775	(20,324)
Change in liquid funds from changes in the consolidation range	(1,531)	4,570
Cash flow from investing activities	**(44,125)**	**(66,959)**
FREE CASH FLOW	**111,831**	**55,920**
Change in net borrowings	(101,484)	(149,799)
thereof restricted cash	*2,239*	*(1,341)*
Capital increases	0	148,742
Dividends	(22,568)	0
Share buyback	0	(14,194)
Exercise of options	1,750	3,604
Interest paid	(17,146)	(22,162)
Cash flow from financing activities	**(139,448)**	**(33,809)**
Effects of exchange rate changes on cash and cash equivalents	(5,190)	(514)
CHANGE IN CASH AND CASH EQUIVALENTS	**(32,807)**	**21,597**
Cash and cash equivalents at the beginning of the period	118,970	97,373
Cash and cash equivalents at the end of the period	86,163	118,970
Change absolute	**(32,807)**	**21,597**

2.4 Statement of Changes in Equity

2007/08 Financial Year

	Attributed to shareholders of the parent company						
in TEUR	Share capital	Additional paid-in capital	Reserves	Net profit for the year	Total	Minority interests	Total equity
30 April 2007	**111,761**	**354,143**	**(129,074)**	**103,193**	**440,023**	**1,567**	**441,590**
+/- Additions to reserves	0	0	103,193	(103,193)	0	0	0
+/- Net profit for the year	0	0	0	92,986	92,986	471	93,457
+/- Share buyback / exercise of options	0	1,750	0	0	1,750	0	1,750
+/- Dividends	0	0	(22,280)	0	(22,280)	(288)	(22,568)
+/- Currency differences not recognised through profit or loss	0	0	(6,390)	0	(6,390)	31	(6,359)
+/- Currency differences arising from loans	0	0	(6,308)	0	(6,308)	0	(6,308)
+/- Hedge accounting not recognised through profit or loss	0	0	(763)	0	(763)	0	(763)
+/- Actuarial (gain)/loss	0	0	7,818	0	7,818	0	7,818
+/- Stock options - addition	0	0	5,191	0	5,191	0	5,191
+/- Change from acquisition of minority interest	0	0	204	0	204	(957)	(753)
+/- Initial consolidation	0	0	0	0	0	1,145	1,145
30 April 2008	**111,761**	**355,893**	**(48,409)**	**92,986**	**512,231**	**1,969**	**514,200**

2006/07 Financial Year

	Attributed to shareholders of the parent company						
in TEUR	Share capital	Additional paid-in capital	Reserves	Net profit for the year	Total	Minority interests	Total equity
30 April 2006	**92,023**	**232,452**	**(190,662)**	**49,128**	**182,941**	**4,836**	**187,777**
+/- Additions to reserves	0	0	49,128	(49,128)	0	0	0
+/- Net profit for the year	0	0	0	103,193	103,193	449	103,642
+/- Capital increases	19,738	142,110	0	0	161,848	0	161,848
+/- Transaction costs	0	(9,829)	0	0	(9,829)	0	(9,829)
+/- Share buyback / exercise of options	0	(10,590)	0	0	(10,590)	0	(10,590)
+/- Dividends	0	0	0	0	0	(246)	(246)
+/- Currency differences not recognised through profit or loss	0	0	(1,004)	0	(1,004)	16	(988)
+/- Hedge accounting not recognised through profit or loss	0	0	(5,479)	0	(5,479)	4	(5,475)
+/- Stock options	0	0	12,353	0	12,353	0	12,353
+/- Actuarial (gain)/loss	0	0	9,422	0	9,422	0	9,422
+/- Change in minority interests	0	0	(2,832)	0	(2,832)	(3,492)	(6,324)
30 April 2007	**111,761**	**354,143**	**(129,074)**	**103,193**	**440,023**	**1,567**	**441,590**

Statement of recognised income and expense

in TEUR	2007/08	2006/07
Net profit for the year	**92,986**	**103,193**
Hedge accounting	(1,062)	(7,607)
Actuarial (gain)/loss	10,898	13,086
Deferred taxes	(2,781)	(1,534)
Income recognised directly in equity	**7,055**	**3,945**
Total	**100,041**	**107,138**
Attributed to shareholders of the parent company	99,570	106,685
Attributed to minority interests	471	453

2.5 Notes to the Consolidated Financial Statements

2.5.1 General Information

The consolidated financial statements were prepared in accordance with § 245a of the Austrian Commercial Code and the provisions of IFRS/IAS that were 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 valid as of the balance sheet date, to the extent that these regulations have also been adopted by the European Union through its endorsement proceedings. Therefore, the consolidated financial statements of Zumtobel AG reflect all International Financial Reporting Standards (IFRS) that are applicable to the 2007/08 financial year.

The Management Board of Zumtobel AG released the consolidated financial statements for distribution to the Supervisory Board on 19 June 2008. The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement that indicates whether or not it approves the consolidated financial statements.

Zumtobel is an international lighting group. The headquarters of the parent company, Zumtobel AG, are located in Dornbirn, Austria, and the company is registered with the Provincial and Commercial Court in Feldkirch, Austria under number FN 62309 g. The balance sheet date is 30 April, and the reporting year covers the period from 1 May 2007 to 30 April 2008. The reporting currency is the euro. The business activities of the Group are carried out primarily through its subsidiary groups: the Zumtobel Lighting Division (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the TridonicAtco Division (electronic and magnetic lighting components).

The annual financial statements of companies included in the consolidated financial statements were prepared based on uniform accounting and valuation principles. The income statement was prepared in accordance with the cost of sales method. In order to improve the transparency and explanatory power of these financial statements, certain items were combined on the balance sheet and income statement, and are presented separately in the notes. The amounts in the tables are presented in thousand euros (TEUR), unless stated otherwise.

2.5.2 Consolidation Range and Methods

2.5.2.1 Consolidation range

The 2007/2008 consolidated financial statements include 97 (2006/07: 95) fully consolidated companies, in which Zumtobel AG exercises management control or directly or indirectly owns the majority of shares. Five companies were included in the consolidation at equity (2006/07: 4), and no companies were included using the proportional method (2006/07: 1). Sixteen companies (2006/07: 22) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial.

Any additional obligations to prepare subgroup financial statements based on local requirements are met with the publication of these consolidated financial statements.

The consolidation range changed as follows during the reporting year:

Consolidation Range	Full	Proportional	At equity	TOTAL
		Consolidation Method		
30 April 2007	**95**	**1**	**4**	**100**
Change in consolidation method	0	(1)	1	0
Included during reporting year for first time	9	0	0	9
thereof newly founded	*3*	*0*	*0*	*3*
thereof acquisition	*6*	*0*	*0*	*6*
Merged / liquidated during reporting year	(7)	0	0	(7)
30 April 2008	**97**	**0**	**5**	**102**

The following companies were acquired during the reporting year:

	Share in %	Initial consolidation	Purchase price in TEUR	Net profit for the year in TEUR
FURIAE Raiffeisen-Immobilien-Leasing GmbH, Vienna	100%	1 August 2007	17	(138)
Lightmakers A/S, Denmark	51%	5 December 2007	1,027	2
Zumtobel Lighting Kft. Hungary	100%	1 October 2007	677	151
my-tronic LEDON GmbH, Germany	100%	1 May 2007	307	(455)
Thorn Lighting India Private Ltd., India	70%	1 May 2007	867	114

The acquisition of FURIAE Raiffeisen-Immobilien-Leasing GmbH also led to the acquisition of its wholly owned subsidiary Raiffeisen Lux S.r.l. Since these two companies are viewed as a single entity for consolidation purposes, separate data is not provided on the purchase price or earnings of Raiffeisen Lux S.rl.

An additional 60% of the shares in Thorn Lighting India Private Ltd. were acquired during the reporting year; the Group previously held a stake of 10%. The Zumtobel Group holds an option to purchase the remaining 30% in 2010. Information on the goodwill disclosed in connection with this transaction is provided under section 2.5.5.1.

The changes in the consolidation range had the following effects, whereby this presentation is based on the date of the initial consolidation:

in TEUR	Lightmakers A/S	my-tronic LEDON GmbH	Thorn Lighting India Private Ltd	Zumtobel Lighting Kft. Hungary	FURIAE Raiffeisen-Immobilien-Leasing GmbH	Total
Non-current assets	1,575	152	93	573	6,118	8,512
Current assets	1,333	961	2,587	1,420	134	6,436
thereof cash	*435*	*329*	*431*	*736*	*0*	*1,931*
Assets	**2,909**	**1,113**	**2,680**	**1,994**	**6,252**	**14,948**
Non-current liabilities	0	0	587	0	6,646	7,233
Current liabilities	842	450	1,556	1,271	0	4,119
Equity	2,067	664	536	722	(394)	3,595
Equity and Liabilities	**2,909**	**1,113**	**2,680**	**1,994**	**6,252**	**14,948**

The following companies were founded during the 2007/08 financial year:

- >> TRIDONICATCO AYDINLATMA TICARET LIMITED SIRKETI
- >> Zumtobel LED Holding GmbH
- >> Zumtobel LED GmbH

The following companies were liquidated or merged in 2007/08:

- >> Thorn Lighting Manufacturing Industries Sdn. Bdn, Malaysia
- >> Thorn Lighting (Philippines) Inc., Philippines
- >> Thorn Lighting Holdings Ltd., Great Britain
- >> Thorn Lighting CLK Ltd., China
- >> Thorn Lighting (Mauritius) International Ltd., Mauritius
- >> Auckland Transformer Company Ltd., New Zealand (merged with Tridonic Atco NZ Limited)
- >> Luxmate WSW GmbH, Germany (merged with Zumtobel Lighting GmbH & Co KG)

Lexedis Lighting GmbH, Austria, which was previously included using the proportional method, was converted to equity accounting as of 1 January 2008. This change in consolidation method involved the offset of the investment of TEUR 1,300 and participation rights of TEUR 3,500 against the previously accumulated losses of TEUR 2,176; the remaining participation rights were written down to EUR 0.

2.5.2.2 Consolidation methods

Basis of consolidation

For subsidiaries included using the full consolidation method, the principles set forth in IFRS 3 are used to eliminate the investment and equity. In accordance with this method, the identifiable assets and liabilities of the subsidiary are recognised at fair value as of the point of acquisition. If the acquisition price exceeds the fair value of purchased identifiable assets and liabilities, the difference is recognised as goodwill. In accordance with IFRS 3.56, any negative differences are recognised immediately to profit or loss.

Minority interests are carried at the respective proportion of the fair value of recognised assets and liabilities.

The profit or loss recorded by a subsidiary that is acquired or sold during the year is included in the Group income statement as of the effective date of acquisition or up to the effective date of disposal.

The equity method is applied to associated companies in which the Zumtobel Group generally exercises a significant influence – as a rule, based on a 20 – 50% share of voting rights. Companies valued at equity are consolidated based on the proportional share of equity owned by the Zumtobel Group, whereby the carrying amount as of the balance sheet date is adjusted to reflect the proportional share of profit or loss for the reporting period less any distribution of profits, major interim profits and impairment charges to goodwill. All adjustment items are recognised to the consolidated income statement.

Other consolidation principles

During the consolidation of liabilities, trade receivables are netted out with the corresponding liabilities. Revenue and expenses arising from transactions between Group companies are eliminated during the consolidation. Interim profits from inventories as well as the production and transfer of fixed assets between Group companies are eliminated if they are not immaterial.

Foreign currency translation

The functional currency method is used to translate the financial statements of foreign companies included in the consolidation. The local currency represents the functional currency for all these companies because the entities operate independently from a financial, economic, and organisational standpoint. Assets and liabilities are translated using the average rate as of the balance sheet date. On the income statement, revenues and expenses are translated using the average exchange rate for the year. The same applies to income and expenses recognised directly in equity (SORIE). Any resulting differences are charged or credited to equity without recognition through profit or loss.

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	30 April 2008	30 April 2007	30 April 2008	30 April 2007
AUD	1.6361	1.6741	1.6610	1.6420
CHF	1.6349	1.5918	1.6140	1.6450
USD	1.4351	1.2919	1.5540	1.3600
SEK	9.3122	9.2067	9.3570	9.1520
GBP	0.7153	0.6767	0.7901	0.6827
HKD	11.1869	10.0606	12.1100	10.6300

2.5.3 Accounting and Valuation Methods

2.5.3.1 Initial application of new or amended IAS / IFRS or changes in presentation

The application of IFRS 7 "Financial Instruments: Disclosures" and IAS 1.124 led to the provision of additional information on the financial instruments presented in these consolidated financial statements and on the management of capital. This new standard supplements IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". The primary objective of IFRS 7 is to provide information on the significance of financial instruments for a company's financial position and performance, and also explain the nature and extent of the related risks as well as their management. The disclosures required by this new standard are presented in the consolidated financial statements of the Zumtobel Group for the 2007/08 financial year and are also reflected in the comparable prior year data.

2.5.3.2 Accounting regulations not applied prematurely

IFRS 8 "Operating Segments" includes new requirements for the presentation of segment reporting and replaces IAS 14. In contrast to IAS 14, which required the disclosure of information by segment of business and region, IFRS 8 follows the so-called "management approach". This standard bases the definition of segments and the related presentation of data on the same internal information that is used by management to allocate resources and evaluate performance. IFRS 8 is applicable to financial years that begin on or after 1 January 2009 and was not applied prematurely by Zumtobel.

The major changes in the 2007 revision of IAS 23 "Borrowing Costs" concern the elimination of the option to immediately expense borrowing costs, when these costs can be directly attributed to the acquisition, construction or production of a qualifying asset. In the future, borrowing costs must be capitalised as a part of the acquisition or production cost of the relevant asset. The change applies to borrowing costs that can be allocated to qualified assets, which are recognised on or after 1 January 2009. The new requirements of IAS 23 were not applied prematurely.

The effects of the application of these new standards on the consolidated financial statements have not yet been determined.

2.5.3.3 Major accounting and valuation methods

Goodwill

Goodwill represents any excess cost for the acquisition of an entity over the fair value of identifiable assets and liabilities of a subsidiary, associated company or joint venture purchased by the Group at the point of acquisition.

Goodwill is recognised as an asset and tested for impairment with the relevant cash-generating unit at least once each year. The comparable value represents the value in use, which is determined on the basis of the discounted cash flows attributable to the cash-generating unit using a WAAC of 8.1% (2006/07: 8.6%). Future cash flows are estimated on the basis of internal forecasts, which are prepared in detail for the 2008/09 financial year and with minor simplifications for the next four years. Constant cash flows are assumed for later periods, based on the 2012/13 financial year. The quality of these internal forecasts is reviewed regularly by comparing expected and actual results, and the outcome of this analysis is used to prepare the forecast for the next year. The estimation of cash flows also includes specific regional assumptions for the development of the market. Cost structures are generally forecasted and extrapolated on the basis of past experience. Any impairment is recognised immediately to the income statement, but subsequent increases in value are never recognised.

Patents, licenses and similar intangible assets

Patents, licenses and similar rights are recognised initially at acquisition or production cost, and amortised on a straight-line basis over their presumed useful life.

Internally generated intangible assets

Expenses for research activities are expensed in the period incurred.

Internally generated intangible assets that result from product development or the implementation of software by the Group are only capitalised when the requirements defined in IAS 38.57 – above all the following conditions – are met:

- The internally generated asset is identifiable
- It is probable that the asset will generate a future economic benefit
- The costs of the asset can be reliably estimated.

Internally generated intangible assets are recognised on a straight-line basis or in accordance with the product life cycle. If the recognition of an internally generated intangible asset is not permitted, the relevant development costs are expensed in the period incurred.

Property, plant and equipment

Acquired and internally generated property, plant and equipment are recognised at acquisition or production cost and, if depreciable, are depreciated over their presumed useful life on a straight-line basis. Production costs include direct costs as well as an appropriate part of material and production overheads. Interest costs are not capitalised, but recorded as expenses of the period incurred.

The regular review of the useful lives of property, plant and equipment resulted in a partial change to the useful life of individual assets during the first six months of 2007/08.

Subsequent acquisition or production costs are recognised as assets if they meet the general requirements of IAS 16, e.g. the probability that an economic benefit will be generated and the possibility of reliable measurement. Regular repair and service costs are expensed as incurred.

Straight-line depreciation is based on the following useful lives:

Straight-line depreciation	Depreciation rate per year
Intangible assets	10 - 25%
Buildings	2 - 3.3%
Technical equipment and machinery	14.3 - 20%
Other equipment, furniture, fixtures and office equipment	14.3 - 33.3%

Impairment of property, plant and equipment and intangible assets

The Group assesses the carrying amounts of property, plant and equipment and intangible assets as of each balance sheet date to determine whether there are indications that an asset is impaired. If there are any such indications, the recoverable amount of the asset is estimated in order to determine the possible impairment charge. If it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset is allocated. In general, the production facility represents the relevant cash-generating unit.

Internally generated assets that have an indefinite useful life or are not ready for use as of the balance sheet date are tested for impairment each year even if there are no signs of impairment. The same procedure is applied to goodwill.

The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. The determination of value in use is based on estimated future cash flows, which are discounted at a WACC of 8.1% (2006/07: 8.6%); this rate also reflects any specific risks associated with the asset, which are not included in cash flows.

When the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to the recoverable amount. The impairment charge is recognised immediately to profit or loss.

If the reasons for impairment cease to exist, the carrying amount of the asset (or cash-generating unit) is increased to the newly estimated recoverable amount. The increase in the carrying amount is limited to the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised immediately to profit or loss.

Leases

Leases are classified as finance leases when the conditions of the lease agreement substantially transfer all risks and rewards associated with the ownership of an asset to the lessee. All other leases are classified as operating leases.

Lease payments on operating leases are recognised as expenses on a straight-line basis over the lease term.

At the commencement of the lease term, assets held under finance leases are recognised on the balance sheet at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is shown on the balance sheet under obligations from finance leases. The lease payments are apportioned between a finance charge and amortisation of the outstanding liability to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised directly to the income statement.

Inventories

Inventories are measured at the lower of purchase or production cost (based on the average price method) and the net selling price. The purchase or production cost of finished goods and work in process also includes an appropriate part of fixed and variable manufacturing and material overheads based on the normal use of capacity. Production cost does not include interest expense or administrative and selling overheads. Appropriate discounts are recorded to reflect the risks arising from the length of storage or reduced opportunities for use or sale; these discounts are standardised throughout the Group and are based on inventory turnover.

Construction contracts

Custom-order production contracts are recorded in accordance with the percentage of completion method in order to correctly match the progress on these contracts to specific accounting periods. Under the condition that revenues, expenses and the degree of completion can be reliably estimated, income is realised in keeping with the costs incurred up to the balance sheet date as a percentage of the total estimated costs for the contract (input oriented method) or the completion of part of the contract (output oriented method, e.g. partial deliveries).

Financial instruments

Financial assets and financial liabilities are recognised to the consolidated balance sheet when the Group becomes a party to the contract that determines the rules governing the financial instrument.

The Zumtobel Group distinguishes between the following classes of financial instruments:

- Securities and similar rights
- Trade receivables and trade payables
- Other receivables and liabilities
- Loans received and originated
- Finance leases
- Positive market values of derivatives held for trading
- Positive market values of derivatives (hedge accounting)
- Negative market values of derivatives held for trading
- Negative market values of derivatives (hedge accounting)

>> Securities and similar rights

Securities and similar rights (e.g. investments in companies) are classified as held for trading or available for sale, and measured at their fair value in subsequent periods. If securities are held for trading, any gains or losses resulting from changes in fair value are recognised as income or expense of the period. Gains and losses resulting from changes in the fair value of available-for-sale securities are recognised under equity until the security is sold or is determined to be impaired. At this point, the accumulated gains and losses previously recorded under equity are recognised to the income statement for the period.

>> Trade receivables and other receivables

Receivables are generally carried at nominal value; non-current receivables are stated at their discounted present value. Recognisable risks are reflected in allowances for bad debts.

>> Loans received and originated, finance leases

Liabilities are recognised at their repayment amount, nominal value or higher fair value as of the balance sheet date. Non-current liabilities are recognised at their present value.

>> Market value of derivatives held for trading

Changes in the value of derivative instruments, which are not part of hedge accounting, are shown on the income statement.

>> Market value of derivatives (hedge accounting)

Increases or decreases in the fair value of derivative instruments, which qualify as a cash flow hedge and are highly effective, are credited or charged to equity. In contrast, the ineffective portion is recognised immediately to the income statement. The amounts accumulated under equity are recognised as gains or losses of the same period in which the hedged item is recognised to the income statement.

Hedge accounting is no longer used when a hedge expires or is sold, terminated or exercised, or no longer fulfils the criteria for hedge accounting. At this point, all accumulated gains or losses on the hedge remain in equity until the planned transaction is recognised. If a hedged transaction is no longer expected to occur, the net amount of all gains and losses accumulated under equity is recognised to the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised to the income statement as incurred.

>> Categories of financial instruments

The categories of financial instruments defined in IAS 39 can be classified and measured as follows.

Explanation of measurement categories:

- at FV/P&L – measured at fair value through profit or loss
- HFT – held for trading
- HTM – held to maturity
- AFS – available for sale
- L&R – loans and receivables
- Hedge accounting – hedging transactions
- at amortised cost – financial liabilities measured at amortised cost

Various balance sheet positions contain assets or liabilities that do not represent financial instruments as defined in IAS 32 (non-financial instruments, Non-FI).

2007/08 Financial Year

Assets

in TEUR	Carrying amount	At FV/P&L	HFT	HTM	AFS	L&R	Hedge accounting	Non-FI
Other receivables & assets	5,338	0	0	0	0	1,288	0	4,050
Financial assets	15,604	0	0	23	2,074	13,507	0	0
Non-current assets	**20,942**	**0**	**0**	**23**	**2,074**	**14,795**	**0**	**4,050**
Other receivables & assets	28,750	0	876	0	0	7,091	0	20,783
Financial assets	497	0	306	7	5	34	145	0
Trade receivables	225,113	0	0	0	0	225,113	0	0
Liquid funds	87,678	0	0	0	0	87,678	0	0
Current assets	**342,038**	**0**	**1,182**	**7**	**5**	**319,916**	**145**	**20,783**
Total	**362,980**	**0**	**1,182**	**30**	**2,079**	**334,711**	**145**	**24,833**

Liabilities

in TEUR	Carrying amount	At FV/P&L	At amortised cost	Hedge accounting	Non-FI
Borrowings	211,631	0	211,631	0	0
Other liabilities	1,012	0	0	0	1,012
Non-current liabilities	**212,643**	**0**	**211,631**	**0**	**1,012**
Borrowings	5,024	401	4,623	0	0
Trade payables	144,326	0	144,326	0	0
Other liabilities	93,129	396	0	0	92,733
Current liabilities	**242,479**	**797**	**148,949**	**0**	**92,733**
Total	**455,122**	**797**	**360,580**	**0**	**93,745**

2006/07 Financial Year

Assets

in TEUR	Carrying amount	At FV/P&L	HFT	HTM	AFS	L&R	Hedge accounting	Non-FI
Other receivables & assets	7,179	0	0	0	0	1,816	0	5,363
Financial assets	26,828	3,314	0	29	1,030	22,455	0	0
Non-current	**34,007**	**3,314**	**0**	**29**	**1,030**	**24,271**	**0**	**5,363**
Other receivables & assets	29,169	0	501	0	0	2,671	992	25,005
Financial assets	644	0	0	7	5	14	618	0
Trade receivables	228,766	0	0	0	0	228,766	0	0
Liquid funds	126,486	0	0	0	0	126,486	0	0
Current	**385,065**	**0**	**501**	**7**	**5**	**357,937**	**1,610**	**25,005**
Total	**419,072**	**3,314**	**501**	**36**	**1,035**	**382,208**	**1,610**	**30,368**

Liabilities

in TEUR	Carrying amount	At FV/P&L	At amortised cost	Hedge accounting	Non-FI
Borrowings	303,287	0	303,287	0	0
Other liabilities	1,036	0	0	0	1,036
Non-current	**304,323**	**0**	**303,287**	**0**	**1,036**
Borrowings	8,906	462	8,444	0	0
Trade payables	140,387	0	140,387	0	0
Other liabilities	92,402	1,299	0	0	91,103
Current	**241,695**	**1,761**	**148,831**	**0**	**91,103**
Total	**546,018**	**1,761**	**452,118**	**0**	**92,139**

Non-current assets available for sale

Non-current assets or groups of assets are classified as available for sale when their carrying amount can be better realised through sale than continued use. This requirement is only considered to be met when the sale of the asset is highly probable and the asset (or group of assets available for sale) can be sold immediately in its present condition. Management must have a firm commitment to complete the sale, e.g. as demonstrated by the recording of the completed sale transaction within one year after the date of classification. Such assets are measured at the lower of the carrying amount and fair value less costs to sell.

Current and non-current assets and liabilities

Assets and liabilities whose realisation or payment is expected within a 12-month period are classified as current. All other assets and liabilities are classified as non-current.

Share-based remuneration

The stock option programmes of Zumtobel AG represent share-based remuneration that is paid in the form of equity instruments. The valuation of compensation for services provided by employees is derived from the market value of the issued equity instruments at the grant date, and is based on accepted option valuation models. Additions to the reserve are recognised as an expense, but the reserve is not adjusted through profit or loss to reflect the actual cost. These items are reported under reserves.

Provisions

Other provisions are created to reflect current obligations that result from past events. The outflow of resources to meet the obligation must be probable, and a reliable estimate of the total obligation must be possible. If these conditions are not met, a provision is not recognised. If the outflow of resources is not improbable, the item is reported as a contingent liability.

Provisions are only created for restructuring costs if the general criteria for recognition are met and there is a legal or constructive obligation to carry out the restructuring (IAS 37.70ff).

Provisions for guarantees are created on an individual basis as required by specific circumstances. Lump-sum provisions for guarantees are also created in accordance with standard Group guidelines. The basis for calculation is formed by the incurred warranty costs in relation to revenues for the last three years.

Other non-current provisions are not discounted because these items are immaterial.

Employee benefits

>> Short-term obligations are due and payable within 12 months after the end of a financial year, and are recognised in their entirety to the income statement. Any resulting liabilities or provisions are carried at nominal value under other liabilities.

>> Post-employment benefits include long-term provisions for pensions and severance compensation.

>> Other long-term employee benefits are comprised primarily of the provisions for service anniversary bonuses and rules governing part-time work for older employees in Austria and Germany as well as long-service leave in Australia.

>> Defined benefit plans

The present value of a defined benefit obligation (DBO) is calculated as of each balance sheet date in accordance with actuarial principles based on the projected unit credit method. This method assumes that employees earn an equal portion of their total entitlement each year. It separates the interest cost, which represents the amount by which the obligation has increased during a particular year because benefits have moved closer to settlement, from the service cost or new entitlements that have arisen during a particular year. The interest rate used to discount future obligations is a current market rate. The assumptions used to measure the amount of obligations include expected future increases in salaries or wages as well as benefit commitments. Changes in claims may arise from new commitments or the adjustment of existing benefits, and are reported as past service cost.

Plan assets represent assets that are held by a fund and netted out with pension obligations. These assets are valued each year by certified actuaries.

Defined benefit plans are measured as of each valuation date based on current best assumptions, which may change from one valuation date to the next. The financial effects of changes in these valuation assumptions are classified as actuarial gains or losses. Actuarial gains and losses are recorded under equity after the deduction of deferred taxes in the period incurred, without recognition through profit or loss.

Interest costs and income on plan assets are reported under financial results, while the other components are shown under operating results.

>> Defined contribution plans

Under a defined contribution plan, a company has no obligations above or beyond the payment of contributions to a fund. These contributions are recognised as personnel expenses in the period incurred.

Income taxes

Income tax expense represents the total of tax expense for the current period and deferred taxes. The calculation of tax expense for the current period is based on taxable income for the year. Taxable income differs from net profit on the income statement because it excludes income and expenses that will become taxable in later years, or never become taxable, or are deductible for tax purposes. The obligations of the Group arising from current tax expense are calculated at the relevant local tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred taxes include the expected tax charges and tax recovery that result from differences between the carrying amount of assets and liabilities in the annual financial statements and the relevant tax bases used to calculate taxable income. The balance sheet-oriented liability method forms the basis for these calculations. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised only to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced accordingly when it is not probable that sufficient taxable profit will be available to utilise the deferred tax assets in full or in part within the foreseeable future. The calculation of deferred taxes is based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred taxes are generally recognised to the income statement, with the exception of items that are charged or credited directly to equity.

Revenue recognition

Revenue from the sale of goods and services is recognised when the group transfers the major risks and opportunities associated with ownership to the buyer. Rebates and discounts are deducted from this figure. Operating expenses are recognised when a service is used or an expense is incurred.

Interest income is recognised proportionately over time in accordance with the effective interest paid on the asset. This is the interest rate, which is used to discount the estimated future cash payments over the term of the financial asset to the net carrying amount of the asset.

Dividend income is recognised when a legal claim to payment arises.

Borrowing costs

Borrowing costs are expensed in the period incurred.

Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect on the date of the transaction, while monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date. Realised and unrealised gains and losses arising from foreign currency transactions are generally reported under financial results. Following the initial application of IFRS 7, the measurement effects of all financial instruments – including trade receivables and trade payables – are also reported under financial results. These effects were reported under operating results in the previous financial year. The effect of this change in presentation is an improvement of EUR 3.0 million in operating profit and an equivalent decrease in financial results. If this change in presentation had been made in the prior year, operating profit would have been EUR 0.2 million higher; a corresponding reclassification was not made in the prior year because the effect is immaterial. The measurement effects of non-current loans, which qualify as part of the net investment in a foreign operation as defined in IAS 21, are recorded directly in equity.

Discretionary decisions and uncertainty in estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions by management, which have an influence on the amount and reporting of recognised assets and liabilities, income and expenses, and contingent liabilities for the financial period. The actual figures may differ from these estimates. The principle of a true and fair view is also applied without limitation in the use of estimates. Estimates, assumptions and interpretations are generally related to the determination of fair value, the most probable settlement amount for provisions, the value in use for discounting future cash flows and the value of options based on the Black-Scholes model.

As of the balance sheet date, no major circumstances were known that could lead to a material variance from the carrying amount of an asset or liability during the next financial year.

Special effects

In accordance with IAS 1, results outside the ordinary activities of a company must be disclosed separately if these items are of a scope, nature or incidence that their disclosure is relevant to explain the financial performance of a company. In particular, these items include the results from non-recurring events such as restructuring, significant expenses for legal proceedings, the sale of property not used in business operations, the reversal of material provisions and impairment charges to assets. These special effects are disclosed separately in the consolidated financial statements, and are designated as "thereof" on the income statement.

Government grants

Government grants related to income, which are provided as compensation for expenses, are generally recognised as income of the period in which they are granted. These grants are capitalised as a liability if they are connected with future expenses. Grants related to assets are recognised to profit or loss over the useful life of the related asset.

2.5.4 Notes to the Income Statement

2.5.4.1 Revenues

Revenues include an adjustment for sales deductions (primarily customer discounts) of TEUR 53,182 (2006/07: TEUR 53,941). Gross revenues total TEUR 1,335,520 (2006/07: TEUR 1,287,892).

2.5.4.2 Expenses

The income statement was prepared in accordance with the cost of sales method. The cost of goods sold (incl. development costs) as well as selling expenses (incl. research costs), administrative expenses and other operating results include the following categories of income and expenses:

2007/08 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(551,629)	(6,645)	(212)	(4)	(558,490)
Personnel expenses	(185,937)	(144,180)	(47,087)	(98)	(377,302)
Depreciation	(31,753)	(5,705)	(1,752)	(60)	(39,270)
Other expenses	(54,063)	(133,232)	(31,947)	(1,165)	(220,407)
Own work capitalised	13,549	65	205	0	13,819
Internal charges	6,649	(9,715)	3,069	0	3
Total expenses	**(803,184)**	**(299,412)**	**(77,724)**	**(1,327)**	**(1,181,647)**
Other income	**10,302**	**5,259**	**339**	**5,268**	**21,168**
Total	**(792,882)**	**(294,153)**	**(77,385)**	**3,941**	**(1,160,479)**

2006/07 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(524,753)	(4,371)	(443)	(15)	(529,582)
Personnel expenses	(180,709)	(137,944)	(44,838)	(173)	(363,664)
Depreciation	(34,010)	(5,765)	(2,030)	(553)	(42,358)
Other expenses	(54,421)	(129,528)	(30,708)	740	(213,917)
Own work capitalised	12,704	190	39	0	12,933
Internal charges	5,841	(6,388)	768	(39)	182
Total expenses	**(775,348)**	**(283,806)**	**(77,212)**	**(40)**	**(1,136,406)**
Other income	**2,494**	**5,332**	**2,545**	**6,618**	**16,989**
Total	**(772,854)**	**(278,474)**	**(74,667)**	**6,578**	**(1,119,417)**

The cost of materials includes TEUR 23,013 (2006/07: TEUR 22,619) of third party services.

Other income includes government grants of TEUR 2,860 (2006/07: TEUR 1,632), which were provided primarily for research activities.

The cost of goods sold includes development costs of TEUR 27,099 (2006/07: TEUR 25,159). Capitalised development costs totalled TEUR 12,700 for the reporting year (2006/07: TEUR 10,799), and the amortisation of capitalised development costs equalled TEUR 4,902 (2006/07: TEUR 3,891).

Selling expenses include TEUR 1,314 (2006/07: TEUR 356) of research costs.

Production, selling and administrative expenses include the following personnel costs:

in TEUR	2007/08	2006/07
Wages	(79,969)	(83,209)
Salaries	(217,065)	(204,512)
Expenses for severance compensation	(3,562)	(2,758)
Expenses for pensions	(5,723)	(2,380)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(58,249)	(59,275)
Other employee benefits	(12,734)	(11,530)
Personnel expenses	**(377,302)**	**(363,664)**

2.5.4.3 Other operating results

in TEUR	2007/08	2006/07
Government grants	1,500	803
License revenues	2,979	3,630
Special effects	(1,097)	2,276
Impairment charges (-) / write up (+) to non-current assets	*0*	*(550)*
Other impairment	*(2,648)*	*0*
Restructuring	*(3,200)*	*2,211*
Gains / losses on sale	4,751	615
Miscellaneous	559	(131)
Other operating results	**3,941**	**6,578**

The government grants represent subsidies that were recognised to profit or loss.

License revenues represent income from the LED business.

Special effects as defined by IAS 1 include the following major positions:

Other impairment reflects subsequent adjustments to the debit balances of suppliers to the Chinese subsidiary of the Zumtobel Lighting Division, which proved to be impaired.

Restructuring includes the costs for a redundancy plan in Great Britain. The new construction of a plant in Spennymoor will result in the rationalisation and streamlining of production and, in turn, has led to the implementation of initial redundancy measures (TEUR 1,840). This position also includes expenses incurred for the relocation of production facilities to the new plant in Wetherhill Park, Australia (TEUR 874). The remainder is related to smaller redundancy plans in two other factories. The income reported in 2006/07 represents effects from restructuring projects started in earlier years.

Gains/losses on sale were generated chiefly by the disposal of real estate in Smithfield, Australia (TEUR 3,030), Dornbirn, Austria (TEUR 1,362) and Lindau, Germany (TEUR 380).

Miscellaneous items represent costs arising from ordinary business operations, which cannot be clearly allocated to other functional areas.

2.5.4.4 Interest income and expense

Interest income includes interest on bank deposits and miscellaneous loans granted. Interest expense comprises the cost of bank loans and overdrafts as well as the interest component of finance leases in accordance with IAS 17.

2.5.4.5 Other financial income and expenses

in TEUR	2007/08	2006/07
Interest component as per IAS 19 less income on plan assets	(1,962)	(2,221)
Foreign exchange gains and losses	(7,329)	985
Market valuation of financial instruments	(6,634)	(2,383)
Gains / losses on sale	192	0
Other financial income and expenses	**(15,733)**	**(3,619)**

Foreign exchange gains and losses are comprised above all of effects from the valuation of receivables and liabilities denominated in foreign currencies. The financial instruments shown in the above table are classified as "loans and receivables" or "liabilities carried at amortised cost".

The market valuation of financial instruments includes the results from the measurement of forward exchange contracts (classified as "held for trading") at the relevant market value as of the balance sheet date (TEUR 1,185).
The reporting year amount also includes a provision for a – from the current point of view, disadvantageous – lease for the newly constructed plant in England (TEUR 5,452). The provision equals the difference between the present value of the minimum lease payments and the fair value for comparable industrial buildings. This difference is classified as an additional financing cost in accordance with IAS 17.

The gain on sale was generated entirely from the sale of a convertible bond issued by the Canadian TIR Systems Ltd., which was carried at fair value through profit or loss in the prior year.

2.5.4.6 Income taxes

As in the prior year, deferred tax income resulted above all from the partial reversal of valuation adjustments to deferred tax assets. These deferred tax assets are related to loss carryforwards recognised by the Austrian companies.

The classification of income taxes between current and deferred taxes is as follows:

in TEUR	2007/08	2006/07
Current taxes	(4,106)	(9,094)
Deferred taxes	10,206	13,010
Income taxes	**6,100**	**3,916**

Tax income of TEUR 6,100 (2006/07: tax income of TEUR 3,916) is TEUR 28,071 (2006/07: TEUR 26,489) lower than the theoretical tax expense that would result from the application of a 25% (2006/07: 25%) tax rate to profit before tax of TEUR 87,883 (2006/07: TEUR 90,291). This fictitious tax expense totals TEUR 21,971 (2006/07: TEUR 22,573). The actual tax rate represents a weighted average of all companies included in the consolidation range.

The reasons for the difference between the theoretical tax rate and actual tax rate for the Group are shown in the following table:

Difference between calculated / actual tax income

in TEUR	2007/08	2006/07
Theoretical tax expense resulting from application of 25% domestic tax rate	**(21,971)**	**(22,573)**
Increase in taxes based on	**(17,447)**	**(17,076)**
Non-deductible expenses	(3,106)	(1,528)
Foreign tax rates	(3,219)	(5,163)
Valuation discounts for deferred taxes	(8,105)	(9,448)
Subsequent payments	(78)	(93)
Other items	(2,939)	(844)
Decrease in taxes based on	**45,518**	**43,565**
Investment allowances and research grants	267	0
Foreign tax rates	4,594	3,536
Valuation discounts for deferred taxes	33,571	34,363
Tax-free income	2,586	1,564
Other items	4,500	4,102
Total tax income	**6,100**	**3,916**

An increase in deferred tax assets, in particular to include the presumed utilisation of tax loss carryforwards, led to a tax rate of 6.9% (2006/07: 4.3%)

2.5.4.7 Results from discontinued operations

Results from discontinued operations consist primarily of a valuation adjustment to a purchase price receivable, which resulted from the sale of a plant in 2004/05 (TEUR -432).

Results from discontinued operations in the prior year are related entirely to the airfield business, which was sold during 2006/07.

2.5.5 Notes to the Balance Sheet

2.5.5.1 Goodwill

in TEUR	Thorn Lighting Group	Atco-Group	Staff-Group	Atco Singapore & Malaysia	TridonicAtco Optoelectronics	Thorn India	Total
Goodwill before impairment	**520,236**	**4,733**	**427**	**569**	**1,722**	**0**	**527,687**
Disposal of goodwill from prior periods	(4,405)	0	0	0	0	0	(4,405)
Impairment charges from prior periods	**(244,245)**	**0**	**0**	**(569)**	**0**	**0**	**(244,814)**
Goodwill after impairment April 2007	271,586	4,733	427	0	1,722	0	278,468
Goodwill from initial consolidation 2008	0	0	0	0	0	499	499
Goodwill as of April 2008	**271,586**	**4,733**	**427**	**0**	**1,722**	**499**	**278,967**

Goodwill is allocated to the following cash-generating units (CGU):

Goodwill	CGU
Thorn Lighting Group & Staff-Group	Zumtobel Lighting Division
Atco-Group	Consolidated segment "Atco" of the TridoniAtco Division
Atco Singapore & Malaysia	TridonicAtco Sdn. Bhd. (Malaysia) and TridonicAtco (S.E.A.) Pte Ltd. (Singapore)
TridonicAtco Optoelectronics	TridonicAtco Optoelectronics GmbH (Austria)
Thorn India	Thorn Lighting India Ltd

Goodwill of TEUR 499 arose from the acquisition of the Indian company in 2007/08, and is allocated to the Zumtobel Lighting Division for segment reporting.

2.5.5.2 Intangible assets

The change in this position is related primarily to the recognition of development projects.

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2007	**26,753**	**30,789**	**57,542**
Foreign currency translation	59	(861)	(802)
Changes in the consolidation range	1,519	(345)	1,174
Additions	3,331	12,700	16,031
Disposals	(533)	(300)	(833)
Transfers	949	90	1,039
30 April 2008	**32,078**	**42,073**	**74,151**
Accumulated amortisation			
30 April 2007	**(21,420)**	**(5,238)**	**(26,658)**
Foreign currency translation	(43)	249	206
Changes in the consolidation range	5	(37)	(32)
Additions	(2,672)	(4,902)	(7,574)
Disposals	489	53	542
Transfers	0	0	0
30 April 2008	**(23,641)**	**(9,875)**	**(33,516)**
Net carrying amount 30 April 2007	**5,333**	**25,551**	**30,884**
Net carrying amount 30 April 2008	**8,437**	**32,198**	**40,635**

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38. The additions to acquisition cost represent capitalised development expenses (TEUR 12,700, 2006/07: TEUR 10,799). The development projects involve product work in the luminaire and control areas, whereby TEUR 12,144 (2006/07: TEUR 9,301) were not yet available for use as of the balance sheet date. The disposal recorded under changes in the consolidation range relates to Lexedis Lighting GmbH, which is now included in the consolidated financial statements at equity.

2.5.5.3 Property, plant and equipment

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2007	**161,840**	**349,715**	**99,868**	**8,137**	**619,560**
Foreign currency translation	(1,898)	(7,554)	(1,603)	(1,192)	(12,247)
Changes in the consolidation range	6,205	(493)	94	(21)	5,785
Additions	2,890	11,971	8,212	26,909	49,982
Disposals	(4,381)	(18,192)	(4,483)	(13)	(27,069)
Transfers	472	11,443	1,017	(13,970)	(1,038)
30 April 2008	**165,128**	**346,890**	**103,105**	**19,850**	**634,973**
Accumulated amortisation					
30 April 2007	**(65,345)**	**(277,262)**	**(80,502)**	**0**	**(423,109)**
Foreign currency translation	1,093	5,544	1,312	0	7,949
Changes in the consolidation range	(90)	168	(129)	0	(51)
Additions	(5,252)	(19,212)	(7,232)	0	(31,696)
Disposals	1,314	17,621	4,221	0	23,156
Transfers	0	0	0	0	0
30 April 2008	**(68,280)**	**(273,141)**	**(82,330)**	**0**	**(423,751)**
Net carrying amount 30 April 2007	**96,495**	**72,453**	**19,366**	**8,137**	**196,451**
Net carrying amount 30 April 2008	**96,848**	**73,749**	**20,775**	**19,850**	**211,222**

The transfers under acquisition costs represent the reclassification of construction in progress to other asset categories.

The change in the consolidation range is related chiefly to the initial consolidation of Raiffeisen Lux S.r.l. (TEUR 6,118).

Property, plant and equipment pledged as security for liabilities total TEUR 68,705 (2006/07: TEUR 64,849). This amount is classified as follows: land and buildings TEUR 62,708 (2006/07: TEUR 62,604), plant and machinery TEUR 5,506 (2006/07: TEUR 2,048) and other non-current assets TEUR 491 (2006/07: TEUR 197).

Furthermore, the Group has incurred obligations of TEUR 3,033 (2006/07: TEUR 4,817) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings TEUR 113 (2006/07: TEUR 72), plant and machinery TEUR 2,411 (2006/07: TEUR 3,778) and other non-current assets TEUR 509 (2006/07: TEUR 967).

Construction in progress and prepayments made are classified as follows: land and buildings TEUR 4,141 (2006/07: TEUR 1,287), plant and machinery TEUR 14,728 (2006/07: TEUR 6,502) and other non-current assets TEUR 981 (2006/07: TEUR 348).

2.5.5.4 Investments in associated companies

The Zumtobel Group holds investments in five companies, in which it has significant influence over major financial and/or operating policies but does not exercise control. Therefore, these companies are included in the consolidated financial statements at equity.

in TEUR	Tridonic South Africa 49.99%	Thorn Gulf 60%	Staff Iberica 50%	z-werkzeugbau Gmbh 30%	Lexedis Lighting GmbH 50%	Total
30 April 2007	**1,376**	**1,658**	**3,555**	**576**	**—**	**7,164**
Change in consolidation method					2,624	2,624
Net profit for the year	20	1,065	552	428	(701)	1,364
Impairment					(1,923)	(1,923)
Dividends		(762)	(1,501)			(2,263)
Elimination of interim profits				36		36
Foreign currency translation	(262)	(255)				(517)
30 April 2008	**1,135**	**1,705**	**2,606**	**1,040**	**0**	**6,486**

Lexedis Lighting GmbH, Austria, which was previously included using the proportional method, has been consolidated at equity since 1 January 2008. Accordingly, the investment of TEUR 1,300 and participation rights of TEUR 3,500, less accumulated losses of TEUR 2,176, were reclassified as of this date. The participation rights of TEUR 3,500 were written down to EUR 0 to reflect expectations for future earnings. The proportional share of the annual loss recorded by the company equalled TEUR 1,424; TEUR 723 of this amount was recognised as part of the consolidation using the proportional method and TEUR 701 under the consolidation at equity.

The sale of the tool production segment ("Werkzeugbau") in 2005 generated an interim profit of TEUR 2,600, which was recorded as deferred income to be realised over an original amortisation period of six years and released accordingly to financial results under profit/loss from associated companies (carrying amount: TEUR 1,300). In addition, material interim profits from the delivery of plant or equipment to Group companies are released over the useful life of these assets.

Profit / loss from associated companies is comprised of the following:

in TEUR	2007/08	2006/07
Net profit for the year	1,364	1,537
Impairment	(1,923)	0
Interim profits on the sale of plant and equipment	36	(180)
Interim profits on the sale of the tool production segment ("Werkzeugbau")	434	434
Total	**(89)**	**1,791**

Current trade receivables due from associated companies totalled TEUR 2,770 as of 30 April 2008 (2006/07: TEUR 3,514); no impairment losses were recognised to these assets. The relevant parent companies have concluded agreements with companies included at equity for the provision of goods and services.

The following table shows the most important indicators for the associated companies:

in TEUR	Tridonic South Africa 49.99%	Thorn Gulf 60%	Staff Iberica 50%	z-werkzeugbau Gmbh 30%	Lexedis Lighting GmbH 50%
Total assets	1,408	2,510	3,202	3,861	715
Revenues	2,625	7,387	4,839	6,817	2,064
Net profit for the year	20	1,065	552	428	(1,424)

2.5.5.5 Financial assets

The major component of non-current financial assets totalling TEUR 15,604 represents a fixed-interest deposit with a credit institution (classified under the category of "loans and receivables"), which was repaid in part during the reporting year. The fair value of this investment represents the carrying amount, and equalled TEUR 13,507 as of 30 April 2008 (2006/07: TEUR 20,205). The remainder consists of an investment in another company, which is carried at TEUR 1,480, and securities classified as available for sale.
In the prior year the category "at fair value through profit or loss" included a convertible bond issued by the Canadian TIR Systems Ltd. with a market value of TEUR 3,314, which was sold for TEUR 3,513 during the reporting year. Moreover, the purchase price receivable of TEUR 1,500 from the sale of the tool production segment ("Werkzeugbau") in 2005/06 was paid in full (included under the category "loans and receivables" in the prior year).

Current financial assets are comprised primarily of derivatives.

2.5.5.6 Other receivables and assets

Other non-current and current receivables and assets are classified as follows:

in TEUR	30 April 2008	30 April 2007
Coverage capital for Group life insurance	3,333	3,251
Other	2,005	3,928
Other non-current receivables and assets	**5,338**	**7,179**
Prepaid expenses and deferred charges	4,860	4,960
Amount due from tax authorities	9,092	10,416
Prepayments made	802	818
Derivatives	876	1,493
Maintenance materials and supplies	1,753	1,824
Other	11,367	9,658
Other current receivables and assets	**28,750**	**29,169**

The coverage capital for Group life insurance is related to the Zumtobel companies in Germany. This item represents assets held to cover pension obligations, which do not qualify as plan assets under IAS 19.

Other non-current receivables include a receivable from the sale of the airfield business, which has a present value of TEUR 1,288 and is classified under the IAS 39 category of "loans and receivables".
Other current receivables and assets include a purchase price receivable of TEUR 3,744 from the sale of real estate. Other major items are amounts receivable from insurance and suppliers with debit balances. Only a minor component of this position is comprised of loans to employees, deposits and other loans granted, which are classified under the IAS 39 category of "loans and receivables".

Derivatives represent raw material hedges and interest rate swaps. Part of the interest rate swaps qualified for hedge accounting in 2007/08.

Other current receivables and assets include financial instruments with a total carrying amount of TEUR 7,967; this figure reflects the market value.

2.5.5.7 Deferred taxes

Deferred tax assets and liabilities shown on the balance sheet include the following timing differences, which arose from the valuation of assets and liabilities for the Group financial statements and the relevant tax bases:

	30 April 2008		30 April 2007	
in TEUR	Assets	Liabilities	Assets	Liabilities
Intangible assets	20	6,127	87	6,578
Property, plant and equipment	1,653	6,820	2,244	1,162
Financial assets	2,246	54	396	202
Inventories	5,303	267	5,302	296
Trade receivables	1,015	3,893	1,051	3,666
Other receivables	616	1,185	1,604	2,222
Non-current provisions	19,473	113	21,217	75
Other provisions	3,720	3,577	3,265	1,210
Trade payables	13	6,000	935	8,701
Loss carryforwards	106,321	0	105,247	0
Deferred tax credits or liabilities	**140,380**	**28,036**	**141,348**	**24,112**
Changes in the consolidation range	0	0	(236)	0
Valuation discounts for deferred taxes	(79,533)	0	(91,475)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(17,812)	(17,812)	(14,480)	(14,480)
Deferred taxes	**43,035**	**10,224**	**35,157**	**9,632**

Deferred taxes of TEUR 318,132 (2006/07: TEUR 365,900) on tax loss carryforwards and other temporary differences were not capitalised because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 6,445 (2006/07: TEUR 3,554) will expire within 10 years. In agreement with IAS 12.39, deferred tax liabilities were not recognised on timing differences related to shares in subsidiaries. The relevant local country tax rate was used to calculate deferred taxes for Group companies.

Deferred taxes of TEUR -2,781 (2006/07: TEUR -1,534) recognised under equity include TEUR -3,080 related to the provisions for pensions and severance compensation required by IAS 19 as well as TEUR 299 for the hedging reserve.

2.5.5.8 Inventories

The various components of inventories classified by gross value and impairment charges are as follows:

in TEUR	30 April 2008	30 April 2007
Raw materials	49,004	54,889
Gross value	*56,891*	*62,780*
Impairment charges	*(7,887)*	*(7,891)*
Work in process	2,733	4,621
Semi-finished goods	14,020	14,430
Gross value	*15,201*	*15,596*
Impairment charges	*(1,181)*	*(1,166)*
Merchandise	15,458	16,181
Gross value	*18,124*	*18,338*
Impairment charges	*(2,666)*	*(2,157)*
Finished goods	80,939	84,787
Gross value	*89,298*	*94,040*
Impairment charges	*(8,359)*	*(9,253)*
Services not yet invoiced	27	0
Inventories	**162,181**	**174,908**

Changes in the valuation adjustments to inventories that resulted in the recognition of income totalled TEUR 373 (2006/07: TEUR 1,960) and include reversals of TEUR 248 (2006/07: TEUR 109) in impairment charges. Inventories with a total value of TEUR 18,783 (2006/07: TEUR 21,141) were pledged as security for liabilities by the Australian and English TridonicAtco companies.

2.5.5.9 Trade receivables

in TEUR	30 April 2008	30 April 2007
Trade receivables	244,759	245,953
Valuation adjustments to receivables	(32,116)	(31,337)
Trade receivables after valuation adjustments	212,643	214,616
Receivables from contract orders	19,748	22,247
Progress billings and final invoices	(7,278)	(8,097)
Construction contracts	12,470	14,150
Trade receivables	**225,113**	**228,766**

>> Trade receivables after valuation adjustments

Trade receivables are carried at nominal value. The valuation adjustments listed above include impairment charges of TEUR 8,569 (2006/07: TEUR 9,566) that are based on actual cases or experience as well as a provision of TEUR 23,524 (2006/07: TEUR 21,744) for customer bonuses and discounts, and TEUR 23 (2006/07: TEUR 27) of discounts to receivables.

The valuation adjustments to trade receivables based on actual cases or experience developed as follows:

in TEUR	30 April 2008	30 April 2007
Beginning balance	**9,566**	**9,628**
Addition	1,748	3,224
Utilisation	(1,247)	(725)
Reversal	(1,498)	(2,560)
Ending balance	**8,569**	**9,566**

Individual valuation adjustments were recognised to reflect possible default, in accordance with the classification of the relevant receivables as doubtful and non-doubtful. Adjustments of 20 to 50% are recognised to non-doubtful receivables that are overdue more than 60 days, depending on the exact term. Doubtful receivables are generally written down by at least 60%. In addition, a valuation adjustment of 1% is recognised to cover losses on receivables that may have occurred but are not yet known (TEUR 1,092). Insured receivables are deducted from the basis used for the calculation of valuation adjustments.

Receivables sold by several Group companies through factoring totalled TEUR 31,613 as of 30 April 2008 (2006/07: TEUR 26,973).

The age structure of trade receivables is as follows:

	30 April 2008		30 April 2007	
in TEUR	Carrying amount	Valuation adjustments	Carrying amount	Valuation adjustments
Not yet due	210,748	123	204,854	137
Overdue 1 - 60 days	19,264	381	26,194	426
Overdue 61 - 90 days	2,717	300	713	335
Overdue 91 - 180 days	2,222	698	3,591	779
Overdue > 180 days	9,808	7,067	10,601	7,889
Total	**244,759**	**8,569**	**245,953**	**9,566**

Trade receivables include doubtful receivables of TEUR 6,345; of this amount, TEUR 5,694 are overdue more than 180 days.

\>> Trade receivables as defined in IAS 11

Contract orders include partial deliveries to customers, which are valued in accordance with the percentage of completion method. The percentage of completion is determined using an output-based procedure, e.g. the ratio of work performed to the total contract work.

Partial deliveries are shown under "receivables from contract orders". The positions "receivables from contract orders" and "valuation adjustments to contract orders" represent the revenue and expenses recognised, less any recognised losses as defined in IAS 11.40 (a).

Effective progress billings or final invoices to customers are recorded under "progress billings and final invoices".

Prepayments on contract orders total TEUR 8,815 (2006/07: TEUR 8,435). Contract revenues recognised during the reporting period amount to TEUR 34,163 (2006/07: TEUR 36,345).

The carrying amount of trade receivables approximates fair value.

2.5.5.10 Cash and cash equivalents

Cash and cash equivalents consist primarily of deposits at banks, cash on hand and checks. Of total bank deposits, TEUR 624 (2006/07: TEUR 2,885) are not available for discretionary use but may be used for credit repayments following approval by the lender. The carrying amount of cash and cash equivalents corresponds to market value because of the term of these funds.

2.5.5.11 Non-current assets available for sale

Plans call for the sale of a developed property in Germany, and this land and building were therefore classified as held for sale. The expected proceeds on sale less the costs to sell exceed the relevant carrying amounts. This property is allocated to the Zumtobel Lighting Division and the DACH region.

A property in Smithfield, Australia, was sold for TEUR 6,723 (book gain: TEUR 3,030) in August 2007; as of the balance sheet date on 30 April 2007, this property was classified as held for sale in accordance with IFRS 5. The gain is included under other operating income, and is allocated to the Zumtobel Lighting Division and the Australia/New Zealand region.

2.5.5.12 Other provisions

in TEUR	Provisions for other defined benefit employee plans	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2007	**9,649**	**7,191**	**2,473**	**2,097**	**44**	**6,531**	**27,985**
Addition	2,359	3,991	678	247	5,454	3,412	16,141
Reversal / utilisation	(2,489)	(2,571)	(2,473)	(227)	(44)	(3,984)	(11,788)
Changes in the consolidation range	(1)	0	0	0	0	0	(1)
Foreign currency translation	(26)	(160)	(46)	(5)	(518)	(69)	(824)
30 April 2008	**9,492**	**8,451**	**632**	**2,112**	**4,936**	**5,890**	**31,513**
Thereof current	0	8,451	632	2,112	4,936	4,990	21,121
Thereof non-current	9,492	0	0	0	0	900	10,392

Other defined benefit employee plans

These plans reflect the provisions for severance compensation and other long-term benefits as defined in IAS 19. Detailed information is provided in section 2.5.5.16.

Provision for guarantees

The provisions for guarantees are classified into separate provisions of TEUR 5,471 (2006/07: TEUR 4,319) for individual items as well as provisions of TEUR 2,980 (2006/07: TEUR 2,872) for individual cases that were not recorded or not known as of the balance sheet date. These latter provisions are determined on the basis of experience.

Provisions for restructuring

The change in this position resulted primarily from the use of provisions created for restructuring measures connected with the construction of new plants in Australia and Spennymoor (England). The remainder reflects a provision for expenses related to redundancy plans in two factories (also see section 2.5.4.3).

Provisions for legal proceedings
This item is comprised primarily of a TEUR 1,347 claim made by the French social security authorities.

Onerous contracts
A provision was created for the newly constructed plant in England, which equals the difference between the present value of minimum lease payments and the fair value of comparable industrial buildings.

Other current provisions include accruals for licenses, commissions, customs duties, freight and professional associations as well as consulting and auditing fees. The comparable position under other non-current provisions is comprised chiefly of settlements due to sales representatives.

2.5.5.13 Stock option programmes

The Zumtobel Group has two share-based compensation programmes for key managers, the Stock Option Programme (SOP) and the Matching Stock Programme (MSP).

SOP
The SOP was introduced in 2003/04, and provides for the annual granting of options during the five-year term of the programme. Fifty per cent of option claims are fixed, while the remainder is variable with the grant depending on the increase in the value of the company ("market option"). The options may only be exercised during certain timeframes ("exercise slots") within the exercise period. Each option entitles the holder to purchase one share of Zumtobel stock at a fixed price. The options can be exercised for the first time in the year after they are granted. The expiration of the granting period will be followed by an exercise period of seven years, which will include a number of exercise slots. The company has reserved the right to close the exercise periods prematurely. The granting period ended with the close of the 2007/08 financial year; therefore, future transactions in connection with this programme will be limited to the exercise of options. The SOP has now been replaced in full by the MSP.

MSP
The MSP was introduced in connection with the initial public offering of Zumtobel AG. In order to participate in the MSP, an eligible manager must deposit a certain number of shares ("MSP shares") in blocked deposit. The maximum total investment by key managers in the MSP is limited to EUR 2.2 million. The MSP is divided into three individual programmes (MSP I, MSP II, MSP III), whereby each individual programme is subdivided into five segments. The term of each segment equals seven years, beginning on the starting date. For each MSP share held in blocked deposit, the increase in value is multiplied by a factor of eight in the form of additional shares. The calculation of the increase in value is based on the difference between the 60-day average stock price on the date of exercise less the 60-day average stock price on the date of granting plus 10%. The options will be granted at the beginning of the financial year, and can be exercised two years after granting at the earliest. If the increase in value is less than or equal to zero, no bonus will be granted.

The market prices were determined as of 2 May 2007 in accordance with the Black-Scholes Model.

The major parameters for the SOP and MSP are as follows:

- Market price per share: EUR 27.0 (2006/07: EUR 20.5)
- Exercise price SOP: EUR 7.50 for eligible participants 03/04 FY; EUR 11.55 and EUR 14.22 04/05 FY; EUR 16.60 05/06 and 06/07 FY
- Basis price MSP: EUR 28.226
- Expected volatility: 24% (2006/07: 23.7%) per year
- Term: SOP up to 30 April 2015
- Risk-free interest rate: 4.24% per year (2006/07: 4.0% per year)

In accordance with a resolution of the annual general meeting on 7 April 2006, 800,000 shares of stock were repurchased at an average price of EUR 17.74 (total TEUR 14,192) during the 2006/07 financial year. A total of 112,181 shares were held as treasury stock as of 30 April 2008. The development of treasury stock is shown in the following table:

in pcs.	Total
30 April 2007	**331,414**
Share buyback	0
Exercised	(219,233)
30 April 2008	**112,181**

The exercise price payable by employees in 2007/08 totalled TEUR 1,750 (average price of EUR 8.0 per share). A total exercise price of TEUR 5,354 was paid for 687,819 shares previously exercised.

Reserve for stock options

The reserve for stock options, which is included under reserves, changed as follows during the reporting year:

in TEUR	SOP	MSP	Total
30 April 2007	**11,960**	**393**	**12,353**
Addition through profit or loss	4,026	1,165	5,191
30 April 2008	**15,986**	**1,558**	**17,544**

The addition to the SOP represents 271,787 options to be granted for the 2007/08 financial year, which have a total market price of TEUR 4,026. The market options contained in this addition (116,963 options) were not allocated because the performance criteria were not met.

The addition to the MSP represents 331,216 options from segments I and II of MSP I as well as segment I of MSP II, which total TEUR 1,165; this market price will be accrued over two years. Segment I of MSP I expires on 12 May 2008. The development of the share price has since led to the expiration of these options.

The change in the number of outstanding options from the beginning to the end of the year is shown in the following table:

	SOP		MSP	
	2007/08	**2006/07**	**2007/08**	**2006/07**
Granted options - beginning balance	**425,815**	**590,076**	**308,072**	**0**
New grants	154,827	314,573	331,216	337,088
Exercised	(219,233)	(468,586)	0	0
Expired	(5,800)	(10,248)	(8,560)	(29,016)
Granted options - ending balance	**355,609**	**425,815**	**630,728**	**308,072**
thereof eligible for exercise	193,449	187,042	0	0

The exercise prices for the options granted through the SOP are as follows:

	2007/08	2006/07	2005/06	2004/05	2003/04	Total
Exercise price 7.5	138,907	67,670	47,843	32,273	23,312	310,005
Exercise price 11.5	640	640	640	384	0	2,304
Exercise price 14.2	12,000	13,364	9,520	1,644	0	36,528
Exercise price 16.6	3,280	2,320	1,172	0	0	6,772
Total options granted	**154,827**	**83,994**	**59,175**	**34,301**	**23,312**	**355,609**

2.5.5.14 Financial liabilities

in TEUR	30 April 2008	30 April 2007
Loans from financial institutions	2,792	3,039
Finance leases	4	14
Loans from public authorities	622	417
Loans from other third parties	449	421
Working capital credits	800	4,567
Derivatives	357	448
Current borrowings	**5,024**	**8,906**
Bonds	965	1,103
Loans from financial institutions	206,649	298,206
Finance leases	6	8
Loans from public authorities	3,497	3,731
Loans from other third parties	514	239
Non-current borrowings	**211,631**	**303,287**
BORROWINGS	**216,655**	**312,193**

Current and non-current borrowings from credit institutions totalling TEUR 101,024 were repaid during the 2007/08 financial year (2006/07: TEUR 147,217).

Financial liabilities are carried at amortised cost. Derivatives represent an exception to this procedure, and are carried at market value.

The carrying amount of current financial liabilities corresponds to market value because of the terms of these items. Since the interest rates on all loans from credit institutions will be converted to variable rates as of 30 June 2008, the carrying amount of non-current financial liabilities also corresponds to the market value.

The most important financing contract is described below:

Acquisition financing
On 29 January 2001 the major companies of the Zumtobel Group concluded a credit agreement (that was subsequently amended several times) with a bank consortium for TEUR 603,912 (acquisition financing). This credit was used to finance the acquisition of the Thorn Lighting Group. The term of the credit agreement ends on 31 December 2009.

Following a series of scheduled and premature repayments (including EUR 143 million in connection with the initial public offering), the outstanding balance totalled EUR 296 million on 30 April 2007. A scheduled repayment of EUR 14 million was made on 31 October 2007 from proceeds realised on the sale of property. A premature repayment of EUR 82 million was made on 28 April 2008. As of 30 April 2008 the outstanding balance of the acquisition credit was EUR 200 million.

The weighted average interest rate for the acquisition financing equalled 5.86% per year as of 30 April 2008. As collateral for this credit, the Group has provided a certificate of pledge with a maximum value of EUR 70 million on property in Austria.

2.5.5.15 Operating leasing

The following table shows the total future minimum lease payments arising from non-cancellable operating leases for the next financial year and subsequent periods as well as the total future minimum lease revenues expected from non-cancellable sub-leases, and payments from leases and sub-leases that were recognised as income:

		Future payments to third parties			
in TEUR	Expenses 2007/08	< 1 year	1 - 5 years	> 5 years	Total
Minimum lease payments based on non-cancellable leases	17,068	14,909	35,735	44,600	95,244
Less payments received from leases and sub-leases	512	512	504	0	1,016
Net minimum lease payments	**16,556**				

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from 12 months to 20 years, depending on the object and contract.

2.5.5.16 Provisions for pensions and severance compensation

The provisions for pensions and severance compensation represent post-employment benefits and other long-term employee benefits as defined in IAS 19.
The development of defined benefit obligations from the beginning to the end of the financial year is as follows:

Defined benefit plans as per IAS 19	Post-employment benefits					
	Pensions		Severance compensation		Other	
in TEUR	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Beginning balance, net liability	**55,317**	**69,920**	**28,962**	**28,361**	**9,649**	**10,303**
Foreign currency translation & reclassifications	(2,929)	1,366	0	3	(26)	(118)
Change in consolidation range & reclassifications	0	981	2	(2)	(1)	(11)
Changes recognised through profit or loss	3,404	3,195	2,700	2,603	1,648	963
thereof service cost	3,069	4,998	1,395	1,329	866	1,048
thereof subsequent service cost	0	(2,929)	0	0	470	0
thereof plan reductions and settlements	0	523	0	74	0	(23)
thereof interest expense	8,704	8,932	1,305	1,200	322	263
thereof expected income from plan assets	(8,369)	(8,329)	0	0	0	0
thereof actuarial (gain)/loss	0	0	0	0	(10)	(325)
Payments	(9,156)	(6,983)	(1,709)	(2,079)	(1,778)	(1,488)
Actuarial (gain)/loss recognised to equity	(10,874)	(13,162)	(24)	76	0	0
Ending balance, net liability	**35,762**	**55,317**	**29,931**	**28,962**	**9,492**	**9,649**

The changes recognised through profit or loss are shown on the income statement. Interest expense and the expected income from plan assets are recorded under financial results; the other items are included under operating results.

The losses recognised under equity declined by TEUR 10,898 (2006/07: TEUR 13,086). The change in the deferred taxes recognised under equity for these items totals TEUR 3,080 (2006/07: TEUR 3,664).

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Germany	5.3%	4.6%	-	-	3.0%	2.5%	2.0%	1.8%	57(65)	57(65) 1)
Great Britain	6.6%	5.5%	7.5%	7.5%	3.5%	3.0%	3.3%	2.8%	65/65	65/65
Switzerland	3.7%	3.0%	4.0%	3.3%	1.5%	1.5%	0.3%	0.3%	64/65	64/65
Norway	4.5%	4.8%	5.9%	5.9%	3.5%	3.5%	1.6%	2.0%	67/67	67/67
Sweden	4.5%	4.0%	-	-	0.0%	-	2.0%	2.0%	65/65	65/65
Austria	5.3%	4.6%	-	-	3.3%	2.7%	-	-	2)	2)
France	5.3%	4.6%	-	-	3.0%	3.0%	-	-	60/65	60/65
Italy	5.3%	4.6%	-	-	-	-	3.0%	2.7%	60/65	60/65
Australia	6.0%	5.9%	-	-	4.0%	4.0%	-	-	-	-

The calculations also incorporate the relevant mortality and invalidity tables as well as the employee turnover rates for each country.

Note 1): Pension obligations 60/65 years, service anniversary obligations 60/62 years and obligations arising from part-time work for older employees 57 years.

Note 2): The earliest possible retirement age was used as the basis for pension calculations, in keeping with legal transition rules.

Pension obligations

Defined benefit pension plans have been implemented by the Group companies in Germany, Great Britain, Sweden, Norway and Switzerland. The plans in Germany and Sweden are not financed through external funds; all other plans are financed through external funds. These funds are legally independent of the relevant Group company, and are designed solely to meet performance obligations. The obligation remaining after the deduction of plan assets is recorded as a provision.

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value this defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 462 for the 2007/08 financial year (2006/07: TEUR 538). The asset coverage calculated in accordance with Swedish law equalled 141% as of March 2007 (2006/07: 153%) for all participants in this plan. This coverage represents the difference between the insurance obligations and the market value of the relevant assets, which was determined on the basis of information provided by the pension fund programme.

The carrying amount of the net obligations and net assets is shown below:

Net obligations and net assets

in TEUR	30 April 2008	30 April 2007
Obligations not financed through funds	26,472	27,976
Obligations financed through funds	117,238	147,405
Present value of defined benefit obligation (DBO)	143,710	175,381
Fair value of plan assets	(107,948)	(120,064)
Net liability as per balance sheet	**35,762**	**55,317**

The provision for pensions is allocated to the following countries:

Net liability

in TEUR	30 April 2008	30 April 2007
Germany	23,331	24,481
Sweden	3,141	3,495
Great Britain	8,984	26,744
Other	306	597
Net liability as per balance sheet	**35,762**	**55,317**

The change in the defined benefit obligation and plan assets from the beginning to the end of the financial year is as follows:

	2007/08		2006/07	
in TEUR	DBO	Plan assets	DBO	Plan assets
30 April 2007	**175,381**	**120,064**	**190,840**	**120,920**
Changes in the consolidation range	0	0	(2,629)	(3,062)
Foreign currency translation	(18,012)	(15,083)	(6)	1,009
Service cost	3,069	0	4,998	0
Interest expense / income	8,704	8,369	8,932	8,329
Actuarial (gain)/loss recognised to equity	(18,319)	(7,445)	(17,453)	(4,291)
Plan reductions and settlements	0	0	(2,374)	(2,897)
Payments	(7,113)	2,043	(6,927)	56
30 April 2008	**143,710**	**107,948**	**175,381**	**120,064**

As of 30 April 2008 plan assets were comprised of international stocks (40%), fixed-interest securities (37%), alternative investments (11%) and cash and cash equivalents (12%). The actual income on plan assets equalled TEUR 4,141 (2006/07: TEUR 3,989).

The development of the present value of pension obligations and plan assets is shown in the following table:

in TEUR	30 April 2008	30 April 2007	30 April 2006	30 April 2005	30 April 2004
Present value	143,710	175,381	190,840	188,483	154,132
Plan assets	(107,948)	(120,064)	(120,920)	(101,769)	(75,164)
Deficit	**35,762**	**55,317**	**69,920**	**86,714**	**78,968**

The adjustments for the reporting year based on experience led to a decrease of TEUR 223 in the present value of pension obligations (2006/07: decrease of TEUR 597). Experience-based adjustments represent the actuarial gains and losses caused by variances between the individual employee-related parameters and the parameters applied to the entire calculation base. Examples of these parameters are trends in salaries and wages as well as the number of deaths, early retirements or terminations.

The actuarial losses recognised directly in equity developed as follows:

in TEUR	2007/08	2006/07
30 April 2007	**34,159**	**46,463**
Foreign currency translation	(3,166)	858
Actuarial gains	(10,874)	(13,162)
30 April 2008	**20,119**	**34,159**

Deferred taxes of TEUR 3,051 were recognised directly in equity during the 2007/08 financial year (2006/07: TEUR 3,685).

Severance compensation obligations

These obligations represent a legal obligation of the company to make a lump-sum payment to employees on the termination of employment under certain circumstances.

The obligations relate to the following countries:

in TEUR	30 April 2008	30 April 2007
Austria	27,079	26,040
France	2,199	2,355
Italy	653	567
Severance compensation obligation	**29,931**	**28,962**

The transition of the present value of the defined benefit obligation (DBO) from the beginning to the end of the financial year is shown below:

in TEUR	2007/08	2006/07
30 April 2007	**28,962**	**28,361**
Changes in the consolidation range	2	(2)
Foreign currency translation	0	3
Service cost	1,395	1,329
Interest expense / income	1,305	1,200
Actuarial (gain)/loss recognised to equity	(24)	76
Plan reductions and settlements	0	74
Payments	(1,709)	(2,079)
30 April 2008	**29,931**	**28,962**

The development of the present values of severance compensation obligations is shown below:

in TEUR	30 April 2008	30 April 2007	30 April 2006	30 April 2005	30 April 2004
Present value	29,931	28,962	28,361	25,293	28,126

The experience-based adjustments for the reporting year led to an increase of TEUR 469 in the present value of the obligation (2006/07: increase of TEUR 381).

Actuarial gains of TEUR 24 were recognised directly in equity during the reporting year (2006/07: losses of TEUR 76).

Deferred taxes of TEUR 29 were recognised directly in equity during 2007/08 (2006/07: TEUR -21).

Other long-term employee benefits

These obligations total TEUR 9,492 and comprise the provisions for service anniversary bonuses and part-time work for older employees in Austria and Germany as well as special vacations in Australia and the provisions for legally required profit sharing and bonus payments for long-standing service in France.

Experience-based adjustments during the reporting year led to an increase of TEUR 115 in the obligation (2006/07: decrease of TEUR 259).

The subsequent service cost reflects changes in the rules governing part-time work for older employees in the German companies.

2.5.5.17 Defined contribution obligations

Payments of TEUR 4,220 were made during the reporting year in connection with various defined contribution plans (2006/07: TEUR 3,499). The new severance compensation directive in Austria is also included here.

2.5.5.18 Other liabilities

Other non-current liabilities of TEUR 1,012 (2006/07: TEUR 1,036) consist primarily of a TEUR 300 (2006/07: TEUR 555) liability for the acquisition of minority interests in TridonicAtco Optoelectronics GmbH during the 2003/04 financial year, which is being paid in instalments, as well as a conditional purchase price liability of TEUR 405 (2006/07: TEUR 405) from the acquisition of Elios project s.r.o. These liabilities are carried at cost.

The major components of other current liabilities are as follows:

in TEUR	30 April 2008	30 April 2007
Vacations, comp. in free time, special payments to employees	43,665	38,861
Amounts due to employees	7,749	8,690
Miscellaneous taxes	12,724	13,890
Social security	5,606	4,899
Prepayments received	10,061	9,574
Accrued interest	1,232	1,473
Deferred income	2,107	2,525
Derivatives	396	1,299
Customs	1,805	1,711
Other liabilities	7,784	9,480
Other current liabilities	**93,129**	**92,402**

Other liabilities consist primarily of accruals for expenses and customers with credit balances, which do not represent financial instruments.

2.5.6 Notes to the Cash Flow Statement

The indirect method is used to determine cash flows from operating activities, whereby operating profit is adjusted – in agreement with the major non-cash movements as defined in IAS 14 (Segment Reporting) – to reflect non-cash business transactions (e.g. depreciation and amortisation, and increases in valuation adjustments to trade receivables, inventories and non-current provisions) as well as income and expenses that relate to the investing or financing areas.

Liquid funds are comprised of cash and cash equivalents. The latter are held for the purpose of meeting short-term cash obligations. They are subject to only insignificant fluctuations in value and have a remaining maturity of not more than three months from the date of acquisition. Bank overdrafts are generally considered to be part of cash and cash equivalents because they form an integral part of the Group's cash management.

Bank deposits, demand deposits and other similar items are presented on the balance sheet under "liquid funds". Overdrafts are reported under current financial liabilities as part of working capital credits.

The balance sheet position "liquid funds" also includes the above-mentioned bank deposits that are not available for discretionary use as well as smaller deposits with a term of more than three months.These items are not considered to be part of liquid funds.

Transition to cash and cash equivalents

in TEUR	30 April 2008	30 April 2007
Liquid funds	87,678	126,486
Not available for disposal	(624)	(2,885)
Demand deposits and others	(891)	(4,631)
Cash and cash equivalents	**86,163**	**118,970**

The effects of changes in the consolidation range resulting from the assets and liabilities acquired through business combinations are explained under section 2.5.2.1 (consolidation range).

2.5.7 Notes to the Statement of Changes in Equity

The share capital of Zumtobel AG is divided into 44,704,344 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.5 each in share capital. The shares are traded in the Prime Market segment of the Vienna Stock Exchange. The stock market abbreviation of Zumtobel AG is ZAG, and the international security identification number (ISIN) is AT 0000837307. There company has no shares that carry special preferred rights or control rights. A total of 44,372,930 shares were outstanding as of 30 April 2007; the exercise of 219,223 options granted as part of the employee stock participation programme raised this number to 44,592,163. As of 30 April 2008, 112,181 shares were held as treasury stock.

The annual general meeting of the company on 7 April 2006 authorised the Management Board, with the approval of the Supervisory Board, to increase the share capital of the company by up to EUR 31,425,000 through the issue of up to 12,570,000 shares of zero par value bearer stock at a minimum issue price equal to 100% of the proportional amount of share capital up to a total of EUR 123,448,360 in exchange for cash or contributions in kind. This authorisation is valid for five years, beginning on the date the relevant amendment to the articles of association is filed with the Austrian Company Register. In addition, the Management Board is authorised to determine the price and conditions for this issue (authorised capital). The subscription rights of shareholders to the new shares issued from authorised capital are excluded. The Supervisory Board is empowered to approve any amendments to the articles of association that are required in connection with the issue of shares from authorised capital. Following the completion of several capital increases, the remaining authorisation covers EUR 11,687,500 or 4,675,000 shares as of 30 April 2008.

Furthermore, the annual general meeting of the company on 7 April 2006 authorised the Management Board, with the approval of the Supervisory Board, to carry out a conditional capital increase – in multiple segments if necessary – for the purpose of granting stock options to employees, key managers and members of the Management Board of the company or one of its subsidiaries. The conditional capital increase may equal up to EUR 3,312,840 and be executed through the issue of up to 1,325,136 new bearer shares in exchange for cash or contributions in kind. This authorisation is valid for five years, beginning on the date the relevant amendment to the articles of association is filed with the Austrian Company Register. In addition, the Management Board is authorised to determine the price and conditions for this issue (authorised conditional capital). The Supervisory Board is empowered to approve any amendments to the articles of association that are required in connection with the issue of shares from authorised conditional capital. This general authorisation was formalised by a resolution of the Management Board on 20 February 2008, which was approved by the Supervisory Board on 14 March 2008, to carry out a capital increase of EUR 607,500 through the issue of up to 243,000 shares of bearer stock. The actual number of shares issued will depend on the exercise of subscription rights by the eligible employees, key managers and members of the Management Board. None of the eligible persons has exercised his/her subscription rights to date.

Information on the stock option programme and the exercise of options is provided in section 2.5.5.13.

Foreign currency differences that were not recognised through profit or loss represent the differences between the historical exchange rates applied at initial consolidation and the closing rates on the balance sheet date for companies that do not report in euros as well as differences arising from the translation of income statement positions at the cumulative average exchange rate and the relevant closing rate on the balance sheet date.

Foreign currency differences of TEUR 6,308 on loans are related to the valuation of long-term financing provided by the Group, which is classified as a net investment in a foreign operation in accordance with IAS 21.15. These valuation results are shown as a separate position under equity.

The changes in equity arising from the application of hedge accounting result from the recording of changes in the market value of existing derivative contracts without recognition through profit or loss as well as the recognition to the income statement of reversed amounts based on exercised or realised contracts. The hedge reserve equalled TEUR 84 as of 30 April 2008 (2006/07: TEUR 1,291).

Information on actuarial losses as defined in IAS 19 is provided in section 2.5.5.16.

The major changes to minority interests represent the acquisition of Lightmakers A/S with a minority interest of 49% as well as the purchase of Thorn Lighting India Private Ltd. with a minority interest of 30%. The acquisition of the former minority holding of 30% in Tridonic Atco (ME) FZCO, Dubai, led to a decline in minority interests.

Distributions to shareholders from reserves and net profit may not exceed the amount shown under retained earnings on the balance sheet of the individual financial statements of Zumtobel AG, which are prepared in accordance with Austrian commercial law (TEUR 60,266).

Equity management

Equity management in the Zumtobel Group is designed to safeguard the continued existence of the company, ensure an adequate return on equity and support the regular distribution of dividends with a payout ratio equal to 30 – 50% of Group earnings. The management of equity is based on gearing as an indicator, which is defined as the ratio of net financial liabilities (non-current and current financial liabilities less liquid funds and securities) to equity as shown on the consolidated balance sheet. The procedures used to manage equity include an increase or reduction in financial liabilities as well as the strengthening of the Group's equity basis through the retention of earnings or adjustment of dividend payments. A specific target has not been set for gearing, but net debt should not exceed 100% over the mid-term.

2.5.8 Segment Reporting

2.5.8.1 Business segments

The divisions form the primary segments of business for the Zumtobel Group: the Zumtobel Lighting Division (lighting solutions, luminaires for interior and exterior lighting, electronic-digital lighting and room management systems) and the TridonicAtco Division (electronic and magnetic lighting components). The transfer of goods and services between the two divisions is based on normal market conditions.

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

Results of TEUR -89 from associated companies are comprised of TEUR –2,604 from the TridonicAtco Division and TEUR 2,515 from the Zumtobel Lighting Division. Taxes and the remaining balance of financial results are not allocated to a specific segment of business.

	Zumtobel Lighting Division			TridonicAtco Division			Other & Consolidation			Group		
in TEUR	**2007/08**	**2006/07**	**2005/06**	**2007/08**	**2006/07**	**2005/06**	**2007/08**	**2006/07**	**2005/06**	**2007/08**	**2006/07**	**2005/06**
Net revenues	948,872	921,894	893,359	400,400	378,891	339,511	(66,933)	(66,835)	(64,876)	1,282,338	1,233,951	1,167,994
External revenues	948,405	921,788	890,017	333,001	311,861	275,273	932	302	2,703	1,282,338	1,233,951	1,167,994
Inter-company revenues	466	106	3,342	67,399	67,030	64,237	(67,865)	(67,137)	(67,579)	0	0	0
Operating profit	82,164	77,105	67,000	46,836	39,695	32,894	(7,140)	(2,266)	(14,241)	121,859	114,534	85,653
Investments	41,058	31,886	31,995	22,332	21,510	16,849	2,623	928	758	66,013	54,324	49,602
Depreciation	(24,257)	(25,758)	(21,288)	(16,891)	(21,023)	(18,280)	1,879	4,423	4,761	(39,270)	(42,357)	(34,807)

in TEUR	**30 April 2008**	**30 April 2007**	**30 April 2006**	**30 April 2008**	**30 April 2007**	**30 April 2006**	**30 April 2008**	**30 April 2007**	**30 April 2006**	**30 April 2008**	**30 April 2007**	**30 April 2006**
Assets	754,848	728,292	711,661	233,295	242,104	218,200	117,805	174,983	155,912	1,105,948	1,145,379	1,085,773
Liabilities	281,339	293,825	250,266	96,774	102,283	73,161	213,635	307,681	574,569	591,748	703,789	897,996

in pcs.												
Headcount (full-time equivalent)	5,670	5,394	5,374	1,926	1,989	1,788	112	97	51	7,708	7,480	7,213

2.5.8.2 Regional segments

The distribution of countries to the individual regions is as follows:

DACH:	Germany, Austria, Switzerland
Eastern Europe:	Czech Republic, Croatia, Hungary, Poland, Romania, Russia, Slovakia, Baltic States
Northern Europe:	Denmark, Finland, Norway, Sweden, Iceland
Western Europe:	Great Britain, Benelux, France
Southern Europe:	Italy, Spain, Greece, Turkey
America:	North and South America
Asia:	Countries in the Far East and Middle East
Other countries:	Africa

Various assets such as goodwill were allocated to the region "Europe" or to the Group level during the consolidation because it was not possible to assign these items to a specific sub-region.

	External revenues			Assets			Investments		
in TEUR	2007/08	2006/07	2005/06	30 April 2008	30 April 2007	30 April 2006	2007/08	2006/07	2005/06
D/A/CH	308,897	292,325	286,517	389,430	393,566	385,470	37,719	39,716	31,108
Eastern Europe	67,937	61,790	47,413	20,932	9,753	5,062	1,625	1,177	863
Northern Europe	106,885	99,300	106,436	31,346	29,162	30,102	1,630	810	1,566
Western Europe	427,373	410,033	397,888	178,089	178,887	181,483	20,616	6,964	9,232
Southern Europe	129,940	119,152	103,869	23,133	19,918	21,149	85	360	212
Europe	1,041,033	982,599	942,123	642,930	631,285	623,266	61,674	49,027	42,981
Asia	87,418	93,446	80,421	40,260	39,449	34,703	1,398	1,493	3,084
Australia & New Zealand	107,461	103,226	96,877	60,909	71,405	71,799	2,463	3,346	2,556
America	35,484	41,549	39,881	13,162	14,472	14,939	478	459	981
Others	10,942	13,130	8,692	0	0	0	0	0	0
Other & Consolidation	0	0	0	348,686	388,768	341,066	0	0	0
Total	**1,282,338**	**1,233,951**	**1,167,994**	**1,105,948**	**1,145,379**	**1,085,773**	**66,013**	**54,324**	**49,602**

2.5.9 Information on Risk Management and Financial Instruments

The use of financial instruments exposes the Group above all to the following risks:

- >> Credit risk
- >> Liquidity risk
- >> Market risk

Risk management is regulated by Group guidelines. The Management Board is responsible for the preparation and monitoring of risk management throughout the Group. A detailed description of other financial and non-financial risks as well as risk management is provided in section 1.10 of the management report.

2.5.9.1 Credit risk

>> Trade receivables and other receivables

Group companies have not concluded any general settlement agreements with customers, and the total amounts recorded under assets therefore represent the maximum credit and default risk. However, this risk is viewed as low because it is distributed over a large number of counterparties and the majority of customers and financial institutions have excellent credit ratings. In 2007/08 losses on receivables equalled less than 0.1% of Group revenues. The 10 largest customers are responsible for 18% of Group revenues.

The Group has arranged for credit insurance to cover the risk of default on specific trade receivables, and an application is filed to cover every new customer with a balance of TEUR 100 or more. Group managers are authorised to approve credit limits for customers, whereby the amount of the credit limit is matched to the management level.

>> Liquid funds, non-current securities, derivatives and other financial assets

The Group minimises credit risk in this area by investing only in short-term instruments with banks that have a minimum credit rating of A.

>> Outstanding credit risk

The maximum risk represents the carrying amount of financial instruments, and totalled TEUR 338,147 as of 30 April 2008. This amount is comprised primarily of trade receivables and liquid funds.

2.5.9.2 Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will not be able to meet its current and future payment obligations in full or on a timely basis. In order to safeguard its ability to meet these obligations at any time, the Zumtobel Group maintains the capability to also generate sufficient liquidity in stress situations without incurring unacceptable losses or damage to its reputation.

Short-term financing is not subject to any major liquidity risks because of the liquidity position of the Group. The Group has also arranged for sufficient lines of credit, which are in part committed by banks, to meet all expected operating expenses and financial liabilities. The following short-term lines of credit were available to the Group as of 30 April 2008:

>> TEUR 116,000 of unsecured overdrafts. If this facility were used, the interest rate would equal the Euribor/Eonia plus 25-32 basis points.

>> TEUR 36,850 of short-term lines of credit for individual Group companies in different countries. The interest rates on these credit facilities are dependent on local market conditions and reflect normal terms in the relevant country.

The financial liabilities recognised as of 30 April 2008 will result in the following payments (principal and interest):

30 April 2008

			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Loans from financial institutions	**209,441**	**228,715**	14,353	208,134	6,228
Loans from public authorities	**4,119**	**4,278**	709	3,471	98
Loans from other third parties	**963**	**963**	449	514	0
Finance leases	**10**	**10**	4	6	0
Bonds	**965**	**1,103**	23	92	988
Trade payables	**144,326**	**144,326**	144,326	0	0
Working capital credits	**800**	**800**	800	0	0
Liquidity risk	**360,624**	**380,195**	**160,664**	**212,217**	**7,314**

30 April 2007

in TEUR	Carrying amount	Contractual cash flow Total	< 1 year	1 - 5 years	> 5 years
Loans from financial institutions	**301,245**	**326,013**	16,240	309,773	0
Loans from public authorities	**4,148**	**4,426**	536	3,815	75
Loans from other third parties	**660**	**660**	421	239	0
Finance leases	**22**	**22**	14	8	0
Bonds	**1,103**	**1,202**	27	108	1,067
Trade payables	**140,386**	**140,386**	140,386	0	0
Working capital credits	**4,567**	**4,567**	4,567	0	0
Liquidity risk	**452,131**	**477,276**	**164,103**	**316,464**	**4,432**

2.5.9.3 Market risk

Market risk comprises the risk arising from changes in market prices that are denominated in a foreign currency as well as the risk arising from changes in interest rates and raw material prices, which could have a negative effect on Group earnings and/or the fair value of the financial instruments used by the Group. The goal of risk management in this area is to identify the existing risks and minimise these risks as far as possible and economically feasible through the implementation of appropriate measures.

The Zumtobel Group uses derivative financial instruments in certain cases to provide protection against these risks. All derivative transactions are concluded with partners that can demonstrate a first-rate credit standing, whereby the credit risk arising from foreign exchange hedges is classified as extremely low. Derivative financial instruments are used in accordance with guidelines that were recommended by the Management Board and approved by the Supervisory Board.

Interest rate risk

Interest rate risk represents the possible fluctuation in the value of a financial instrument due to an increase or decrease in market interest rates. The risk associated with interest rate fluctuations is related primarily to receivables and liabilities with a term of more than one year. These terms are not of material importance in the operating area, but can play a greater role with respect to financial assets and financial liabilities.

In previous financial years, interest rate hedges were concluded for the acquisition financing to utilise the low level of interest rates in the euro region. These interest rate swaps secure fixed interest rates up to December 2009. They qualify for hedge accounting as defined in IAS 39 and are therefore recognised under equity:

Currency	Nominal value in 1,000 local currency	Fair value in TEUR 2007/08	Fair value in TEUR 2006/07
EUR	13,690	145	255

In connection with the financing for the acquisition of TridonicAtco Manufacturing Pty. Ltd., a forward start-cross-currency swap was concluded as a partial hedge against foreign currency fluctuations. Zumtobel AG subsequently concluded a counter cross-currency swap to offset the increased interest expense in the Zumtobel Group. Both cross-currency swaps have a term ending in December 2009. They are classified in the category "held for trading" and measured at fair value through profit or loss:

Currency	Nominal value in 1,000 local currency	Currency	Nominal value in 1,000 local currency	Fair value 2007/08	Fair value 2006/07
EUR	21,664	AUD	35,485	(401)	(462)
AUD	35,485	EUR	21,664	350	379

>> Outstanding interest rate risk

The following table shows the classification of interest-bearing financial instruments according to fixed and variable interest rates:

in TEUR	30 April 2008	30 April 2007
Borrowings	(190,427)	(274,822)
Fixed rate instruments	**(190,427)**	**(274,822)**
Financial assets	13,530	25,769
Liquid funds	87,678	126,486
Borrowings	(26,228)	(37,371)
Variable rate instruments	**74,980**	**114,884**

Fixed-interest financial liabilities are sensitive to interest rate fluctuations because nearly all financial liabilities had a term of less than six months as of the balance sheet date. These liabilities are related primarily to the acquisition financing.

Rising interest rates – especially for the euro – can have a negative impact on financial results and increase the average interest rate for the Group.

>> Sensitivity analysis

A change of 100 basis points in the interest rate would result in a change of TEUR 3,369 (2006/07: TEUR 6,092) in the market value of fixed-interest financial instruments. Since fixed-interest financial liabilities are carried at amortised cost, a change in the interest rate would have no effect on the income statement or equity.

For variable interest instruments, a change of 100 basis points in the interest rate would lead to a change of TEUR 671 (2006/07: TEUR 1,049) in interest income or interest expense on the income statement.

Foreign exchange risk

Derivative financial instruments are employed in accordance with Group guidelines to hedge the foreign exchange risk associated with business operations. The goal of these hedging activities is to safeguard the foreign currency positions that are derived from the budget for the next financial year prior to the start of this accounting period. Most of these instruments have a remaining term of less than one year as of the balance sheet date. The hedges used by the Group are mostly forward exchange contracts with a term of up to one year, but alternative instruments such as options are also used where necessary. Translation risks are not hedged.

The Group's main currencies are the EUR, GBP, USD (as well as Asian currencies that are linked to the USD), AUD and CHF. Most of the European production companies invoice in EUR and GBP.

>> Market value risk of outstanding foreign currency positions

The following table shows the long positions in EUR (with a positive sign) and the short positions (with a negative sign) of the Zumtobel Group as of the balance sheet date.

30 April 2008

in TEUR	GBP	USD	CHF	AUD	CNY	NOK	EUR
Trade receivables	55,194	3,373	12,296	14,289	9391	2,650	106,771
Trade payables	(12,231)	(9,034)	(3,748)	(4,370)	(3776)	(88)	(45,091)
Net position in major currencies	**42,963**	**(5,661)**	**8,548**	**9,919**	**5,615**	**2,562**	**61,680**
Derivative positions for the coming financial year	(115,006)	82,339	(32,046)	(27,596)	17,000	(13,280)	95,344
Outstanding foreign exchange positions	**(72,043)**	**76,678**	**(23,498)**	**(17,677)**	**22,615**	**(10,718)**	**157,024**

30 April 2007

in TEUR	GBP	USD	CHF	AUD	CNY	NOK	EUR
Trade receivables	59,043	9,127	12,922	13,913	8100	2,401	114,304
Trade payables	(14,636)	(9,979)	(4,417)	(5,475)	(6846)	(267)	(53,678)
Net position in major currencies	**44,407**	**(852)**	**8,505**	**8,438**	**1,254**	**2,134**	**60,626**
Derivative positions for the coming financial year	(111,421)	77,430	(33,834)	(20,388)	11,456	(14,792)	88,933
Outstanding foreign exchange positions	**(67,014)**	**76,578**	**(25,329)**	**(11,950)**	**12,710**	**(12,658)**	**149,559**

The derivative positions for the coming year serve to hedge the budgeted cash flows in the relevant currencies for the next financial year.

>> Sensitivity analysis

The following table shows the change in the market values of hedges and the net positions in the Group's major currencies as of the balance sheet date on 30 April that would result from a hypothetical increase of 10% in the value of the euro compared with the hedged currency.

			2007/2008			2006/2007
in TEUR	Change in market value of derivatives	Change in market value of net positions	Total	Change in market value of derivatives	Change in market value of net positions	Total
GBP	8,820	(4,296)	4,524	2,069	(4,441)	(2,372)
USD	(5,546)	566	(4,980)	(6,493)	85	(6,408)
CHF	2,513	(855)	1,658	1,312	(851)	461
AUD	2,368	(992)	1,376	1,205	(844)	361
CNY	(45)	(562)	(607)	(10)	(125)	(135)
NOK	1,293	(256)	1,037	666	(213)	453
Total	**9,403**	**(6,395)**	**3,008**	**(1,251)**	**(6,389)**	**(7,640)**

This table shows that the risk or opportunity from a hypothetical increase of 10% in the euro would equal TEUR 3,008 (2006/07: TEUR -7,640) after the inclusion of hedged positions and the open net positions in the Group's major currencies.

2.5.10 Contingent Liabilities and Guarantees

The Group has contingent liabilities of TEUR 440 (2006/07: TEUR 1,767) for guarantees and warrantees, which do not meet the criteria for recognition as a provision. In addition, bank guarantees of TEUR 9,072 (2006/07: TEUR 8,451) were provided for various liabilities.

The Zumtobel Group also has a contractual obligation arising from the construction and leasing of a new plant in Spennymoor, England. The lease has a term of 21 years and calls for annual lease payments of GBP 1.6 million with an index adjustment after each five years. It will take effect when the building is completed during the coming year.

2.5.11 Subsequent Events

The Zumtobel Group acquired 100% of the shares in the Italian Space Cannon VH S.P.S., which is headquartered in Fubine, as of 5 May 2008. The parties have agreed not to disclose any information on the purchase price for this transaction.

On 12 June 2008 the Zumtobel Group concluded a credit agreement with a consortium of seven banks, which has a term of five years. This agreement covers a line of EUR 480 million, whereby EUR 200 million will be used to repay the remaining balance of the acquisition credit.

No other significant events occurred after the balance sheet date.

2.5.12 Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel AG. As of 30 April 2008 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies and joint ventures, which reflect third party conditions.

Remuneration for the bodies of the Group

The Management Board Zumtobel AG received fixed and variable remuneration totalling TEUR 1,871 for the 2007/08 financial year (2006/07: TEUR 1,831). In addition, the Management Board received 33,000 (2006/07: 126,000) stock options from the SOP that carry an exercise price of EUR 7.50. The members of the Management Board are also entitled to participate in the MSP programme with 19,113 (2006/07: 13,658) shares. No other types of remuneration such as pensions or additional post-employment benefits were granted. The Supervisory Board of Zumtobel AG received remuneration of TEUR 277 for the 2007/08 financial year (2006/07: TEUR 315).

2.5.13 Information on Employees and Bodies of the Group

2.5.13.1 Personnel structure

	2007/08		2006/07	
	Average	Balance sheet date	Average	Balance sheet date
Production	4,149	4,286	4,162	4,248
Research and development	394	411	357	364
Sales	2,282	2,345	2,199	2,218
Administration	647	666	641	650
Total	**7,472**	**7,708**	**7,359**	**7,480**

2.5.13.2 Bodies of the Group

Supervisory Board
Jürg Zumtobel (Chairman)
Harald Sommerer (Vice-Chairman)
Johannes P. Huth (Member)
Fritz Zumtobel (Member)
Walter M. Dünser (Member)
Wolf Klinz (Member)

Delegated by the Employees' Council:
Ludwig Auer
Herbert Kaufmann
Mario Wintschnig

Management Board
Andreas Ludwig, appointed up to 30 April 2012
Thomas Spitzenpfeil, appointed up to 30 April 2010

2.5.14 Statement by the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act

According to the best knowledge of the Management Board, the consolidated financial statements as of 30 April 2008, which were prepared in accordance with International Financial Reporting Standards, provide a true and fair view of the asset, financial and earnings position of all companies included in the consolidation in accordance with stock exchange regulations. The Group management report describes the development of business, the results of operations and the position of the Group so as to provide a true and fair view of the financial position and performance of the Group. Moreover, the Group management report describes the major risks and uncertainties to which the Group is exposed.

We hereby confirm to the best of our knowledge that the annual financial statements of the parent company, which were prepared in accordance with the applicable accounting standards, provide a true and fair view of the financial position and performance of the company; that the management report describes the development of business, the results of operations and the position of the company so as to provide a true and fair view of the financial position and performance of the company; and that the Group management report combined with the management report of the company describes the major risks and uncertainties to which the company is exposed.

Dornbirn, 19 June 2008

The Management Board

Andreas Ludwig Thomas Spitzenpfeil

2.6 Independent Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

Zumtobel AG,
Dornbirn, Austria,

for the financial year from 1 May 2007 to 30 April 2008. Those consolidated financial statements comprise the balance sheet as at 30 April 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 30 April 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on Other Legal Requirements

Law and regulation applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the Group Management Report is consistent with the consolidated financial statements.

Vienna, 19 June 2008

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Thomas Smrekar
Certified Public Accountant

Martin Wagner
Certified Public Accountant

2.7 Consolidation Range

No.	Company	Country	Share in %	Consolidation method	Consolidation range
1	ATCO Industrial Pty. Ltd.	Australia	100	full	AUD
2	TridonicAtco Pty. Ltd.	Australia	100	full	AUD
3	TridonicAtco Oceania Holding	Australia	100	full	AUD
4	Atco Finance Pty. Ltd.	Australia	100	full	AUD
5	TridonicAtco Manufacturing Pty Ltd	Australia	100	full	AUD
6	Thorn Lighting Pty. Ltd.	Australia	100	full	AUD
7	Zumtobel Lighting Pty. Limited	Australia	100	full	AUD
8	Multilux Pty. Limited	Australia	100	full	AUD
9	Conlux Pty. Limited	Australia	100	full	AUD
10	Staff/Conlux Administration Pty. Ltd.	Australia	100	full	AUD
11	z-werkzeugbau gmbh	Austria	30	equity	EUR
12	FURIAE Raiffeisen-Immobilien-Leasing GmbH	Austria	100	full	EUR
13	Zumtobel Lighting GmbH	Austria	100	full	EUR
14	Zumtobel Licht GmbH	Austria	100	full	EUR
15	LEDON Lighting GmbH	Austria	100	full	EUR
16	Zumtobel Aktiengesellschaft	Austria	100	full	EUR
17	Zumtobel Pool GmbH	Austria	100	full	EUR
18	Zumtobel Trust Gesellschaft mbH	Austria	100	full	EUR
19	Zumtobel Holding Gesellschaft mbH	Austria	100	full	EUR
20	TridonicAtco GmbH & Co. KG.	Austria	100	full	EUR
21	TridonicAtco connection technology GmbH & Co KG	Austria	100	full	EUR
22	TridonicAtco Optoelectronics GmbH	Austria	95	full	EUR
23	LEXEDIS Lighting GmbH	Austria	50	equity	EUR
24	TridonicAtco GmbH	Austria	100	full	EUR
25	TridonicAtco Holding GmbH	Austria	100	full	EUR
26	TridonicAtco connection technology GmbH	Austria	100	full	EUR
27	Thorn Licht Gesellschaft mbH	Austria	99.89	full	EUR
28	Zumtobel LED Holding GmbH	Austria	100	full	EUR
29	Zumtobel LED GmbH	Austria	100	full	EUR
30	N.V. Zumtobel Lighting S.A.	Belgium	100	full	EUR
31	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	CNY
32	TridonicAtco (Shanghai) Co., Ltd.	China	100	full	CNY
33	TridonicAtco Hong Kong Ltd.	China	100	full	HKD
34	Thorn Lighting (Hong Kong) Ltd.	China	100	full	HKD
35	Thorn Lighting (Guangzhou) Ltd.	China	100	full	CNY
36	Thorn Lighting (Tianjin) Co. Ltd.	China	70	full	CNY
37	Thorn Lighting (Guangzhou) Operations Ltd.	China	100	full	CNY
38	Zumtobel Lighting s.r.o.	Czech Republic	100	full	CZK
39	Thorn Lighting CS, spol. s.r.o	Czech Republic	99.89	full	CZK
40	Lightmakers AS	Denmark	51	full	DKK
41	Thorn Lighting AS	Denmark	100	full	DKK
42	Thorn Lighting Oy	Finland	100	full	EUR

43	Zumtobel Lumière France s.a.r.l.	France	100	full	EUR
44	TridonicAtco France s.a.r.l.	France	100	full	EUR
45	Thorn Europhane S.A.	France	99.89	full	EUR
46	Zumtobel Lighting GmbH	Germany	100	full	EUR
47	Zumtobel Licht GmbH	Germany	100	full	EUR
48	Zumtobel Electronic GmbH	Germany	100	full	EUR
49	Zumtobel Lighting GmbH & Co. KG	Germany	100	full	EUR
50	Zumtobel Holding GmbH	Germany	100	full	EUR
51	my-tonic Ledon GmbH	Germany	100	full	EUR
52	Reiss Lighting GmbH	Germany	100	full	EUR
53	TridonicAtco Deutschland GmbH	Germany	100	full	EUR
54	Luxmate GmbH	Germany	100	full	EUR
55	Zumtobel Lighting Ltd.	Great Britain	100	full	GBP
56	TridonicAtco UK Ltd.	Great Britain	100	full	GBP
57	Luxmate Ltd.	Great Britain	100	full	GBP
58	Thorn Lighting Ltd.	Great Britain	100	full	GBP
59	Thorn Lighting International Ltd.	Great Britain	100	full	GBP
60	Thorn Lighting Holdings Ltd.	Great Britain	100	full	GBP
61	Thorn Lighting Group	Great Britain	100	full	GBP
62	Rewath Ltd.	Great Britain	100	full	GBP
63	Wengen - One Ltd.	Great Britain	100	full	GBP
64	Wengen - Three Ltd.	Great Britain	100	full	GBP
65	Wengen - Two Ltd.	Great Britain	100	full	GBP
66	Wengen - Five Ltd.	Great Britain	100	full	GBP
67	Wengen - Four Ltd.	Great Britain	100	full	GBP
68	Zumtobel Lighting Kft, Budapest	Hungary	100	full	HUF
69	Thorn Lighting India Ltd	India	100	full	INR
70	Thorn Lighting (Ireland) Limited	Ireland	100	full	EUR
71	Zumtobel Illuminazione SRL	Italy	100	full	EUR
72	TridonicAtco Italia SRL	Italy	100	full	EUR
73	Thorn Europhane SPA	Italy	99.89	full	EUR
74	TridonicAtco Sdn. Bhd.	Malaysia	100	full	MYR
75	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	USD
76	Thorn Lighting Asian Holdings BV	Netherlands	100	full	EUR
77	TridonicAtco NZ Limited	New Zealand	100	full	NZD
78	Thorn Lighting (NZ) Limited	New Zealand	100	full	NZD
79	Zumtobel Belysning AS	Norway	100	full	NOK
80	Thorn Lighting AS	Norway	100	full	NOK
81	Thorn Lighting Holdings AS	Norway	100	full	NOK
82	Thorn Lighting Polska Sp.z.o.o.	Poland	100	full	PLN
83	Zumtobel Lighting Romania SRL	Romania	100	full	RON
84	Raiffeisen Lux S.r.l.	Romania	100	full	EUR
85	TridonicAtco (S.E.A.) Pte Ltd.	Singapore	100	full	SGD
86	Thorn Lighting (Singapore) Pte. Ltd.	Singapore	100	full	SGD
87	Zumtobel Lighting d.o.o.	Slovenia	100	full	SIT

88	Tridonic S.A .	South Africa	49.99	equity	ZAR
89	Staff Iberica S.A.	Spain	50	equity	EUR
90	Luxmate S.L.	Spain	100	full	EUR
91	Thorn Lighting Nordic AB	Sweden	100	full	SEK
92	Thorn Lighting AB	Sweden	100	full	SEK
93	Hans-Agne Jakobsson AB	Sweden	100	full	SEK
94	TLG Sweden Holdings AB	Sweden	100	full	SEK
95	Zumtobel Licht AG	Switzerland	100	full	CHF
96	Zumtobel Pool AG	Switzerland	100	full	EUR
97	TridonicAtco Schweiz AG	Switzerland	100	full	CHF
98	TRIDONICATCO AYDINLATMA TICARET LIMITED SIRKETI	Turkey	100	full	TRY
99	TridonicAtco (ME) FZCO (Dubai)	UAE	100	full	AED
100	Thorn Gulf Ltd. Liability Company	UAE	49	equity	AED
101	Lemgo Realty Corp.	USA	100	full	USD
102	Zumtobel Lighting Inc.	USA	100	full	USD

Deconsolidation

1	Thorn Lighting CLK Ltd.	China	100	full	HKD
2	Luxmate WSW GmbH	Germany	100	full	EUR
3	TLG Holdings Ltd.	Great Britain	100	full	GBP
4	Thorn Lighting Manufacturing Industries Sdn. Bhd.	Malaysia	100	full	MYR
5	Thorn Lighting (Mauritius) International Ltd.	Mauritius	100	full	GBP
6	Auckland Transformer Company Ltd.	New Zealand	100	full	NZD
7	Thorn Lighting (Philippines) Inc.	Philippines	100	full	PHP

3. Corporate Governance Report 2007/08

Contents

3. Corporate Governance

3.1 Corporate Governance in the Zumtobel Group

The focus of business strategies on sustainability, long-term development and responsibility is a long-standing tradition at Zumtobel. This understanding has made corporate governance an integral part of monitoring and management activities, which are directed to creating sustainable value as well as maintaining and increasing the worth of the company. In addition to this clear orientation, other key elements of corporate governance in the Zumtobel Group are a commitment to transparency, respect for the rights of all stakeholders and fair and open communications.

A key building block of this corporate governance system is formed by the Austrian Corporate Governance Code, which is designed to strengthen transparency, communications and equal treatment. It defines the mission statement and corporate values as important elements for supporting the long-term creation of value and a sustainable increase in the worth of a company. Other key factors for safeguarding the value of a company over the long-term include the code of conduct and corporate policies, the risk management system, the system of internal controls and corporate internal audit function.

3.1.1 Major developments during the 2007/08 financial year

The corporate governance system of the Zumtobel Group is not a static concept, but a framework for action that is continuously developed and adjusted to reflect changes in the operating environment.

Corporate governance projects in recent years have concentrated above all on the implementation of additional building blocks and the adaptation of elements that were no longer up-to-date. These activities included a fundamental revision of the Group's corporate values and the development of a code of conduct. Preparatory work for the code of conduct covered the transparent documentation of existing but previously unwritten rules as well as the addition of new and/or supplementary norms. In September 2004 Zumtobel also adopted the guidelines issued by the "Partnering Against Corruption Initiative" (PACI) that was founded by the World Economic Forum in Davos, thereby becoming the first company in Austria to join this programme.

The focal point of activities in 2007/08 was designed to safeguard the improvements in the corporate governance system over the long-term. In particular, corporate policies were optimised to improve the speed of decision and approval processes, increase the transparency and user-friendliness of calculation models and implement new, Group-wide decision criteria. Other processes and procedures were standardised to ensure uniform application throughout the Group. A number of new corporate policies and manuals were developed and issued, including a corporate policy on physical stocktaking and a corporate credit management policy.

A major building block was added to the corporate governance system in October 2007 with the launch of "mynet", a new Group-wide electronic information platform. In addition to local information sources, all employees in the Zumtobel Group are now able to access this Group infobase. It includes the latest version of all documents that are relevant for corporate governance, such as the above-mentioned corporate policies, the code of conduct and corporate values as well as organisational charts and role manuals.

Activities to optimise and expand the corporate governance systems will be continued during 2008/09, whereby two major focal points have already been identified: the update of the current role manuals, which describe the duties and responsibilities of the most important functions in the Group and its corporate bodies, and the implementation of the 8th EU Guideline. A team was formed to handle the requirements expected to result from this new guideline, and the specific measures will now be implemented following the adoption of these new regulations into Austrian law ("Unternehmensrechtsänderungsgesetz 2008") in April 2008.

Zumtobel has decided to provide additional information with this corporate governance report in advance of the future requirements of the 8th EU Guideline and related changes to Austrian law, even though these changes will only take effect with the 2009/10 financial year. This expanded reporting provides additional information on risk management, the system of internal controls and the bodies and committees of the corporation. However, there is no claim to full compliance with the amendments introduced to Austrian law during 2008.

3.2 The Austrian Corporate Governance Code

Zumtobel AG has announced its intention to voluntarily comply with the Austrian Corporate Governance Code, and views the active implementation of this guideline as an important obligation. The current version of the code (June 2007) is available for review and download on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at).

As in previous years, Zumtobel AG complied with nearly all provisions of the code in 2007/08, meeting not only the minimum requirements but also generally observing almost all R-Rules. The actions of the Group varied in part from only three C-Rules of the 80 rules contained in the code. These differences are described below in accordance with the "comply or explain" principle.

Zumtobel AG also intends to comply with the code during the 2008/09 financial year, and will continue to pursue the best possible implementation of all rules.

3.2.1 Comply or explain

The Management Board of Zumtobel AG instructed the corporate internal audit department to review and report on compliance with the Austrian Corporate Governance Code in 2007/08. Based on this compliance review, Zumtobel AG can confirm that it met all L-Rules of the Austrian Corporate Governance Code, in the version issued in June 2007, during the 2007/08 financial year. The following C-Rules were not applied at all or not applied in full, reflecting the status of the previous year:

Rule 38: The Supervisory Board did not define a set of requirements or selection procedure for members of the Management Board because there are no positions to be filled at the present time. The necessary duties will be performed as required by the full Supervisory Board or by the Committee for Management Board Matters.

Rule 41: The Supervisory Board has not created a Nominating Committee. The necessary duties are performed as required by the Committee for Management Board Matters.

Rule 55: The Chairman of the Supervisory Board, Jürg Zumtobel, served as the Chairman of the Management Board of Zumtobel AG up to his appointment as member and Chairman of the Supervisory Board in 2003.

3.2.2 Disclosure of auditors‘ fees

The annual general meeting on 26 July 2007 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and annual financial statements of Zumtobel AG. Furthermore, KPMG performs limited tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria arranged to perform the following services for Zumtobel AG in 2007/08: audit of the quarterly and annual financial statements (EUR 213,561) and audit-related services (EUR 177,293).

3.3 Risk Management and the System of Internal Controls

Zumtobel views risk management as the direct interaction with a variety of risks in order to safeguard the asset, financial and earnings position of the Group and also support the identification of opportunities and the evaluation of entrepreneurial decisions. Risk management in the Zumtobel Group is an independent process with an underlying system that is adapted and improved continuously. The responsibility for the handling of risks is assigned to the operating units or specialised headquarters departments, in line with the risk potential for the Group. The managers of the operating units provide the Management Board with regular reports on the current and expected development of business as well as existing risks and opportunities. In addition to the monthly financial reports, the Group has introduced a performance report and a risk report that focus on the critical success factors for the individual divisions and the corporation as a whole.

The risk report provides information on the extensive and pre-defined monitoring of specific risks. This process covers among others market risk, foreign exchange risk, credit risk and obsolete stock risk. The risk management process as such is oriented on the "COSO[1] Enterprise Risk Management Integrated Framework".

The further improvement of risk management will form an important focal point of activities in 2008/09, and the necessary personnel and organisational framework has already been established. A corporate financial analysis and risk management function was installed in March 2008, which will take on the primary responsibility for the development of risk management and risk monitoring in the Zumtobel Group. Plans call for the inclusion of additional risks in the regular monitoring process as well as the extension of risk management to include components of the COSO model that have received less attention in past years. Other specialised departments that have dealt with risk management on a systematic basis for many years as part of their regular activities are corporate treasury and corporate insurance management.

In accordance with Rule 80 of the Austrian Corporate Governance Code, the auditor must evaluate the effectiveness of risk management each year and report to the Management Board and Supervisory Board on the results of this assessment. The review for the 2007/08 financial year was carried out by KPMG Austria in May 2008, and the relevant report was presented to the Audit Committee at its meeting on 26 June 2008.

In contrast to risk management, which represents an independent process with a strategic focus, the Zumtobel Group sees the system of internal controls as the totality of all monitoring and management measures that are integrated in operating processes. The system of internal controls supports and guarantees the completeness and reliability of information and systems (assurance), the efficiency and effectiveness of processes and the fulfilment of legal, internal and contractual regulations (compliance) and also safeguards the assets of the company.

The principles that form the basis for the Zumtobel system of internal controls include an appropriate scope and transparency for organisational rules and guidelines, documentation and the development of understandable processes and procedures, and the integration of control mechanisms in corporate processes. These mechanisms include testing for correctness and completeness, the analysis of variances and exceptions, and physical controls such as access and entry verification. One of the most important principles underlying the system of internal controls is the separation of duties. Zumtobel interprets this term in accordance with recognised international standards, and therefore ensures the separation of duties between persons in charge of approval, implementation, administrative, settlement and payment functions. In order to ensure the separation of functions, Zumtobel uses both technical and organisational measures.

The system of internal controls in the Zumtobel Group has been steadily expanded and improved in recent years, in accordance with the corporate governance system. This development will be given further impulses by the implementation of the 8th EU Guideline. In the future the system of internal controls will be focused even more on COSO models (e.g. internal control over financial reporting) and the standards issued by the Institute of Internal Auditors (IIA).

[1] COSO: Committee of Sponsoring Organisations of the Treadway Commission

As one of the first – and at that time family-owned – industrial companies in Austria, Zumtobel AG established an internal audit department in 1995. Corporate internal audit has three staff members and reports directly to the Management Board. In accordance with Rule 18 of the Austrian Corporate Governance Code, this department has also reported to the Audit Committee since the company's initial public offering.

A risk-oriented audit schedule that is approved by the Management Board and coordinated with the Audit Committee forms the basis for the work of corporate internal audit. This group is responsible for evaluating the system of internal controls in operating processes. Their activities in recent years have concentrated on sales processes and the related financial procedures as well as the safety and reliability of IT systems. The review of supply chain processes, above all procurement processes (including the relevant financial procedures), and the overseas companies of the Group will represent the focal points of audits in 2008/09. In addition, the concentration on IT will continue during the new financial year.

The activities of corporate internal audit also include ad-hoc audits on instructions of the Management Board. These examinations focus on current risks and reviews that are not directly related to processes, e.g. on projects and other non-recurring activities.

3.4 The Corporate Bodies and Committees of Zumtobel AG

In accordance with Austrian law, the organisation of Zumtobel AG is based on three independent corporate bodies: the annual general meeting, supervisory board and management board. The Management Board of Zumtobel AG is responsible for the direction of the company. The Supervisory Board, a separate body that is elected by the annual general meeting, is responsible for the control function. The Management Board and Supervisory Board are organised to ensure the strict separation of members, and it is not possible to hold a seat on both bodies at the same time. This represents a key difference in comparison with the Anglo-American board system.

The cooperation between these three bodies is defined by the articles of association as well as the rules of procedure for the Management Board and Supervisory Board. The articles of association and rules of procedure are published on the website of the Zumtobel Group (www.zumtobelgroup.com).

3.4.1 Shareholders and the annual general meeting

The shareholders safeguard their interests and exercise their voting rights at the annual general meeting. The shares of Zumtobel AG are issued in accordance with the "one share - one vote" principle, and there are no preferred shares or shares with multiple voting rights.

The annual general meeting is announced at least 21 days prior to the date of the assembly and is held at the headquarters of the company, in Vienna or in another Austrian provincial capital.

Certain important decisions are reserved for the annual general meeting, including the use of retained earnings, the release of the Management Board and Supervisory Board from liability, the election of the auditor and the election of new members to the Supervisory Board. The annual general meeting also has the right to decide on changes in the articles of association and capital measures.

The shares issued by Zumtobel AG are bearer shares, and there are no registered shares. Therefore, information on the shareholder structure can only be compiled when shareholders deposit their shares prior to the annual general meeting or when Zumtobel collects information on these shareholdings. The available information on the shareholder structure is provided in section 1.11 of the Group Management Report.

3.4.2 The Management Board

The members of the Management Board are appointed by the Supervisory Board. They may only take on additional duties or functions with the prior approval of the Supervisory Board.

Andreas Ludwig - CEO
Andreas Ludwig has been a member of the Management Board of Zumtobel AG since 1 May 2003 and CEO and Chairman of the Management Board since 1 September 2003. His term of office extends until 30 April 2012. He was born in Vienna in 1959, and received his Doctorate of Laws from the University of Vienna. He started his career in 1984 as an audit assistant with Wr. Treuhand und WirtschaftsberatungsgesmbH, Vienna. In 1986 he joined Swarovski America Lt., Rhode Island, as Assistant to the CFO. Between 1987 and 2001 he held various management positions within the Swarovski Group, including Vice President Finance of Daniel Swarovski Corporation AG, Feldmeilen, Switzerland (1987–1990), CFO and COO of Zale Corporation, Dallas, USA (1991–1993), and CEO of Tyrolit Group, Schwaz, Austria (1994–2001). In 2001 Mr. Ludwig joined UBS Warburg, London, as Managing Director, a function he performed until 2003.

Additional functions or inter-company relations outside the Group: member of the Management Board of the Federation of Austrian Industry, member of the Management Board and Vice-President of the Vorarlberg, Federation of Industry, Vice-Chairman of ZVEI[2], Section Electrical Lighting and President of CELMA[3].

Thomas Spitzenpfeil - CFO
Thomas Spitzenpfeil has been CFO and a member of the Management Board of Zumtobel AG since 1 May 2004, and his term of office extends until 30 April 2010. He was born in 1962 in Saulgau, Germany, and received his degree as an industrial engineer from the Darmstadt University of Technology in 1989. In 1990 he started his career as a trainee with Robert Bosch GmbH, and then took on the function of Controller and Assistant of a Division CFO, a position he held from 1990 to 1993. In 1993 he joined VIAG AG as Head of Controlling for "Aluminium". In 1995 he became head of Works Controlling at Kodak AG in Stuttgart. From 1996 to 2002 he held various management positions at VAW Aluminium AG, including Head of Controlling for the "Rolled Products" division (1996–1998), Finance Director of the "Rolled Products" division (1998–2000), and Managing Director of Service Center Accounting (2000– 2002). When VAW Aluminium AG was taken over by Norsk Hydro in 2002, Mr. Spitzenpfeil became CFO of the "Rolled Products" division and member of the Supervisory Board of Hydro Aluminium Deutschland GmbH.

Additional functions or inter-company relations outside the Group: member of the Supervisory Board of Austria Metall AG in Braunau-Ranshofen / Austria (since 23 November 2007)

The distribution of duties among the members of the Management Board is defined in the rules of procedure for this body, which were approved by the Supervisory Board and last amended in 2006.

Andreas Ludwig: Sales, marketing, production, research and development, internal and external communications, human resources, strategy and corporate development.

Thomas Spitzenpfeil: Controlling, accounting, treasury, tax and legal, IT, internal audit, investor relations, insurance, facilities management.

The members of the Management Board administer their areas of the business independently. Monthly meetings are held to support joint control and management, and a protocol is recorded of the discussions and results of these meetings.

3.4.3 The Management Board | Remuneration rules and remuneration

In accordance with established procedures, the fixed component of salary is based on the scope of responsibilities of the Management Board. This remuneration is paid in 14 instalments at the end of the month following customary procedures in Austria.

Zumtobel AG has no special incentive programme to cover the variable part of remuneration for the Management Board. The members of the Management Board participate in the Leadership Incentive Programme (LIP), which covers executives in senior

[2] ZVEI – Central Association of Electrical and Electronics Manufacturers ("Zentralverband Elektrotechnik- und Elektronikindustrie e.V."), Frankfurt am Main, Germany
[3] CELMA - Federation of National Manufacturers Associations for Luminaires and Electrotechnical Components for Luminaires in the European Union

management functions with significant strategic and business responsibilities. Since the 2006/07 financial year this bonus has been based on the year-over-year improvement in adjusted EBIT, revenues, working capital and ROCE (return on capital employed). The bonus system can result in both positive bonuses (when targets are exceeded) and negative bonuses (if targets are not met).

Remuneration recognised for the Management Board
Disclosures in accordance with Rules 29 and 30 of the Austrian Corporate Governance Code:

In TEUR	2007/08
Total remuneration for the Management Board	1 871
_ Thereof fixed components	833
_ Thereof variable components	1 039

Zumtobel AG has no special pension fund for members of the Management Board.

The Management Board contracts were amended in April 2008 to include a change of control clause. If the company is taken over by a new majority shareholder, the members of the Management Board have the right to terminate their contracts unilaterally. In this case, the member(s) of the Management Board would be entitled to receive the previously agreed fixed and variable remuneration up to the end of the originally agreed contract term, with a minimum payment covering a period of 12 months. The members of the Management Board have no other special claims or entitlements at the end of their function.

The share-based remuneration for the Management Board is based on the employee participation programmes for senior executives, namely the "Stock Option Programme" (SOP) and the "Matching Stock Programme" (MSP). Both programmes are described in detail under section 2.5.5.13 of the notes. The granting of options from the SOP was terminated at the end of the 2007/08 financial year.

The members of the Management Board have received and exercised the following options from the SOP:

	2007/08			2006/07		1 May 2003 to
	Allocated	Exercised	Available	Allocated	Exercised	30 April 2006
Andreas Ludwig	25,000	50,000	25,000	100,000	18,000	130,000
Thomas Spitzenpfeil	8,000	16,000	33,600	26,000	20,400	36,000
Total	33,000	66,000	58,600	126,000	200,400	166,000
Exercise price	EUR 7.50	EUR 7.50	EUR 7.50	EUR 7.50	EUR 7.50	EUR 7.50

The members of the Management Board have received and exercised the following options from the MSP.

	2007/08			2006/07
	Allocated	Exercised	Available	Allocated
Andreas Ludwig	109,224	78,048	109,224	78,048
Thomas Spitzenpfeil	43,680	31,216	43,680	31,216
Exercise price		EUR 0.00		
Exercise amount		EUR 0.00		

Note: the exercise date was 12 May 2008.

The terms of the MSP include the automatic exercise of the options two years after granting. The exercise price is dependent on the increase in the share price between the date the option is granted and the price on the exercise date. If there is no increase in the share price, the exercise price equals EUR 0 and the remuneration therefore also equals EUR 0 (the claim expires).

Information on the valuation of the Stock Option Programme and the Matching Stock Programme is provided in section 2.5.5.13 of the notes.

The website of the Zumtobel Group (www.zumtobelgroup.com) provides up-to-date information on the purchase and sale of the company's shares by its directors in accordance with the Austrian Stock Exchange Act. This circle of persons includes the members of the Management Board, the managers of the divisions and the members of the Supervisory Board of Zumtobel AG as well as the members of the Supervisory Boards of the divisional parent companies Zumtobel Lighting GmbH and TridonicAtco GmbH & Co KG, and the Head of Corporate Human Resources.

3.4.4 The Supervisory Board

The members of the Supervisory Board of Zumtobel AG are elected by the annual general meeting. The Austrian Stock Corporation Act allows employee representatives to delegate one member to the Supervisory Board for each two members elected by the annual general meeting. This applies to both the Supervisory Board as well as its committees, with the exception of the Committee for Management Board Matters.

Name	**Area of responsibility**	Appointed / delegated in	Term ends in
Jürg Zumtobel	Chairman	2003	2010
Harald Sommerer	Vice-Chairman	2006	2010
Walter M. Dünser	Member	1994	2010
Johannes P. Huth	Member	2000	2010
Wolf Klinz	Member	2001	2010
Fritz Zumtobel	Member	1996	2010
Ludwig Auer	Delegated by the Employees' Council	2004	
Herbert Kaufmann	Delegated by the Employees' Council	2004	
Mario Wintschnig	Delegated by the Employees' Council	2007	

The full Supervisory Board met four times during the 2007/08 financial year. Nine members were present at all four meetings and one member at three meetings (total turnout: 35 of 36 possible attendances).

The Supervisory Board and the Management Board discussed and analysed the financial position of Zumtobel and major events at the four meetings of the Supervisory Board and as part of regular reporting. They pursued the strategic development of the Group and also dealt with major investments, acquisitions and programmes.
The main issues handled by the Supervisory Board at the meeting on 4 July 2007 were the annual financial statements and management report for 2006/07 as well as the recommendation to the annual general meeting for the use of retained earnings and the formal approval of the annual financial statements. Moreover, the Management Board provided the Supervisory Board with detailed information on the current development of business. The Supervisory Board also approved its report on the 2006/07 financial year for release to the annual general meeting and accepted the compliance officer's annual report of activities in accordance with the Austrian Regulation on Compliance for Issuers ("Emittenten Compliance Verordnung"). The Supervisory Board and the Management Board discussed and evaluated the strategic focus of the Zumtobel Group in an extensive dialogue.

The major topics at the meeting on 5 October 2007 were the management report on the first quarter of 2007/08, personnel development and strategic planning for the 2008/09 financial year as well as the latest business developments, including a report

on the construction of the new plant in Spennymoor (UK).
On 11 January 2008 the Supervisory Board discussed the six-month results for 2007/08 and continued the dialogue from the previous meeting on strategic planning and the cornerstones of mid- and long-range objectives. A report on the current development of business also provided the Supervisory Board with information on planned steps to bundle LED activities and progress on the construction project in Spennymoor (UK).
The meeting on 11 April 2008 took place at the "Light & Building" trade fair in Frankfurt, which gave the members of the Supervisory Board an opportunity to gather first-hand information on the latest products and competitive situation at the Zumtobel stand. The management report on the third quarter of 2007/08 and the forecast for the fourth quarter were discussed in detail. The budget for 2008/09 was approved after extensive consultations. The Management Board also provided the Supervisory Board with information on projects to implement the Group strategy. In addition, the contract with CEO Andreas Ludwig was extended to April 2012.

According to Rule 53 of the Austrian Corporate Governance Code, the Supervisory Board must define the criteria that are used to determine the independence of its members. The Supervisory Board of Zumtobel AG established these criteria in a meeting on 29 September 2006 and published this information on the Group's website (www.zumtobelgroup.com).). The following three members of the Supervisory Board have declared their independence in accordance with these criteria: Johannes P. Huth, Wolf Klinz and Harald Sommerer. Therefore, Zumtobel AG more than meets the provisions of Rule 54 of the Austrian Corporate Governance Code, which requires only two independent members.

No member of the Supervisory Board is related to a member of the Management Board, and there are no conflicts of interest or cross representations. There are no contracts between the members of the Supervisory Board and the Zumtobel Group that require approval or must be disclosed under Rules 48 and 49 of the Austrian Corporate Governance Code.

All functions or corporate positions held by members of the Supervisory Board outside the Zumtobel Group are disclosed on the Group's website (www.zumtobelgroup.com) and also listed in this corporate governance report (see below) in accordance with Rules 56 and 57 of the Austrian Corporate Governance Code.

3.4.5 The Supervisory Board | Committees

The Supervisory Board of Zumtobel AG has established the following committees:

Audit Committee

Members: Harald Sommerer (Chairman and Finance Expert), Jürg Zumtobel, Walter M. Dünser and Mario Wintschnig.

Duties: The Audit Committee is responsible for the audit and preparations for the approval of the annual financial statements and consolidated financial statements, the recommendation for the distribution of profit and the management report. The Audit Committee also nominates the auditor for approval by the annual general meeting. This recommendation must be approved by the annual general meeting; the Chairman of the Supervisory Board will then officially commission the auditor. The Audit Committee met twice during the 2007/08 financial year and all members were present at both meetings.

In a meeting on 20 June 2007 the Audit Committee dealt with the approval of the annual financial statements for 2006/07 and the report of the auditor. Other topics included the internal review of compliance with the Austrian Corporate Governance Code, the evaluation of the risk management system by the auditor in accordance with Rule 80 of the Austrian Corporate Governance Code and the appointment of an auditor for 2007/08.

The meeting of the Audit Committee on 5 October 2007 addressed the yearly report by corporate internal audit and the auditor's management letter from April 2007. Furthermore, the changes to International Financial Reporting Standards (IFRS) and the fast close process were presented and a number of related resolutions were passed.

Committee for Management Board Matters

Members: Jürg Zumtobel (Chairman), Johannes P. Huth and Walter M. Dünser.

Duties: The Committee for Management Board Matters is responsible for relations between the company and the members of the Management Board, and corresponds to the remuneration committee required by Rule 43 of the Austrian Corporate Governance Code. This committee worked intensively on a number of issues in 2007/08, with the meetings normally taking place in the form of telephone conferences or in connection with Supervisory Board meetings or other conferences for reasons of efficiency. Ten such telephone conferences were held during the reporting year, in which the committee dealt with the extension of the contract with the chief executive officer as well as general issues relating to organisational development.

3.4.6 The Supervisory Board | Shareholder Representatives

Jürg Zumtobel
Jürg Zumtobel has been Chairman of the Supervisory Board of Zumtobel AG since 1 September 2003. His term of office extends until the annual general meeting for the 2009/10 financial year. Born in 1936 in Frauenfeld, Switzerland, Jürg Zumtobel joined the Zumtobel Group in 1963, and was responsible for various functions in production planning and control, production and sales. From 1991 to 2003 he was CEO and Chairman of the Management Board of Zumtobel AG.

Additional functions or inter-company relations outside the Group: House of Culture, Bregenz/Austria (member of the Supervisory Board), Friends of the Bregenz House of Culture, Bregenz/Austria (President), Committee on Architecture and Design at the Museum of Modern Art, New York (Member), Stern Stewart Institute, Munich/Germany (Member of the Advisory Board).

Harald Sommerer
Mr. Sommerer has been a member and Vice-Chairman of the Supervisory Board of Zumtobel AG since 7 April 2006. His term of office extends up to the annual general meeting for the 2009/10 financial year. He was born in 1967 in Vienna, Austria, and holds a Doctorate of Social and Economic Sciences from the University of Economics and Corporate Management in Vienna, and Master of Management from the J.L. Kellogg Graduate School of Management at Northwestern University. Since 1997 Mr. Sommerer has been a member of the Management Board of AT&S Austria Technologie & Systemtechnik AG, where he served as CFO from 1998 to 2005 and as CEO since 2005.

Additional functions or inter-company relations outside the Group: various functions in the AT&S Group.

Fritz Zumtobel
Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel AG since 1996. He was chairman up to 1 September 2003 and Vice-Chairman from 1 September 2000 to 7 April 2006, and is now a member. His current term of office extends until the annual general meeting for the 2008/09 financial year. Fritz Zumtobel was born in 1939 in Frauenfeld, Switzerland. He joined the Zumtobel Group in 1965 and held various positions during his career, mainly in the technical field. He was a member of the Management Board of Zumtobel AG from 1974 to 1996.

Additional functions or inter-company relations outside the Group: none

Johannes P. Huth
Mr. Huth has been a member of the Supervisory Board of Zumtobel AG since 2000. His term of office extends until the annual general meeting for the 2009/10 financial year. He was born in 1960 in Heidelberg, Germany, and holds a Bachelor of Science degree (BSc) from the London School of Economics and a Master of Business Administration (MBA) from the University of Chicago. Before Mr. Huth joined KKR in May 1999, he was a member of management of Investcorp with joint responsibility for this firm's European business. From 1986 to 1991 he worked for Salomon Brothers, where he was Vice President of the Mergers & Acquisitions departments in London and New York.

Additional functions or inter-company relations outside the Group: A.T.U Auto-Teile-Unger Holding GmbH, Weiden/Germany (Chairman of the Supervisory Board), Rally Lux Holding One S.a.r.l., Luxembourg (Director), Rally Lux Holding Two S.a.r.l., Luxembourg (Director), KION Holding 1 GmbH, Wiesbaden/Germany (Chairman of the Supervisory Board, Chairman of the Personnel Committees, Chairman of the Audit Committees), KKR & Co Limited, London/UK (Director), KKR & Co SAS, Paris/France (President), NXP BV, Eindhoven/Netherlands (member of the Supervisory Board), ProSieben Sat1 Media AG, Unterföhring/Germany (Vice-Chairman of the Supervisory Board).

Wolf Klinz
Mr. Klinz has been a member of the Zumtobel AG Supervisory Board since 2001. His term of office extends until the annual general meeting for the 2009/10 financial year. Born in 1941 in Vienna, Mr. Klinz's career includes positions as a Managing Partner of McKinsey & Company and as a member of the management board of several European technology enterprises, such as Landis & Gyr, Lurgi and Hartmann & Braun. From 1990 to 1994 he was a member of the Management Board of Treuhandanstalt, Berlin. He also served as President of the Frankfurt Chamber of Industry and Commerce. He has been a member of the European Parliament since 2004.

Additional functions or inter-company relations outside the Group: AVECO AG, Frankfurt am Main/Germany (member of the Supervisory Board), IVG Immobilien AG, Bonn (member of the Advisory Board).

Walter M. Dünser
Mr. Dünser has been a member of the Zumtobel AG Supervisory Board since 1994. His term of office extends until the annual general meeting for the 2009/10 financial year. Mr. Dünser has worked for the Zumtobel group for 57 years. Born in 1930 in Dornbirn, Austria, he graduated from an Austrian commercial secondary school. His first contacts to the founder of Zumtobel KG were in 1949, and he took over the responsibility for accounting and other commercial duties as an authorised officer of that company in 1950. In 1976 he became a member of the Management Board and CFO of the Zumtobel AG and joined the Supervisory Board in 1994.

Additional functions or inter-company relations outside the Group: Hilti & Jehle GmbH, Feldkirch/Austria (Chairman of the Supervisory Board), Dornbirner Sparkasse Bank AG, Dornbirn/ Austria (Chairman of the Supervisory Board), Anteilsverwaltungssparkasse Dornbirn, Dornbirn/ Austria (member of the Savings Bank Advisory Board), Hektor Privatstiftung, Dornbirn/ Austria (Chairman of the Foundation Advisory Board), GWZ Privatstiftung, Vienna/Austria (Chairman of the Foundation Advisory Board).

3.4.7 The Supervisory Board | Employee Representatives

Mario Wintschnig
Mr. Wintschnig was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Salaried Employees in January 2007. He was born in 1961 in Dornbirn, Austria, and joined the Zumtobel Group in 1981. At present he is a pricing manager with Zumtobel Lighting GmbH. Since January 2007 he has served as Chairman of the Employees' Council for Salaried Employees at Zumtobel Lighting GmbH, Zumtobel AG and Zumtobel Licht Österreich Vertriebs-GmbH.

Additional functions or inter-company relations outside the Group: none

Ludwig Auer
Mr. Auer was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Wage Employees in September 2004. He was born in 1955 in Treibach, Austria, and joined the Zumtobel Group in 1980 as an employee in model production. In 2004, Mr. Auer became Chairman of the Employees' Council for Wage Employees at Zumtobel Lighting GmbH.

Additional functions or inter-company relations outside the Group: none

Herbert Kaufmann
Mr. Kaufman was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Wage Employees in August 2004. Born in 1957 in Dornbirn, Austria, Mr. Kaufmann joined the Zumtobel Group in 1985 as an employee in electronics assembly. Since 2004 he has been Chairman of the Employees' Council for Wage Employees at TridonicAtco GmbH & Co KG.

Additional functions or inter-company relations outside the Group: none

3.4.8 The Supervisory Board | Remuneration Rules

According to the rules of procedure for the Supervisory Board (last amended on 7 April 2006), each member of this body receives annual remuneration in addition to reimbursement of his or her expenses and an attendance fee for each meeting. The amount of the attendance fee and remuneration are determined by a resolution of the annual general meeting. If a member of the Supervisory Board undertakes a special activity in the interest of the company, the annual general meeting may approve special remuneration for this work.

The above payment structure was last amended by the annual general meeting on 15 July 2005. The attendance fee equals EUR 3,000. The Chairman and Vice-Chairman of the Supervisory Board receive annual remuneration of EUR 40,000, while the other members receive EUR 20,000. The employee representatives are only entitled to the attendance fee of EUR 3,000. The attendance fee is paid immediately after the meeting, and the remuneration is paid during the following financial year.

Disclosure pursuant to Rule 51 of the Austrian Corporate Governance Code:
Attendance fees of EUR 117,000 (2006/07: EUR 135,000) and remuneration of EUR 160,000 (2006/07: EUR 180,000) were paid to the members of the Supervisory Board for the 2007/08 financial year.

5. Service

Contents

5. Service

Financial Terms

Adjusted EBIT	EBIT adjusted for special effects
Adjusted EBIT margin	= Adjusted EBIT as a percentage of revenues
Adjusted EBITDA	EBITDA adjusted for special effects
Average capital employed	= Goodwill + intangible assets + tangible assets + inventories + trade receivables – trade payables – provisions for income taxes – other provisions – other liabilities, as average over a period of four quarters
CAPEX	Capital expenditure
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
Labour productivity	= Adjusted EBIT as a percentage of personnel expenses
Net debt	= Non-current borrowings + current borrowings – liquid funds
ROCE	(Return On Capital Employed) = Total return based on adjusted EBIT as a percentage of average capital employed
WACC	Weighted average cost of capital (debt and equity)
Working capital	= Inventories + trade receivables – trade payables – prepayments received

Abbreviations and Technical Terms

Ballast	Ballasts are electrical devices which are used with fluorescent or high intensity discharge (HID) lamps to supply sufficient voltage to start and operate the lamp but then to limit the current during operation. They can be either magnetic or electronic.
Lamp	Lamps are artificial sources of light. There are many types, which are distinguished by the way they generate light, their light output or luminous flux, their power consumption, their luminous efficiency, their geometry, the spectral composition of the radiation emitted, their luminance and their beam characteristics.
LED / light-emitting diode	An LED or light-emitting diode is a small semiconductor device, which emits light when an electric current passes through it. LEDs are energy-saving and have a long service life. The colours most frequently seen are red, green, blue, amber and white. LED light engines can generate any colour by mixing the individual spectral components.
Lighting solution	At the Zumtobel Group, we understand a lighting solution to be the carefully planned use of a combination of luminaires, lighting management and emergency lighting that is specifically designed for a particular set of architectural conditions and a particular application with the intention of creating one or more lighting moods or scenarios. A lighting solution is always a combination of products and services and can only be the result of a joint effort with the customer.
Luminaire	Luminaires are fittings in which the lamp is mounted, operated and protected. They control the distribution of light and heat, ensure the delivery of the correct power supply using special components and provide the optical assembly that houses the lamp. The entire lighting unit including all the components required for mounting, operating and protecting the lamp is known as the "luminaire". The luminaire protects the lamp, distributes and directs the light emitted by the lamp and prevents glare. Luminaires can be classified by the type of lamps used (incandescent lamps, fluorescent lamps, discharge lamps), the number of lamps (single-lamp, two-lamp, etc.), planned location (indoor, outdoor), protection class (for dry, damp or dusty environments), design (open, closed, reflector, mirror, louvre, diffuser, spotlights), mounting (wall, ceiling, pendant or hand-held) or intended use (technical, decor or effect).
TAD	TridonicAtco Division
ZLD	Zumtobel Lighting Division

Financial Calendar

Annual General Meeting	29 July 2008
Ex-Dividend Day	31 July 2008
Dividend Payout Day	04 August 2008
1st Quarterly Report 2008/09 (1 May 2008 – 31 July 2008)	16 September 2008
Retail Event	16 September 2008
Interim Financial Report 2008/09 (1 May 2008 – 31 October 2008)	09 December 2008
3rd Quarterly Report 2008/09 (1 May 2008 – 31 January 2009)	12 March 2009

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Financial Reports

Our financial reports are available for download under: http://www.zumtobelgroup.com.
The annual report 2007/08 will be available at our annual general meeting.
You can also order a copy by calling +43 (0)5572 509-1510.

More Information

on Zumtobel AG, our brands and LED activities can be found in the Internet under:

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.zumtobellighteriors.com
www.tridonicatco.com
www.ledonlighting.com

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Disclaimer

This annual financial 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 not to be under-stood 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. Moreover, they are 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. Other risks may 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. The Zumtobel Group does not plan to update these forward-looking statements. This annual financial report is also presented in English, but only the German text is binding.