Annual Financial Report 2009/10 Zumtobel AG

1 May 2009 to 30 April 2010

zumtobel group

Five-Year Overview

in EUR million	2009/10	2008/09[1]	2007/08[1]	2006/07[1]	2005/06[1-2]	
Revenues	1,117.3	1,174.0	1,282.3	1,234.0	1,168.0	
Adjusted EBITDA	96.4	121.6	162.2	154.1	137.7	
as a % of revenues	*10.4*	*10.4*	*12.7*	*12.5*	*11.8*	
Adjusted EBIT	51.5	78.9	123.0	112.3	99.1	
as a % of revenues	*4.6*	*6.7*	*9.6*	*9.1*	*8.5*	
Net profit/loss for the period	(67.0)	13.3	93.5	103.6	49.5	
as a % of revenues	*(6.0)*	*1.1*	*7.3*	*8.4*	*4.2*	
Total assets	983.5	1,018.8	1,082.4	1,132.5	1,072.2	*
Equity	351.6	420.9	490.7	428.7	174.2	*
Equity ratio in %	*35.8*	*41.3*	*45.3*	*37.9*	*16.2*	*
Net debt	121.9	163.5	129.0	185.7	356.1	
Cash flow from operating results	77.6	107.3	166.0	173.8	128.8	
Investments	49.4	64.7	66.0	54.3	49.6	
as a % of revenues	*4.4*	*5.5*	*5.1*	*4.4*	*4.2*	
Headcount incl. contract workers (full-time equivalent)	7,329	7,165	7,908	7,911	7,384	

See section 4. Service – Financial terms for the definition of the above indicators.

[1] The comparative prior year data were adjusted to reflect the retrospective application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) for the valuation of goodwill. These figures are marked with an asterisk (*) in the following document (also see the notes, section 2.6.6.1 Goodwill).
[2] The indicators were adjusted to reflect the application of IFRS 5 and IAS 19.

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Chief Executive's Review

Dear Shareholders,


Dr. Harald Sommerer

After four years on the Supervisory Board, I took over as Chief Executive Officer of Zumtobel AG on 1 May 2010. I am now pleased to report to you for the first time on the major events of the past year.

The 2009/10 financial year (1 May 2009 to 30 April 2010) was shaped by the effects of the most severe global recession in more than 60 years and will undoubtedly go down as one of the most turbulent in economic and stock market history. Against the backdrop of this extremely difficult operating environment, the performance of the Zumtobel Group can be considered quite respectable. This is demonstrated by operating profit before special effects of EUR 51.5 million and a clearly positive free cash flow of EUR 39.2 million. A decisive factor for the development of business during the past year was our fast reaction to the crisis and the timely implementation of an extensive cost reduction programme – "Excellerate" – beginning in autumn 2008. The challenge now is not to lose sight of the Group's potential for growth and, in spite of ongoing cost optimisation, not to save in the wrong place. Accordingly, the Zumtobel Group is continuing specifically directed investments to expand its outstanding technology position even though the economic crisis has not ended. Our expenditures for research and development with a focus on energy efficiency and LED rose by 9.5% to EUR 52.1 million in 2009/10. Our business in the future-oriented area of LED technology continued to grow during the reporting year, with revenues from LED-based products rising 37.0% to EUR 65.9 million.

In addition to improving cost efficiency, our activities for the reporting year concentrated on protecting liquidity and thereby maintaining our sound balance sheet structure. The equity ratio equalled a satisfactory 35.8% as of 30 April 2010 despite massive non-recurring effects, above all from impairment charges to goodwill. Net financial liabilities were cut by one-fourth in year-on-year comparison to EUR 121.9 million and gearing, i.e. the ratio of net financial liabilities to equity, remained at a low 34.7%. In spite of the adverse business climate, efficient working capital management and a further limit on investments in 2009/10 supported the generation of free cash flow totalling EUR 39.2 million. That gives the Zumtobel Group a solid foundation to benefit from an economic upturn.

Divergent regional and segment developments

Although the Group's income statement shows a 4.8% decline in revenues to EUR 1,117.3 million, the improvement towards the end of the year provides grounds for optimism. Developments were very different on a regional basis during 2009/10. In the German-speaking D/A/CH countries, a key region for the Zumtobel Group, revenues fell 5.5% below 2008/09 even though the downward trend flattened during the course of the year. The revenue declines reported by the Northern and Southern European regions amounted to 6.5% and 9.8%, respectively, but the last three months exceeded the comparable prior year period, in part due to the basis effect from the slow fourth quarter of 2008/09. In Western Europe, the largest market for the Zumtobel Group, a weak the operating environment and a decline in the value of the British pound (GBP) brought about a 7.9% drop in revenues. Positive signals were provided above all by the overseas business, with growth in Asia and higher revenues in Australia / New Zealand. An analysis by segments shows two different developmental patterns: the components business profited from a favourable shift in the product mix to higher priced products as well as market share gains and an increase in customer inventories that drove revenue growth during the second half year, but the lighting business was still hard hit by the crisis. Revenues and earnings in the Lighting Segment were negatively affected above all by volume and price declines as well as substantial foreign exchange effects. These factors triggered a drop in Group EBIT before special effects from EUR 78.9 million to EUR 51.5 million, or from 6.7% to 4.6% based on the return on sales. Impairment testing in the Zumtobel Group at the end of the year led to the recognition of EUR 68.3 million in impairment charges to goodwill that had a negative effect on earnings for 2009/10 but did not lead to any cash outflows. These charges were related primarily to goodwill in the Thorn Lighting

Group (EUR 66.6 million), which was acquired in 2000/01. The negative, non-recurring effects were responsible for a loss of EUR 67.0 million for the 2009/10 financial year. Moreover, equity was reduced by a currency translation adjustment of EUR 23.7 million to goodwill in the Thorn Lighting Group, which covered 2009/10 as well as earlier years and was not recognised through profit or loss.

Cautious optimism for 2010/11, positive long-term trend

The commercial construction sector remains weak, and the forecasts for 2010 and 2011 are accordingly reserved. Due to the late cyclical nature of the Group's business and after the sharp downturn over the past two financial years, it is certainly premature to believe the crisis has ended. In addition the slow economic recovery in Europe maybe be slowed by the growing sovereign debt in several European countries and the development of the Euro in relation to other western currencies. Under these circumstances, it is difficult to estimate the extent to which the crisis has been overcome and whether sustainable global recovery is realistic within the foreseeable future.

However, the positive signals for the coming months are increasing – above all for our components business. A detailed analysis of results for 2009/10 shows a gradual improvement in revenues during the course of the year. The Management Board consequently views the 2010/11 financial year with cautious optimism despite the limited visibility, and is forecasting an improvement in revenues and an increase in operating earnings for the Group as a whole. The Management Board will therefore make a recommendation to the Supervisory Board, and subsequently to the Annual General Meeting on 23 July 2010, calling for the distribution of a EUR 0.15 dividend per share. The long-term outlook for the Zumtobel Group remains positive. This optimism is supported by the expected continued dynamic expansion of LED-based products and the steady demand for energy-efficient lighting systems.

Ladies and gentlemen: I look forward to the challenges connected with my new activities. The Zumtobel Group has a solid strategic orientation and a sound potential for growth that is based on excellent market and technology positions, and we intend to realise this potential through a further improvement in performance as well as cost reductions and portfolio optimisation. At this point I would like to thank the many men and women who work for the Zumtobel Group. Without their commitment during the reporting year, it would not have been possible to remain on course throughout the crisis. Our thanks also go out to our many customers, suppliers and shareholders for their trust and confidence.

Sincerely,

Harald Sommerer
Chief Executive Officer

1. Group Management Report

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1. Group Management Report

The Zumtobel Group utilised the option provided by § 267 (4) of the Austrian Commercial Code in connection with § 251 (3) of the Austrian Commercial Code for the 2009/10 financial year. This option was also elected in 2008/09 and 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

1.1.1 Our vision

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

The Zumtobel Group has set a goal to become the worldwide authority in the lighting industry. As a group of leading lighting brands and companies, we provide complete professional lighting solutions, luminaires, lighting management systems and lighting components for indoor and outdoor applications. Driven by innovation and quality in all our business processes, we aim to be the first-choice global partner for our customers. We exceed the expectations of our customers by meeting the highest demands for quality and service in full awareness of our responsibility for the environment and society.

1.1.2 Group structure and brand strategy

Zumtobel AG is the parent company of the Group and, as such, provides a wide range of management and service functions for the entire corporation. These include controlling, personnel, corporate accounting, taxes and legal, internal audit, insurance, treasury (e.g. central financing and liquidity management for all Group companies), IT, corporate communications and investor relations.

The Management Board of Zumtobel AG is responsible for the direction and management of the Group. Andreas J. Ludwig served as Chief Executive Officer (CEO) of Zumtobel AG up to 30 April 2010. Harald Sommerer was appointed to the Management Board as of 25 March 2010 and became CEO on 1 May 2010. The Chief Financial Officer (CFO) is Thomas Spitzenpfeil. In summer 2009 the Management Board was expanded to include Martin Brandt as Chief Operating Officers (COO). The CEO is responsible for the Components segment, which is operated as an independent subsidiary with its own management under the Tridonic brand (formerly TridonicAtco). The Lighting segment does not have a separate management level and has reported directly to the Management Board of the Group since summer 2009.

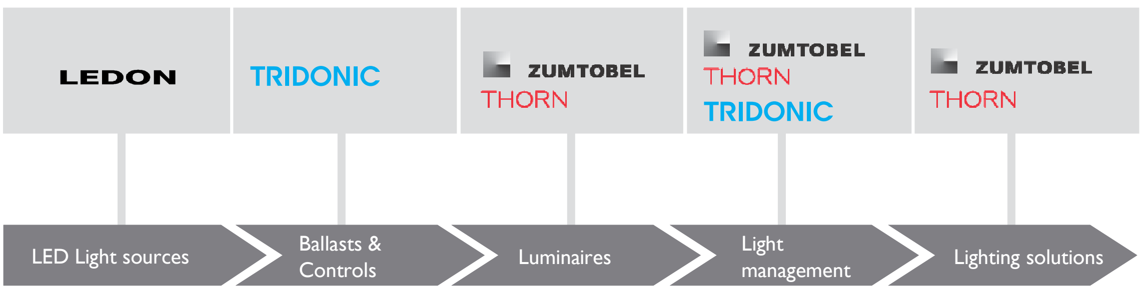
The Group follows a multi-brand strategy, addressing different fields of business and customer target groups in the lighting marketplace with a combination of strong internationally established brands. The foundation for all brands is formed by a continuous focus on innovation as well as energy efficiency and sustainability. The Zumtobel Group positions itself and its brands in a worldwide network of decision-makers and opinion leaders that includes architects, investors, wholesalers and municipalities as well as specifiers, planners and engineers involved in building construction and infrastructure projects. These channels give the Group a range of competitive advantages in international lighting projects.

Segment reporting is based on the Lighting Segment and the Components Segment. The revenues generated by the sale of LED-based products, i.e. revenues from LED luminaires and LED components, relate to both segments and are allocated to the individual segments according to the type of product. The Lighting Segment covers professional luminaires, lighting management and lighting solutions for indoor and outdoor applications, and comprises the Zumtobel and Thorn brands as well as the much smaller Original Equipment Manufacturer (OEM) brand Reiss. The Zumtobel and Thorn brands are differentiated by their portfolios, customer target groups and sales channels, and thus ensure broad coverage of the international luminaire market. The **Components Segment** develops and markets lighting components and management systems, LED modules and systems and connection technology under the **Tridonic** brand. Tridonic is a leading global OEM manufacturer that delivers most of its products to external luminaire manufacturers, but also generates roughly 19% of its revenues from sales to the Zumtobel and Thorn brands. In January 2010 the Zumtobel Group announced its entry into the LED lamp business and started direct sales to consumers. The **Ledon** brand covers an extensive line of innovative LED lamps with top-quality lighting, whereby the related revenues are reported under the Components Segment.

The Zumtobel Group is the European market leader for professional lighting systems and one of the leading companies in the world for lighting components and light management systems. That makes the Group one of the few global players in the international lighting industry. Approximately 80% of Group revenues are generated in Europe. With over 800 suppliers, this industry remains highly fragmented and the ten largest luminaire producers cover only about 40% of the total market. In contrast, the worldwide components industry is highly consolidated. In the LED lamp business, the Zumtobel Group and other suppliers have established positions as leaders in high-quality lighting.

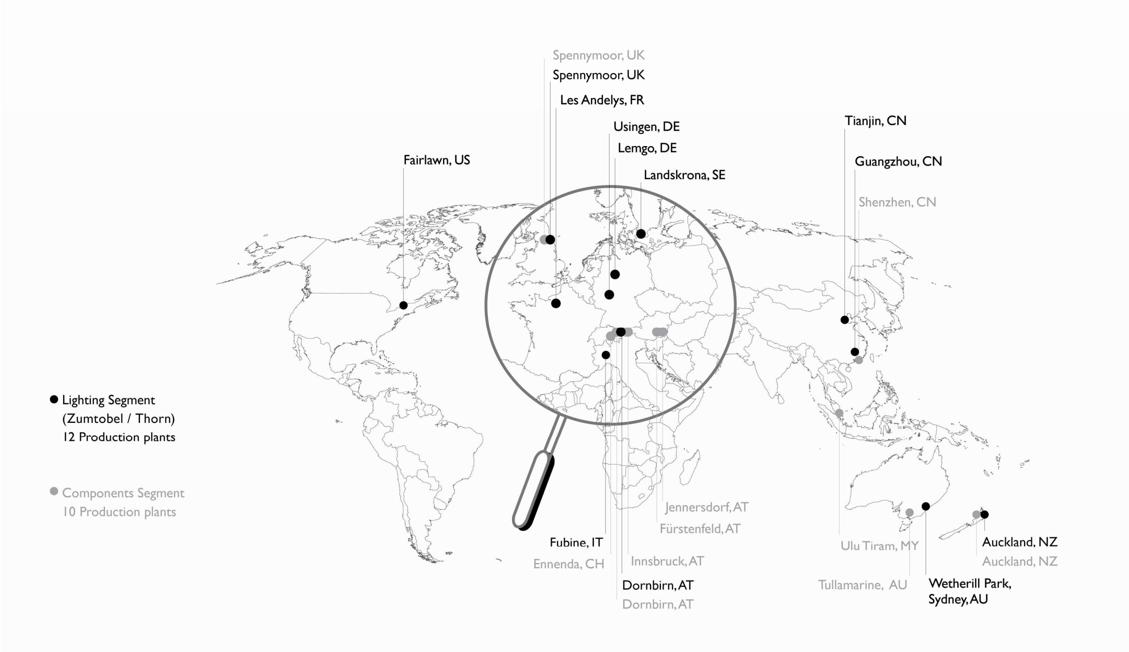
The Group's business activities with Zumtobel and Thorn cover the following areas of application in the lighting sector: office and communication, education and science, industry and engineering, presentation and retail, art and culture, sport and leisure, hospitality and wellness, health and care, transit areas and car parks, orientation and safety as well as outdoor 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. The Tridonic product line consists primarily of magnetic, electronic and digital dimmable luminaire control gear, ignition devices, light management systems, LED modules, LED converters and connection technology.

The five-step value added chain in the professional lighting sector is covered in full by the Zumtobel Group's brands. In the area of lighting sources, the Group has been active in LED technology since 2001. Conventional lighting sources are purchased as finished products.



Size and financial power give the Zumtobel Group a solid foundation to expand its leading role in production, research and development. Economies of scale have created numerous advantages in technology, innovation and efficiency improvement, above all in competition with many small and medium-sized lighting producers. In addition, the technological transformation process from conventional lighting to LED requires higher research and development expenditures by individual lighting producers, increases the complexity of products and systems, and shortens product development cycles. New suppliers, above all Asian producers of home entertainment equipment, are pushing to enter the market, as are Japanese lamp manufacturers. This development has presented the lighting branch with a range of new challenges, which should be more easily mastered by large, financially strong companies than medium-sized competitors.

The Zumtobel Group currently operates 22 plants on four continents and cooperates with sales companies and partners in over 70 countries.



1.1.3 Corporate strategy and growth opportunities

Continuous development of corporate strategy

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

Further development of Balanced Scorecard

The Balanced Scorecard was introduced in 2008/09 to support management in meeting the strategic goals of the Zumtobel Group. This management tool strengthens the focus on the Group's long-term strategy, and also forms an integral component of performance controls and assessment. Strategic goals are defined for various aspects of the business (opportunities, processes, customers/markets and financial), and thereby permit a balanced view of the individual elements. The management of the Zumtobel Group further refined its strategic goals for both the corporate level and the segments in 2009/10, and summarised these goals in strategy maps. In addition to the traditional indicators used to evaluate performance (adjusted operating profit, working capital, revenue growth and return on capital), the Balanced Scorecard also directs the focus of management activities to non-financial factors whose development is regularly reported to the Management and Supervisory Boards. A further improvement in 2009/10 was the inclusion of sustainability as a key strategic building block in the Balanced Scorecard. Within the framework of the Balanced Scorecard, goals are regularly compared with actual results and corrective steps are taken if necessary. Moreover, an integrated planning process creates a strong link between the timing and content of strategic planning and annual budgeting.

Acquisition strategy

A low level of debt gives the Zumtobel Group a solid balance sheet structure, which provides the necessary financial flexibility for strategic actions. The generation of growth through targeted acquisitions is a strategic option at certain times, as long as the acquisition target and purchase price fit within the defined financial and strategic framework. The Zumtobel Group proceeds in a disciplined manner, whereby all acquisition targets must meet at least one of the three following criteria: regional expansion, innovative applications and/or new technologies. The objective is to create added value within the existing international sales and production network through the utilisation of synergies, market opportunities and application know-how However, the Group is not actively pursuing acquisitions at the present time because of the unfavourable economic climate and uncertain operating environment.

Sustainability strategy

Development of sustainability strategy

The Zumtobel Group has focused on sustainable business operations ever since its founding. In order to improve the management and transparent communication of sustainability, the Zumtobel Group began to systematise its many diverse activities at the beginning of 2009. These efforts led to the sustainability strategy "Through Light We Care", which was issued at the end of 2009, as well as the creation of appropriate organisational and reporting structures. In November 2009 the Center for Corporate Citizenship Austria included the Zumtobel Group in its annual survey for the first time as one of this country's top ten sustainable companies.

Publication of first sustainability report in summer 2010

The first sustainability report of the Zumtobel Group will be published in summer 2010. It will be based on the standards published by the international Global Reporting Initiative (GRI) and represents the start of a continuous process. In this report, the Group will present the current status and future measures for environmental protection in production, sustainable products and lighting solutions, quality and safety, the sustainability campaigns of the individual brands, sponsoring and supplier management as well as employees and society.

Focus on product quality

Voluntary five-year warranty for Zumtobel brand

The Zumtobel Group is well known as a supplier of quality products and also demands the best quality from its suppliers. The materials used in production are selected according to strict criteria and subject to careful testing. Continuous controls form an integral part of the production process to ensure optimal quality. In order to give its customers the security they expect when purchasing a new technology, the Zumtobel brand has voluntarily extended the warranty for its lighting systems, including ballasts and drivers, from the two years required by EU law by a further three to a total of five years as of 1 April 2010. The only exceptions to this warranty are wearing parts such as conventional lights or emergency lighting accumulators. The warranty also includes the LEDs in LED luminaires.

Growth opportunities

The major drivers for organic growth in the Zumtobel Group are the opportunities offered by LED technology, a growing focus on energy-efficient lighting and an increased concentration on selected global markets with high growth potential.

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. The growing importance of this technology in professional applications – which is a direct result of the enormous increase in performance and parallel decline in the cost of LED chips – was underscored in April 2010 at world's largest lighting trade fair, the Light + Building in Frankfurt. In keeping with this trend, the Zumtobel Group presented a wide variety of new LED products for different applications at the Light + Building trade fair. Major LED innovations by the Zumtobel brand are found in the areas of art and culture, presentation and retail, office, facade and emergency lighting. Thorn also covers exterior lighting for streets and public areas. Tridonic has marketed LED modules for advertising lights and cooling equipment for many years, and recently expanded its product portfolio to also include high-performance LED modules for use in professional spotlights and downlights. In many areas of application, lower energy costs as well as substantially lower maintenance and operating expenses justify the higher initial investment, which is generally offset by the realised savings within a brief period. In addition, the smaller size of LED lights and other properties such as robustness, long service life, absence of UV radiation etc. have opened a wide range of new opportunities for product design and functionality. As an application specialist the Zumtobel Group intends to utilise these opportunities 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 conversion and high-efficiency LED lighting sources for professional applications.

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, and has become an important growth driver for the branch. Lighting is currently responsible for 19% of worldwide energy consumption and 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. Although the ban on light bulbs has raised public awareness for this subject (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), comprehensive intelligent lighting systems have 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 substitute for their significantly less efficient magnetic counterparts and above all to the use of intelligent control systems that focus on daylight management and presence detection to optimally regulate light levels. The marketing of the Group's innovative product portfolio is supported by broad-based communication campaigns such as Humanergy Balance at Zumtobel, Performance, Efficiency & Comfort at Thorn and Ecolution at Tridonic. The focal points of these campaigns are the balance between the positive effects of energy savings and optimal lighting quality. Good lighting can increase the sense of well-being and create ideal conditions for fitness, satisfaction and health.

The Zumtobel brand uses Vivaldi, an interactive software programme, to support the planning of lighting solutions in accordance with the Humanergy Balance. This simulation software visualises the composition of a lighting solution at specific times and under different circumstances. It also calculates the lighting quality in ELI (Ergonomic Lighting Indicator) and the energy consumption in LENI (Lighting Energy Numeric Indicator) as well as the resulting CO_2 emissions. ecoCalc, a free-of-charge software programme, has also been available since the Light + Building trade fair in April 2010. This software compares energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership"). ecoCalc was developed in cooperation with Thorn to make the positive effects, including financial benefits, of energy efficiency more transparent.

Involvement in industry associations

The Zumtobel Group participates in professional organisations, standardisation committees and technical societies to develop the best conditions for optimal energy efficiency and lighting quality for the lighting industry and for its customers and users. Politics has also recognised the enormous potential for CO_2 reduction that can be realised with energy-efficient professional lighting: The European Union has defined a framework with its directives for energy efficiency in buildings, products and services, and the successive implementation of these regulations into national law is expected to create additional demand. The Zumtobel Group helps to design and also accompanies this legislative process through its membership in the Federation of National Manufacturers Associations for Luminaires and Electrotechnical Components for Luminaires in the European Union (CELMA) as well as participation in other professional associations.

Stronger focus on selected global markets

The Zumtobel Group is continuing to improve and expand its international sales network. This network comprises of sales subsidiaries in large or potentially stronger markets, specialist teams that manage international projects and the key account business as well ascooperation partners in countries where the Group does not have its own sales organisation. The markets in the emerging countries now have or will soon offer increased prospects for renewed strong growth – despite the negative effects of the financial crisis – and the Zumtobel Group therefore took further steps in 2009/10 to strengthen its presence in Eastern Europe, China, the Near East, India and South-East Asia. In these markets a stronger local sales presence, clear positioning and brand communication as well as the development of regionally focused product portfolios should improve market penetration and support sustainable double-digit growth

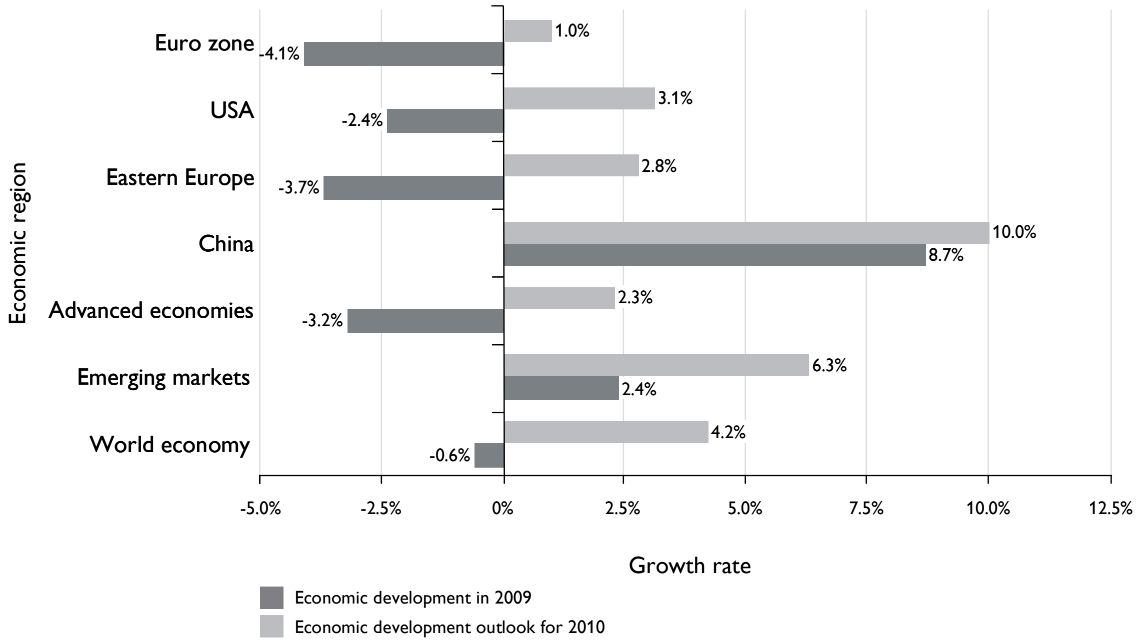
1.2 General Economic Environment

Start of recovery for the worldwide economy in 2010

The reporting year for the Zumtobel Group (1 May 2009 to 30 April 2010) was shaped by the most severe recession in the past 60 years. According to the International Monetary Fund (IMF)[3], global economic performance fell by 0.6% in 2009. The industrialised nations were particularly hard hit by the crisis with a minus of 3.2%, but export-oriented countries registered even more substantial declines in excess of 5%. The D/A/CH region, a key market for the Zumtobel Group, was also negatively affected by the crisis: Germany felt the greatest impact with -5.0%, while the Austrian and Swiss economies recorded lower declines of 3.6% and 1.5%, respectively. The emerging and developing countries were unable to duplicate the dynamic momentum of earlier years, and growth was limited to a more moderate 2.4%. In general, most of the negative developments occurred during the first half-year. This situation began to improve in some regions towards the end of 2009 as a result of the extremely low interest rates, the positive influence of economic subsidy programmes and inventory effects. The USA reported a 5% increase in the gross national product for the fourth quarter of 2009, although from a very low prior year base.

[3] Source – IMF forecast, April 2010

Economic development in 2009 and outlook for 2010



This upward trend continued during the first months of 2010, and is also reflected in IMF forecasts for the year – which call for growth of 4.2% in the global economy. The emerging countries can expect increasingly dynamic growth of 6.3%, with particularly strong performance forecasted for China at +10.0% and India at +8.8%. Sound development is also projected for the other BRIC countries, Brazil (+5.5%) and Russia (+4.0%), in 2010 as their role in the global economy continues to expand. Estimates for the western industrial nations show a moderate plus of 2.3% in 2010. According to the IMF, the US economy should grow by 3.1% and the Euro zone by only a slight 1.0%. The D/A/CH countries should produce somewhat better results with an increase of 1.2% in Germany, 1.3% in Austria and 1.5% in Switzerland. The Japanese economy (+1.9%) will benefit from a renewed upturn in exports to the Asian region.

The upsurge in raw material prices that is expected to accompany the economic recovery will have a negative effect, above all on the industrialised countries. The price of oil rose by roughly 10% from the beginning of 2010 to mid-April, and the IMF experts are anticipating an increase of more than 20% for the full year. Significantly higher prices are also expected for most metals. In spite of this trend, experts consider the risk of inflation to be low. The Euro crisis that was triggered by the difficult financial situation in Greece and other Euro countries will presumably have a negative influence on economic development across Europe and lead to greater currency fluctuations. However, the possible negative effects on the economic outlook for Europe are difficult to estimate at the present time.

1.3 The Zumtobel Share

Turbulent year for stock markets in 2009

Moderate recovery on key stock exchanges in 2009

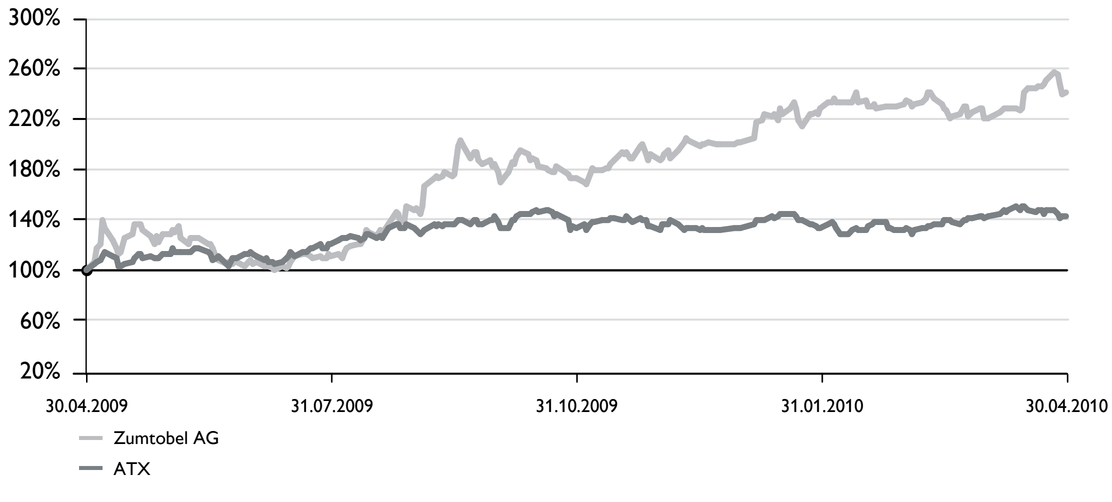
The massive declines in share prices during 2008 were followed by a turbulent year on stock exchanges in 2009. The global economic downturn triggered a sharp drop in prices on markets throughout the world up to the beginning of March. However, the mood of investors changed substantially only several weeks later: historically low interest rates and positive signals from economic stimulus programmes led to growing hopes of rapid stabilisation in the global economy. Share prices subsequently rose as quickly as they had fallen earlier in the year. The ATX (Austrian Traded Index) – which also includes Zumtobel share – rose from 1,863 to 2,650 points during the reporting year of the Zumtobel Group (1 May 2009 to 30 April 2010). This represents an increase of more than 30%. Other major exchanges – such as the US Dow Jones, the German DAX and the Japanese Nikkei – were also clearly positive during this period. In spite of the recovery, these markets still remain far below the highs recorded in 2007 before the crisis.

Zumtobel share rises by 140% in 2009/10 financial year

Share price outperforms ATX average

In 2009/10 the Zumtobel share recovered most of the losses recorded during the previous financial year. Investors benefited from strong performance of roughly 140% from the beginning of May 2009 to the end of April 2010, whereby the share price rose steadily from quarter to quarter. Starting at EUR 6.80, which also represents the annual low, the share again broke the EUR 10-mark at the end of August. Positive analyst commentaries against the backdrop of a slowly stabilising order backlog and a generally improving market climate supported this upward trend. At year-end 2009 the price of the Zumtobel share had reached EUR 13.70. This upward trend continued into 2010 with the share rising to an annual high of EUR 17.40 on 26 April following the capital markets day, which was held at the Light + Building trade fair in Frankfurt and focused in part on LED as a growth driver. After slight profit-taking the Zumtobel share closed the reporting year on 30 April 2010 at EUR 16.34. The average price of the share during the 2009/10 financial year was EUR 12.05.

Development of the Zumtobel Share



Market capitalisation at EUR 711 million

The market capitalisation of the company paralleled the share price with a clear upward shift. Based on 43.5 million common shares outstanding (2008/09: 44.7 million), the company was valued at EUR 710.8 million as of 30 April 2010, or approx. EUR 407 million more than 12 months earlier. The decline in the number of shares reflected the withdrawal of nearly 1.2 million treasury shares by the company in accordance with an authorisation of the Annual General Meeting on 24 July 2009, which reduced share capital from EUR 111,760,860 to EUR 108,750,000 as of 20 August 2009. Zumtobel ranked 16th in the ATX listing of the 20 most liquid shares in Austria based on trading volume (prior year: 18th) and 18th based on market capitalisation (prior year: 20th). The average daily turnover for the 2009/10 financial year was 113,491 shares, compared with 129,757 in the previous year. The development reflects the general decline in market turnover during the reporting period.

Key Data on the Zumtobel Share for the FY 2009/10

Closing price at 30.04.10	€ 6.80	Currency	EUR
Closing price at 30.04.10	€ 16.34	ISIN	AT0000837307
Performance FY 2009/10	140.3%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Performance since IPO (11.05.2006)	(20.3)%	Market segment	Prime Market
Market capitalisation at 30.04.10	€ 711 Mio	Reuters symbol	ZUMV.VI
Share price - high at 26.04.10	€ 17.40	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	113,491	Datastream	O:ZAG
Free float	54.3%	Number of issued shares	43,500,000

Shareholder Structure

Slight change in shareholder structure

The shareholder structure of Zumtobel AG changed in relation to the prior year following a recently reported investment of over 5% and a decline in the number of common shares from 44.7 million to 43.5 million. The Zumtobel Group has a stable core shareholder in the Zumtobel family, which holds 35.3% of the shares. Additionally, stakes of more than 5% in Zumtobel AG are held by the British insurance company Aviva plc. through its subsidiary Delta Lloyd Asset Management and by FMR LLC (Fidelity). The remaining 54.3% represent free float. The majority of the shares are held by institutional investors, primarily from the German-speaking and Anglo-Saxon countries. As of the balance sheet date on 30 April 2010, the company held 774,957 treasury shares (2008/09: 1,991,111 shares). Company estimates indicate that the share of private investors remains under 10%.

Resumption of dividend

Following the waiver of a dividend for the 2008/09 financial year in reaction to the effects of the global economic crisis, Zumtobel AG plans to resume dividend payments in 2009/10. This decision reflects the increasing stabilisation of the economic environment. The Management Board will therefore make a recommendation to the Supervisory Board, and subsequently to the Annual General Meeting on 23 July 2010, calling for the distribution of a EUR 0.15 dividend per share.

Good investor relations particularly important in times of crisis

Continuity in investor relations despite crisis

Especially in turbulent times on stock markets, the provision of transparent information to all capital market participants at the same time is of vital importance. The Zumtobel Group therefore substantially increased its investor relations activities during the reporting year. This was reflected in 250 personal discussions (plus 20% in relation to the prior year) with investors and analysts as well as numerous conference calls, a total of 20 road shows and participation in 12 investor conferences in major international financial centres like London, New York, Zurich, Frankfurt, Paris and Vienna. The third capital markets day was held on 13 and 14 April at the Light + Building trade fair in Frankfurt am Main, where members of the Management Board and key managers presented the company's strategy to institutional investors and analysts. In 2009/10 ten well-known Austrian and international investment banks issued regular reports on the Zumtobel share and estimates on the valuation of the company. Private investors were also provided with information on the development and outlook for the Zumtobel Group at special events organised for this target group.

1.4 Significant Events since 30 April 2009

Extensive cross-licensing agreement with Philips

The Zumtobel Group and the Dutch Philips Group signed an extensive worldwide cross-licensing agreement in May 2009 for current and future patents in the areas of lighting technology and solid state lighting. This agreement includes a balanced mutual settlement payment that reflects the strong position of both companies in the lighting technology sector. As a result of this agreement the Zumtobel Group with all its brands becomes a qualified supplier under the Philips LED-based luminaires licensing programme. One immediate benefit of this status is that customers of the OEM brands sold by the Zumtobel Group, TridonicAtco and Ledon will be exempted from paying royalties to Philips. The positive financial effect of this agreement was recognised to the income statement in the first quarter of 2009/10. In the future, the Zumtobel Group will be required to make revenue-based license payments to the Philips Group.

Capital decrease completed

The annual general meeting on 24 July 2009 approved a capital decrease through the withdrawal of 1,204,344 treasury shares. This measure took effect on 20 August 2009 with recording in the company register. The withdrawal of treasury shares reduced the company's share capital from EUR 111,760,860to EUR 108,750,000. which is now divided into 43,500,000 bearer shares (previously 44,704,344 shares) with zero par value.

Management Board of Zumtobel AG expanded

The Supervisory Board of Zumtobel AG appointed Martin Brandt to the Management Board as of 1 September 2009. As Chief Operating Officer (COO), he is responsible for the Thorn operating business as well as matrix functions in the Lighting Segment. The Management Board of Zumtobel AG will consist of three members in the future.

Zumtobel Group invests in OLED technology

In November 2009 the Zumtobel Group together with the Fraunhofer Gesellschaft and several staff members of the Fraunhofer Institute for Photonic Microsystems (IPMS) founded a joint venture "Ledon OLED Lighting GmbH & Co. KG", which will focus on the development and production of future-oriented OLED (organic lighting diodes) lighting modules.

Zumtobel Group enters LED lamp business

In January 2010 the Zumtobel Group announced its entry into the LED lamp business, and subsequently founded the subsidiary LEDON LAMP GmbH. This company will be responsible for marketing an extensive line of innovative LED lamps.

Harald Sommerer appointed new CEO

Harald Sommerer was appointed to the Management Board as of 25 March 2010. On 1 May 2010 he became Chief Executive Officer of Zumtobel AG, replacing Andreas J. Ludwig who had resigned. Mr. Sommerer served as Chief Executive Officer of the listed AT&S Austria Technologie & Systemtechnik AG up to January 2010 and as vice-chairman of the Supervisory Board of Zumtobel AG from April 2006 to March 2010.

No other significant events occurred during the reporting period.

1.5 Related Party Transactions

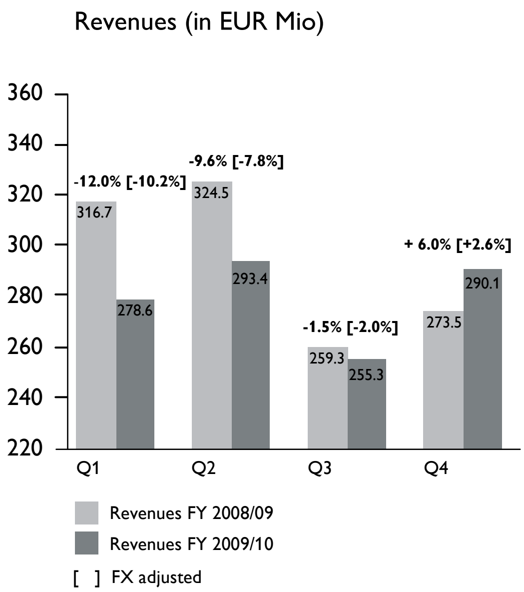
Related parties include the Management Board and Supervisory Board of Zumtobel AG. As of the balance sheet date on 30 April 2010, there were no business relations with related parties.

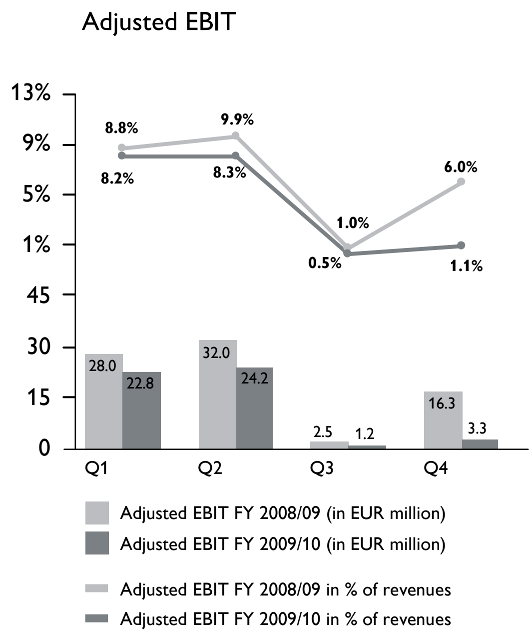
The Group has concluded supply and delivery agreements with associated companies and joint ventures, which reflect normal market conditions.

1.6 Review of Operations

1.6.1 At a glance

The global economic crisis represented the determining factor for the development of business in 2009/10, and led to a 4.8% decline in revenues to EUR 1,117.3 million for the Zumtobel Group. However, a more detailed analysis shows a steady upward trend in revenues during the course of the year to an increase of 6.0% (FX-adjusted: plus 2.6%) for the fourth quarter. Demand in the components business recovered notably and supported strong revenue growth beginning with the second half-year, but the late cyclical lighting business of the Zumtobel Group was still negatively affected by the slow pace of commercial construction.





EBIT adjusted for special effects fell by EUR 27.4 million EUR, or 34.7%, to EUR 51.5 million in 2009/10 (2008/09: EUR 78.9 million). The high negative special effects resulted above all from impairment charges of EUR 68.3 million to goodwill and from exceptional restructuring costs due to the weak state of the economy. The impairment charges reduce profit for the year, but do not lead to any cash outflows. They are related primarily to goodwill in the Thorn Lighting Group, which was acquired during 2000/01. These negative non-recurring effects are responsible for a loss for the 2009/10 financial year.

1.6.2 Revenues

- >> Group revenues decline 4.8%
- >> Currency translation effects balanced during 2009/10
- >> Crisis continues to affect late cyclical Lighting Segment
- >> Sound upward trend in the Components Segment
- >> Revenues with LED-based products rise by 37.0%
- >> Continued revenue growth in Asia

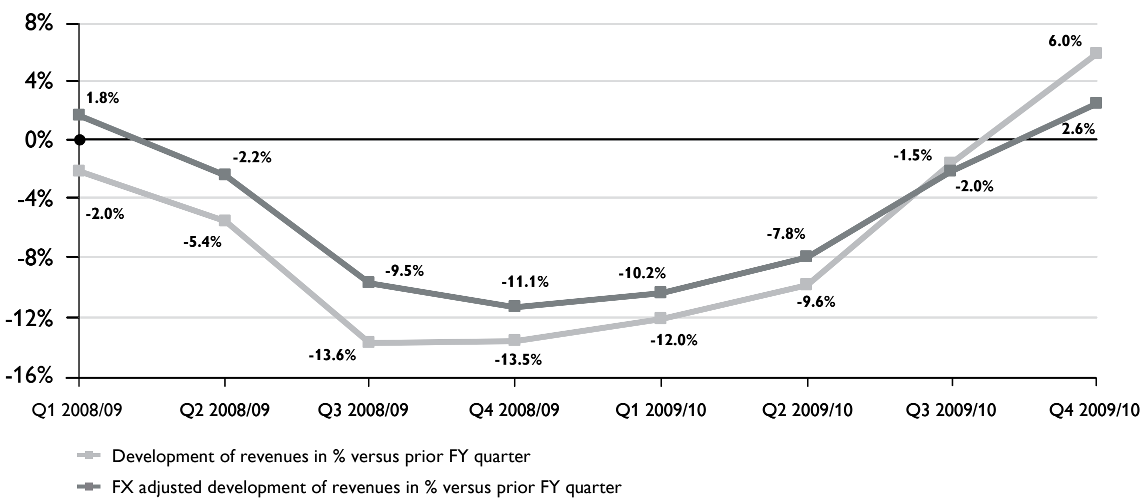
Group revenues decline 4.8%

The Zumtobel Group recorded a 4.8% decline in revenues to EUR 1,117.3 million for the 2009/10 financial year, which covers the period from 1 May 2009 to 30 April 2010 (2008/09: EUR 1,174.0 million). During the first half of this year (May to October 2009) revenues fell by 10.8%, but the second six months (November 2009 to April 2010) brought a stabilisation of the economic environment. The result was a revenue increase of 2.3% over the comparable prior year level. This moderate growth also reflects the basis effect from the weak second half of 2008/09.

Currency translation effects balanced during 2009/10

The development of revenues in the individual regions was influenced by differing currency translation effects. The net effect across all currencies for 2009/10 was a negative translation effect of EUR 0.9 million (2008/09: minus EUR 43.0 million), whereby the first half-year was clearly negative at EUR 11.6 million and the second year reversed this longstanding trend with a plus of EUR 10.6 million. After an adjustment for foreign exchange effects, revenues fell by 4.7%. Negative foreign exchange effects resulted from the strong rise in the value of the Euro, above all in relation to the British pound (GBP) and Swedish Krone (SEK). The increase in the value of the Euro – based on average monthly exchange rates for the year – led to a reduction of 5.0% for the British pound and 1.6% for the Swedish Krone. Further negative effects resulted from a decline in the value of several East European currencies. These developments were largely offset by positive effects from the Australian dollar (AUD), New Zealand dollar (NZD) und Swiss franc (CHF). In particular, the increase in the value of the Australian dollar over the Euro led to a positive translation effect of 10.8%.

Development of revenues over the last eight quarters



Crisis continues to affect late cyclical Lighting Segment

The operating environment in the Lighting Segment remained tense throughout 2009/10 and was aggravated by declining prices. Segment revenues fell by 6.0% to EUR 819.4 million (2008/09: EUR 871.4 million) – whereby a minus 10.0% was recorded in the first half-year and a minus of 1.2% in the second half-year.

Sound upward trend in the Components Segment

In the Components Segment revenues totalled EUR 366.6 million for 2009/10 and matched the prior year level (2008/09: EUR 365.8 million). A decline of 13.5% in revenues during the first six months was offset by a plus of 13.9% in the second half-year. This sound upturn resulted from an increase in market shares and inventory restocking by customers. Moreover, the substitution effect in the components business to technologically more sophisticated electronic ballasts remained unchanged during the reporting year.

Segment development in EUR million	2009/10	2008/09	Change in %
Lighting Segment	819.4	871.4	(6.0)
Components Segment	366.6	365.8	0.2
Reconciliation	(68.6)	(63.1)	8.7
Zumtobel Group	1,117.3	1,174.0	(4.8)

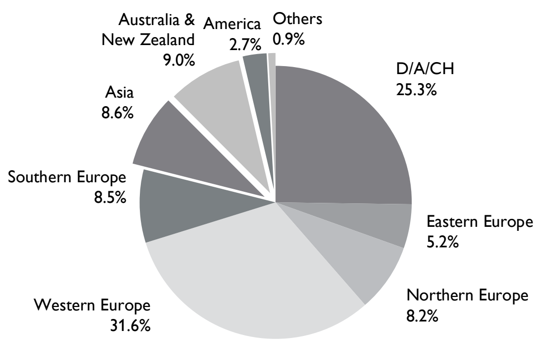
Revenues with LED-based products rise by 37.0%

In the area of future-oriented light-emitting diode (LED) technology, the Zumtobel Group was able to continue its growth during the 2009/10 financial year. Revenues from LED-based products and solutions rose by 37.0% to EUR 65.9 million.

Development of revenues by region

2009/10	Revenues	Change in %
D/A/CH	282.2	(5.5)
Eastern Europe	58.3	(12.7)
Northern Europe	91.2	(6.5)
Western Europe	353.1	(7.9)
Southern Europe	95.4	(9.8)
Europe	**880.2**	**(7.5)**
Asia	95.9	8.1
Australia & New Zealand	100.6	11.9
America	30.2	(5.1)
Others	10.3	(10.4)
Total	**1,117.3**	**(4.8)**

Distribution of revenues



Despite decline in Group revenues, first signs of market stabilisation

Revenues recorded by the Zumtobel Group in Europe declined 7.5% to EUR 880.2 million in 2009/10 (2008/09: EUR 952.0 million). This represents 78.8% of Group revenues for the reporting year (2008/09: 81.1%). Significant declines were registered in the D/A/CH region (Germany, Austria, Switzerland), above all in the Lighting Segment, where revenues fell by 5.5%. (FX-adjusted: minus 6.5%). Eastern Europe followed revenue declines during the first three quarters of 2009/10 with double-digit growth in the last three months. However, the combined result was a decline of 12.7% (FX-adjusted: minus 10.9%) in revenues for the full year. Western Europe, the strongest sales region for the Zumtobel Group (Great Britain, France and Benelux), reported a 7.9% (FX-adjusted: minus 5.2%) drop in revenues as a result of weak market development and the above-mentioned decline in the value of the British pound (GBP). Northern and Southern Europe recorded revenue declines of 6.5% (FX-adjusted: minus 5.2%) and 9.8% (FX-adjusted: minus 9.1%), respectively. However, the tense climate in these regional markets began to ease during the second half-year and fourth quarter revenues exceeded the comparable prior year levels.

Continued growth in Asia continues from prior year

In Asia, revenues rose by 8.1% to EUR 95.9 million for the reporting year (2008/09: EUR 88.7 million). This increase was supported by the dynamic growth of the Chinese economy. After an adjustment for foreign exchange effects, revenues in this region were 8.6% higher than the previous year. The weak construction industry in the American region continued to have a negative influence on the development of business, with revenues falling 5.1% (FX-adjusted: minus 4.4%) to EUR 30.2 million (2008/09: EUR 31.9 million). The market in Australia/New Zealand was very robust and also benefited from an increase in the value of the local currencies. Revenues rose by 11.9% (FX-adjusted: plus 0.8%) in 2009/10.

1.6.3 Earnings

>> Adjusted EBIT margin of 4.6% (2008/09: 6.7%)
>> Gross profit negatively affected by volume, price and foreign exchange effects
>> Reduction of 4.4% in administrative and selling expenses
>> Significant special effects in operating profit
>> Impairment charges of EUR 68.3 million to goodwill
>> Improvement of EUR 11.9 million in financial results
>> Profit/loss before tax falls to minus EUR 61.0 million
>> Loss for the year EUR 67.0 million

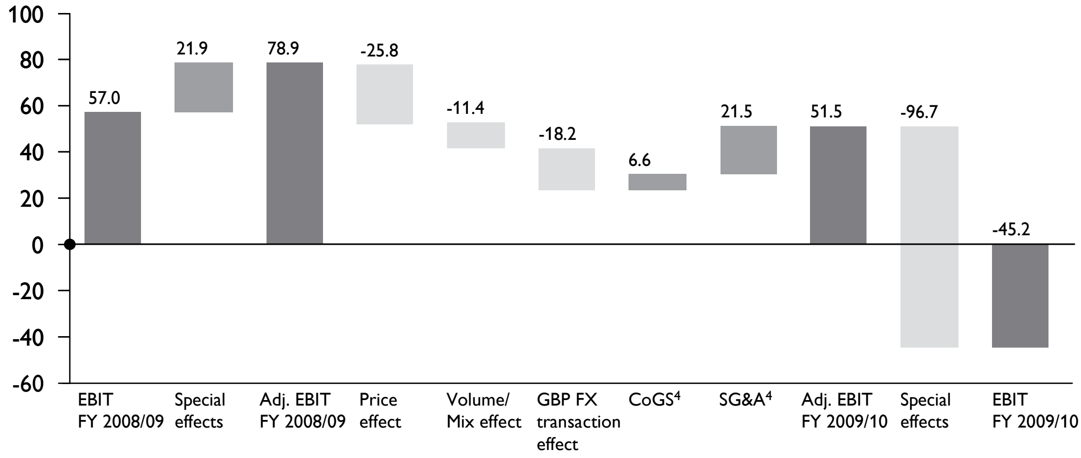
Income statement in EUR million	2009/10	2008/09	Change in %
Revenues	1,117.3	1,174.0	(4.8)
Cost of goods sold	(732.1)	(739.9)	1.1
Gross profit	385.2	434.1	(11.3)
as a % of revenues	*34.5*	*37.0*	
SG&A expenses and other operating results adjusted for special effects	(333.7)	(355.2)	6.0
Adjusted EBIT	51.5	78.9	(34.7)
as a % of revenues	*4.6*	*6.7*	
Special effects	(96.7)	(21.9)	<(100)
EBIT	(45.2)	57.0	<(100)
as a % of revenues	*(4.0)*	*4.9*	
Financial results	(15.8)	(27.7)	43.1
Profit/loss before tax	(61.0)	29.3	<(100)
Income taxes	(6.0)	(6.3)	5.6
Net profit/loss for the period from discontinued operations	(0.1)	(9.6)	98.8
Net profit/loss for the period	(67.0)	13.3	<(100)
Depreciation and amortisation	122.7	53.0	>100
Earnings per share (in EUR)	(1.57)	0.31	<(100)

For information: EBITDA equalled EUR 77.5 million in 2009/10 (2008/09: EUR 110.0 million)

Adjusted EBIT margin of 4.6%

EBIT after special effects fell by EUR 27.4 million, or 34.7%, to EUR 51.5 million in 2009/10 (2008/09: EUR 78.9 million). Consequently, the return on sales fell by 210 basis points year-on-year to 4.6%. The high negative special effects resulted above all from impairment charges of EUR 68.3 million to goodwill in the Lighting Segment as well as exceptional restructuring costs because of the weak state of the economy. The impairment charges to goodwill reduce profit for the year, but do not lead to any cash outflows.

Development of adjusted EBIT (in EUR million)



Gross profit negatively affected by volume, price and foreign exchange effects

The gross profit margin fell to 34.5% of revenues in 2009/10 (2008/09: 37.0%). This development was negatively influenced above all by volume and price declines (approx. 2.2% in relation to the previous year) as well as substantial currency transaction effects. The unfavourable year-on-year change in the GBP/EUR exchange rate was responsible for negative currency transaction effects of approx. EUR 18.2 million alone on exports to Great Britain. Additionally, the favourable USD hedge that previously supported procurement in the Components Segment expired during 2008/09. The material component of the cost of goods sold - adjusted for price effects and the negative GBP currency translation effect - fell from 42.3% to 40.5% due to an improvement in procurement conditions compared with the prior year. Capacity adjustments and productivity improvements realised as part of the "Excellerate" programme held direct personnel expenses with 15.9% of revenues at the prior year level (15.7%) despite a substantial drop in sales, increased insourcing and wage and salary raises mandated by collective bargaining agreements. In contrast, research and development expenses included in the cost of goods sold rose by EUR 2.0 million to EUR 34.8 million as planned (2008/09: EUR 32.8 million) and depreciation increased by EUR 3.3 million to EUR 37.8 million.

Reduction of 4.4% in administrative and selling expenses

Despite expenses arising from the biennial Light + Building trade fair that was held during the fourth quarter of 2009/10, selling and administrative expenses were reduced by 4.4% to EUR 345.3 million (2008/09: EUR 361.3 million) as a result of the implemented cost-cutting measures. The other operating result includes the non-recurring positive effects from the cross-licensing agreement concluded with the Philips Group during the first quarter of 2009/10.

[4] Fixed costs = selling, administrative and other expenses and earnings

Impairment charges to goodwill reduce operating profit

The 2009/10 financial year was influenced by significant special effects of minus EUR 96.7 million (2008/09: minus EUR 21.9 million). These special effects were related primarily to non-cash impairment charges of EUR 68.3 million to goodwill, an impairment charge of EUR 3.4 million for the write-off of the "SpaceCannon" brand and an impairment charge of EUR 4.7 million to a company building in Italy as well as restructuring costs and rationalisation measures to bring personnel and structures in line with the difficult market environment. The resulting operating loss amounted to EUR 45.2 million (2008/09: plus EUR 57.0 million). Additional information is provided in section 2.6.4.3 of the notes.

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

Adjusted EBIT in EUR million	2009/10	2008/09	Change in %
Reported EBIT	(45.2)	57.0	<(100)
thereof special effects	(96.7)	(21.9)	<(100)
Adjusted EBIT	51.5	78.9	(34.7)
as a % of revenues	*4.6*	*6.7*	

Improvement in financial results

Financial results improved by EUR 11.9 million to minus EUR 15.8 million in 2009/10 (2008/09: minus EUR 27.7 million). Interest expense declined during the reporting year as a result of lower interest rates and better financing conditions. In addition, interest expense for the prior year includes non-recurring costs of EUR 4.4 million from the premature refinancing of the consortium loan agreement concluded in 2001. Other financial income and expenses amounted to minus EUR 6.7 million (2008/09: minus EUR 8.8 million) and consist primarily of results from the measurement of forward exchange contracts at fair value as of the balance sheet date. Additional information on this subject is provided under section 2.6.4.5 of the notes.

Financial result in EUR million	2009/10	2008/09	Change in %
Interest expense	(10.2)	(22.6)	55.0
Interest income	2.1	2.1	(0.2)
Net financing costs	(8.1)	(20.5)	60.6
Other financial income and expenses	(6.7)	(8.8)	23.4
Profit/loss from associated companies	(1.0)	1.6	<(100)
Financial results	(15.8)	(27.7)	43.1

Profit/loss before tax falls to minus EUR 61.0 million

Profit/loss before tax fell to minus EUR 61.0 million in 2009/10. Although the Zumtobel Group recorded a pre-tax loss for the reporting year, taxable income in the individual countries resulted in the payment of taxes. Current tax expense amounted to EUR 3.3 million. Changes in deferred taxes reduced profit or loss by EUR 2.7 million (2008/09: minus EUR 1.8 million).

Loss for the year EUR 67.0 million

The Zumtobel Group recorded an after-tax loss (including non-controlling interests) of EUR 67.0 million for the reporting year (2008/09: net profit of EUR 13.3 million). For the shareholders of Zumtobel AG, earnings per share (basic EPS on 42.7 million shares) equalled minus EUR 1.57 (2008/09: plus EUR 0.31 per share on 43.6 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 controlling, human resources, accounting, taxes and legal, internal audit, insurance, treasury (including, among others, central financing and liquidity management for the Group), IT, corporate communications and investor relations. 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 34.5 million for 2008/10 (2008/09: EUR 34.7 million) include EUR 19.6 million (2008/09: EUR 18.8 million) of IT services, EUR 7.6 million (2008/09: EUR 7.6 million) of rental income and EUR 7.3 million (2008/09: EUR 8.3 million) of other services.

Operating profit fell by EUR 4.3 million year-on-year to minus EUR 8.9 million. Income from subsidiaries amounted to EUR 35.0 million. A total of EUR 20.0 million (2008/09: EUR 15.0 million) was withdrawn from TridonicAtco GmbH & Co KG, the parent company of the Components Segment. The distribution from Zumtobel Lighting GmbH, the parent company of the Zumtobel Lighting Division, equalled EUR 15.0 million (2008/09: EUR 20.0 million). An impairment charge of EUR 67.1 million was recognised to the investment in Zumtobel Lighting GmbH.

Net profit fell from minus EUR 7.1 million to minus EUR 43.0 million, primarily due to the impairment charges recognised in the Lighting Segment. Zumtobel AG was responsible for EUR 62.0 million of the EUR 186.0 million long-term loan outstanding as of 30 April 2010. The equity ratio of Zumtobel AG equalled 78% as of 30 April 2010 (2009/10: 78%).

Dividend recommendation of 15-cents per share

The retained earnings of Zumtobel AG totalled EUR 7.0 million at the end of the 2009/10 financial year (2008/09: EUR 29.2 million). These results were positively influenced by the release of EUR 20.8 million from reserves and net profit of EUR 29.2 million carried forward from the prior year. The payment of a dividend for 2008/09 was waived due to the impact of the global economic crisis, but due to the stabilising economy the company plans to resume dividend payments with the 2009/10 financial year. The Management Board will therefore make a recommendation to the Supervisory Board, and subsequently to the Annual General Meeting on 23 July 2010, calling for the distribution of a 15-cent dividend per share.

The company held 774,957 treasury shares as of 30 April 2010 (2008/09: 1,991,111).

1.6.5 Seasonality, cash flow and asset position

Strong seasonality shapes development of business

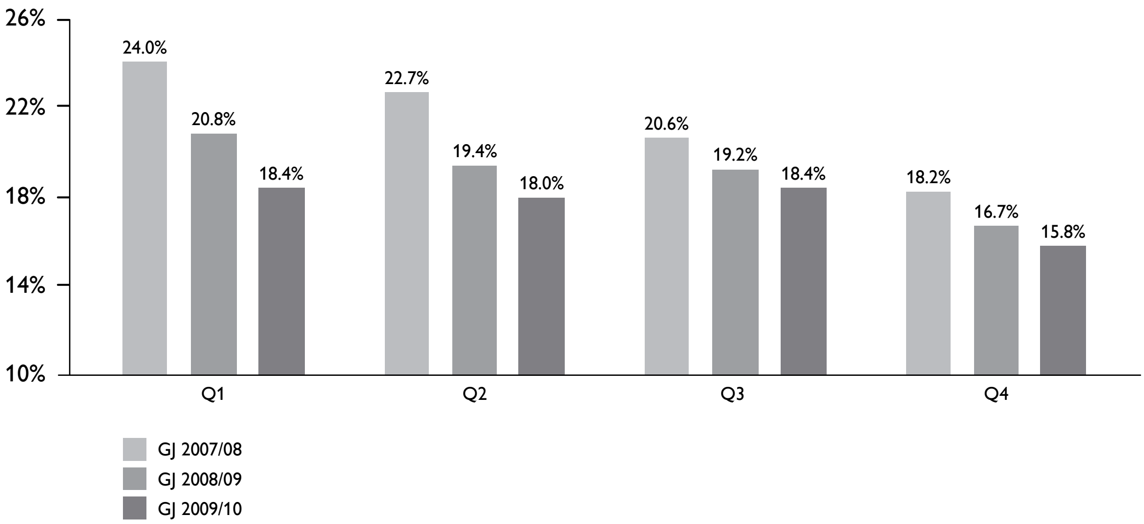
Independent of the economic crisis, the development of business in the Zumtobel Group is subject to strong seasonality: during the first half of the financial year (1 May to 31 October) the volume of business is normally higher because most construction projects are concluded during the summer and autumn 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.

Cash flows are translated at the average monthly exchange rate and then aggregated, while the balance sheet positions are translated at the exchange rate in effect on the balance sheet date. Therefore this can lead to distortions in the presentation of changes to individual balance sheet and cash flow positions, above all under cash flow from operating activities. Individual positions on the cash flow statement therefore differ significantly from the respective balance sheet positions, above all under cash flow from operating activities.

Positive development of working capital continues

The development of working capital again followed the seasonal pattern of business, rising during the first half-year in proportion to the higher volume of business, but declining gradually during the second six months. Working capital amounted to EUR 176.2 million as of 30 April 2010 (2008/09: EUR 196.4 million). Expressed as a per cent of rolling 12-month revenues, working capital continued to decline and equalled 15.8% of revenues as of 30 April 2010 (2008/09: 16.7%). This reduction in working capital released EUR 35.0 million (2008/09: plus EUR 26.8 million) of liquidity. Factoring declined to EUR 45.5 million as of 30 April 2010 (2008/09: EUR 49.0 million). The change in other current and non-current receivables and liabilities resulted above all from the receivable arising from the cross-licensing agreement, a change in other taxes receivable and payable, and a decrease in vacation liabilities.

Working Capital as % of rolling 12-month revenues



Operating cash flow declines 28.2%

Cash flow from operating activities totalled EUR 82.0 million for the reporting year (2008/09: EUR 114.1 million). The decline in comparison with 2008/09 resulted chiefly from the sharp drop in operating profit.

Decline in cash outflows for investments

Capital expenditure in the Zumtobel Group amounted to EUR 49.4 million in 2009/10, which reflects a substantial decrease in relation to the previous year (EUR 64.7 million). In addition to maintenance and modernisation investments in buildings and production facilities, capital expenditure also includes the production of tools for new products and EUR 15.3 million (2008/09: EUR 13.1 million) of capitalised research and development costs. The higher level of capital expenditure in 2008/09 is related above all to investments in equipment for the new plant in Spennymoor. Depreciation and amortisation in the Zumtobel Group, excluding special effects, totalled EUR 44.8 million in 2009/10 (2008/09: EUR 42.7 million). Cash inflows from the disposal of non-current assets amounted to EUR 5.8 million (2008/09: EUR 4.1 million) and consisted chiefly of the agreed installment payment from the sale of the former plant in Spennymoor during the prior financial year. As in the prior year, no investments were made in financial assets during 2009/10.

Free cash flow falls to EUR 39.2 million

As a result of the decline in cash flow from operating activities, free cash flow fell below the prior year level (2008/09: EUR 57.8 million) to equal EUR 39.2 million for 2009/10. However, the previous year was positively influenced by the sale of financial assets totalling EUR 11.7 million. The sound improvement in cash flow from financing activities resulted mainly from a decline in interest expense, the waiver of a dividend for the 2008/09 financial year and the repurchase of treasury shares in 2008/09.

Secure liquidity position

A major financing agreement was concluded on 12 June 2008 with a consortium of seven banks, which will support the Group's ability to meet its payment obligations at any time. This agreement has a maximum volume of EUR 480 million and a term ending in June 2013. The amount drawn as of 30 April 2010 remained unchanged in comparison with the prior year, i.e. EUR 186 million. This agreement requires compliance with specific financial covenants, i.e. a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%. These financial covenants were met in full as of 30 April 2010 with a debt coverage ratio of 1.57 (2008/09: 1.49) and an equity ratio of 35.8% (2008/09: 41.3%). Net liabilities declined to EUR 121.9 million as of 30 April 2010 (2008/09: EUR 163.5 million), which is EUR 41.6 million less than the comparable prior year value.

Balance sheet data in EUR million	30 April 2010	30. April 20109 (restated)[5]	
Total assets	983.5	1,018.8	*
Net debt	121.9	163.5	
Equity	351.6	420.9	*
Equity ratio in %	*35.8*	*41.3*	*
Gearing in %	*34.7*	*38.8*	*
Average capital employed	587.5	661.2	*
ROCE in %	*8.8*	*12.6*	*
Investments	49.4	64.7	
Working capital	176.2	196.4	
As a % of rolling 12 month revenues	*15.8*	*16.7*	

Solid balance sheet structure

The equity ratio equalled a sound 35.8% as of 30 April 2010 (2008/09: 41.3%) despite impairment charges of EUR 68.3 million to goodwill in accordance with IAS 36 and the application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) – to 2009/10 (EUR 11.3 million) and retrospectively to prior periods – with related charges totalling EUR 23.7 million. In addition to the impairment charges to goodwill, an increase in the provision for pensions in Great Britain also had a negative effect on equity. The change in this provision resulted from an increase in the present value of the defined benefit obligation due to the application of lower interest rates and the adjustment of mortality tables. Gearing, the ratio of net liabilities to equity, fell from 38.8% to 34.7% as a result of the decline in net liabilities.

[5] The comparative prior year data were adjusted to reflect the retrospective application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) for the valuation of goodwill. These figures are marked with an asterisk (*) in the following document (also see the notes, section 2.6.6.1 Goodwill).

1.7 Human Resources

Committed and motivated employees and managers represent a key factor for the success of a company, above all in difficult economic times. A group-wide corporate culture that is based on achievement, responsibility, openness and entrepreneurial spirit forms a sound foundation for the successful implementation of the necessary measures to master the current economic crisis.

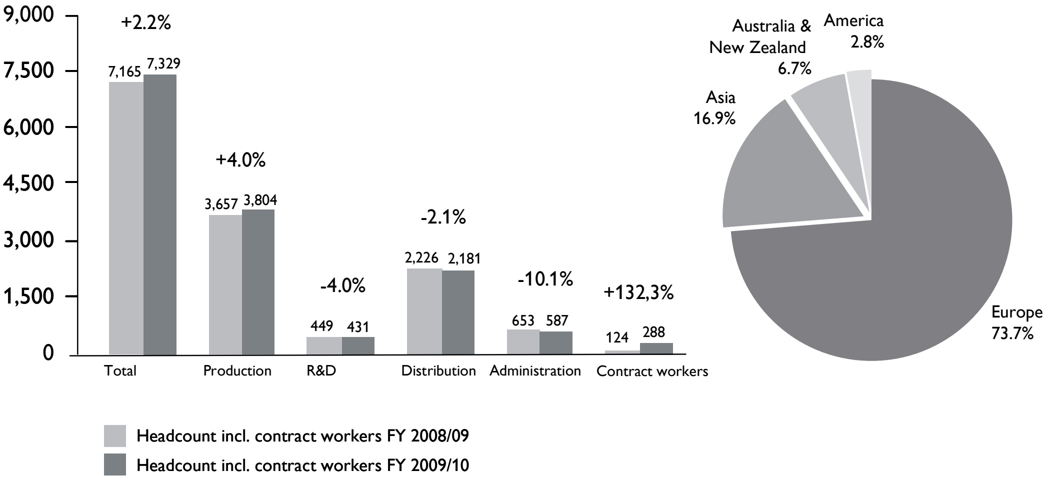
The economic crisis remained the main challenge for human resource management in 2009/10

Selective reduction in the workforce

The Zumtobel Group reacted quickly to the abrupt deterioration in the economic climate beginning in autumn 2008 and began to adjust personnel capacity and costs to reflect the new market conditions. As of 30 April 2010 the Zumtobel Group had 7,329 full-time employees (including contract workers). This reflects an increase of 164 full-time employees (including contract workers) in relation to 2008/09, but a decrease of 579 employees (including contract workers) compared with 2007/08.

The increase in the workforce compared with the prior year was concentrated on production employees (plus 4.0%) and temporary personnel (plus 132.3% to 288), and resulted chiefly from insourcing and rising production volumes towards the end of the year. In the administrative and sales area, the workforce reductions started in 2008/09 continued during the reporting year. A regional analysis shows an increase of 282 in the number of employees in Asia to a total of 1,237 (plus 29.5%). This additional hiring reflects the general improvement in demand and is intended to strengthen the Group's presence in the Asian growth region. In contrast, the number of employees in Europe fell by 135 (minus 2.4%). The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region



Productivity and revenues per employee

The development of labour productivity reflected the substantially weaker operating results for the reporting year with a decline from 20.4% in 2008/09 to 14.0%. Average revenues per employee (including temporary personnel) improved slightly from EUR 152.000 to EUR 153.000.

Workplace safety

Further decline in work accidents

Workplace safety and health protection represent an important focal point of activities for the Zumtobel Group. A programme to reduce work-related accidents was launched in 2008/09 and continued during the reporting year. Together with regular communications and training to raise employee awareness for this subject, the production facilities developed and implemented specific measures to prevent work accidents.

These activities led to a slight decline in work accidents throughout the Group during 2009/10. The development of the TRI rate (Total Recorded Injuries = number of work accidents based on one million work hours) is shown in the following table:

TRI Rate	2009/10	2008/09	2007/08
Lighting Segment	22.0	17.4	23.9
Components Segment	8.3	12.2	10.7
Zumtobel Group	17.4	17.5	18.5

Personnel development in the Zumtobel Group

The increasing lack of specialists, the growing internationalisation of business and the technological transformation to electronics (LEDs, controls) have presented the Zumtobel Group with a range of new challenges. Specially directed personnel development is therefore more important than ever. Corporate HR supports local management in meeting this goal. Human resource development in the Zumtobel Group is designed to support and improve the potential of employees and to identify and win over the right talents for key functions.

Specialised brand academies

All employees who have direct contact with customers – i.e. primarily the sales force – are "Ambassadors of Light" for the brands of the Zumtobel Group. A special offering of training courses was therefore developed for this staff. Experts from key areas held brand-specific training courses for members of the sales force in three internal academies (Thorn Academy of Light, Zumtobel Academy of Light and Tridonic Academy), which focused on products, applications and business processes.

Lean Six Sigma for production employees

The implementation of the Lean Six Sigma initiative marked the start of regular training, above all for production employees. This practice-oriented learning approach makes it possible to transfer solutions for everyday production problems directly from the training courses to production, the supply chain and sales. Lean Six Sigma was launched in all European lighting plants in 2008/09 and continued during the reporting year. In the components plants, activities focused on additional training for the 369 employees certified as Lean Six Sigma experts in 2009/10.

Executive development and succession planning

Management candidates with exceptional personal and professional skills are selected each year for specialised training as part of the Leadership Development Programme. During the reporting year the majority of all upper level management functions in the Zumtobel Group were filled internally.

Apprenticeship training in six professions

Another important element of human resource development is the apprentice training programme operated by the Group, above all in Austria and Germany. It lasts four years and is concentrated on seven professions: plant electronics, general electronics, machine mechanics, tool mechanics, plastics engineering, and machining.The Zumtobel Group had 147 apprentices as of 30 April 2010 (2008/09: 133).

Corporate Values and social responsibility

Identification of employees with shared values

Its Corporate Values underscore the commitment of the Zumtobel Group to customers and employees as well as to business excellence and integrity. The corporate Code of Conduct is based on these values, and also implements the guidelines of the Partnering Against Corruption Initiative (PACI). The latter was initiated by the World Economic Forum in Davos, and joined by the Zumtobel Group in September 2004 as the first company from Austria. The Zumtobel Code of Conduct provides detailed regulations for the behaviour expected from employees in sensitive areas of business life e.g. in relation to the fight against corruption and zero tolerance against all forms of discrimination.

Intercultural and international diversity

The Zumtobel Group supports the diversity of its workforce, in particular with a focus intercultural activities and an international orientation. Training programmes include language courses that are specially designed for the Zumtobel and Tridonic brands and offered together with external partners as well as a module on dealing with intercultural diversity. International assignments and job changes support the Group's internationalisation and provide employees with opportunities for development outside their national borders.

Measures to combine career and family

The reintegration of employees who return to work after parental leave is supported by measures at all plants, which reflect and in some cases exceed legal requirements. Models for flexible working time and opportunities for working at home strengthen the compatibility of family and career. In addition, Tridonic offers subsidised day care at its largest plant in Dornbirn.

Support for work-place integration of handicapped youth

As an expression of its social commitment, the Lighting Segment has supported the integration of the handicapped at its headquarters in Dornbirn since 1989. Thirty-nine young people with special needs are currently working at the lighting plant in this Austrian city. A two-year vocational training programme at the Zumtobel plant in Dornbirn acquaints disabled young people with the working environment in a production facility and trains them in special courses to work independently. Four or five young people are admitted to this programme each year. More than 70 have been trained since 1989 and 20 have found permanent positions with the Zumtobel Group.

Achievement-oriented corporate culture

Performance-based remuneration

In order to strengthen motivation and identification with corporate goals, key employees and members of the sales force receive remuneration that is comprised of fixed and variable components. The variable component of annual income is dependent on the fulfilment of individual and segment or corporate targets that are established together with the responsible manager at the beginning of the year.

Standardisation of performance management

The annual employee review meeting has served as a standard for individual career planning and the development of skills in the Zumtobel companies for many years, and forms the basis for a consistent performance management process. The review discussions with employees cover performance over the past year in terms of expertise and behaviour as well as the definition of targets for the coming year and the preparation of a personal development plan.

1.8 Procurement

Procurement is viewed as a value-creating process in the Zumtobel Group, with product quality, price, supplier reliability, service and innovation forming the focal points of strategy. Cooperation between the companies in the Zumtobel Group and key suppliers is based on longevity. Mutual fairness forms the basis for the development of know-how and also safeguards supplies. The Lighting Segment and the Components Segment follow separate procurement strategies because their requirements are different, but these approaches are based on similar organisational principles.

"Lead buyer" concept

In both segments, procurement is based on the "lead buyer" concept. The bundling of procurement for individual groups of materials through specialised but decentralised buyers improves the negotiating position with suppliers who frequently also act on a global basis. This also guarantees coordinated strategic actions within the material groups. The lead buyers' instructions are implemented by the purchasing departments in the individual plants, in that these persons order on the basis of contracts negotiated by the lead buyers.

Long-term cooperation with most suppliers

The development of longstanding and honest relationships with suppliers represents an important objective for both the Components Segment and the Lighting Segment. Most of the Group's supplier relationships have existed for many years. They reflect the high demands of the Zumtobel Group on its suppliers, who are expected to contribute their expertise and innovative know-how.

Process for supplier auditing

The Components Segment has developed and implemented a systematic, global process for the evaluation and auditing of suppliers. A similar process is currently in preparation by the Lighting Segment. These valuation systems permit the introduction of measures for the joint development of suppliers. Based on the Corporate Values and the Code of Conduct, suppliers are obliged to meet the Group's social, quality and environmental standards. A supplier code forms an important part of the supplier auditing process.

1.9 Environmental Protection

Integral element of sustainability strategy

Environmental protection represents a key focal point of activities for the Zumtobel Group. This commitment is illustrated by the development of innovative, energy-efficient products as well as environmentally compatible production processes that conserve resources. Environmental protection is an integral element of the sustainability strategy and the code of conduct for the employees of the Zumtobel Group. The significance of environmental protection is underscored by the environment, health and work safety guideline and the quality policy of the Lighting Segment as well as the company policies of the Components Segment.

A determining factor for environmental protection is the optimisation of processes across the entire value added chain. The production processes in all plants of the Zumtobel Group are geared to maximise the efficient use of resources and continually optimised in accordance with the Lean Six Sigma Method. The most important areas of action are the efficient use of materials and energy, the avoidance and reduction of emissions and waste and environmentally compatible packaging concepts.

Environmental management: global guidelines, local implementation

Environmental management in the Zumtobel Group is based on two main supports: environmental management systems that are certified according to ISO 14001 and the application of the Lean Six Sigma Method. The certification of an environmental management system under ISO 14001 requires, among others, systematic and continuous improvement in the company's environmental performance. The Lean Six Sigma management philosophy promotes measures in all processes that support environmental protection. These management systems make it possible for local managers to comply with applicable legal requirements and also optimise local procurement, production and sales processes – which also allows for the more efficient use of resources.

Certified environ-mental management

As one of its most important sustainability goals, the Zumtobel Group is targeting the successive ISO 14001 certification of the environmental management systems in its entire lighting and electronics plant network. All electronics plants and the European lighting plants should be certified by 2010/11, and the lighting plants outside Europe should be certified by 2015.

The first ISO 14001 certification of a lighting plant took place in Landskrona (Sweden) in 1997, and four additional plants in the Lighting Segment followed by the end of the 2009/10 financial year. The certification of the plant in Les Andelys is scheduled for 2010/11.

The main plant of the Components Segment in Dornbirn was certified according to ISO 14001 in 2004. In 2008/09 this plant also became the first in the Group to receive certification under the OHSAS 18001 work safety and health protection management system. The Innsbruck plant also launched this certification process at the beginning of 2010. In addition, the plants in Innsbruck, Jennersdorf and Shenzhen were certified according to ISO 14001. The certification of the plants in Ennenda (Switzerland) and Spennymoor (Great Britain) as well as the Tridonic Controls & Systems plant in Dornbirn is planned for 2010/11.

The Zumtobel Group will publish its first sustainability report in summer 2010, which will present detailed information on the current status and future measures in the area of environmental protection.

1.10 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. In accordance with its goal to also expand the outstanding technology position of the Zumtobel Group in less favourable economic times, expenses for research and development were increased by 9.5% to EUR 52.1 million in 2009/10. Energy efficiency and LED remain the primary focal points of R&D activities in the Zumtobel Group. The significance of R&D and the Group's innovation culture is also reflected in the funds spent on these activities, which rose from 4.1% to 4.7% of revenues for the reporting year.

Expenditures for research and development in EUR million	2009/10	2008/09	Change in %
R&D through P&L	36.8	34.5	6.6
Capitalised R&D	15.3	13.1	17.2
R&D total	52.1	47.6	9.5
as a % of revenues	*4.7*	*4.1*	
Headcount (full-time equivalent) Research and development	431	449	(4.0)

1.10.1 LED technology

High expertise in white LED light

The steady improvement in the efficiency of LEDs (light-emitting diodes) – the LED surpassed the compact fluorescent lamp for energy efficiency in 2009/10 – has led all brands in the Zumtobel Group to shift the focus of their product development to LED solutions. R&D activities are still concentrated on the generation of high-quality white light for professional applications, but now also include high-performance LED light engines for so-called LED retrofit lamps (i.e. efficient LED lamps with traditional sockets for replacing conventional and halogen lamps).

The improvement in the performance of LEDs has also made it possible to create significantly larger "light packages" (measured in lumens) with this technology: LED light engines with 1,000, 2,000 and 3,000 lumens are now available for spotlight applications; the same applies to downlights. A modular component was developed for street lighting which – when mounted in series – can replace up to 150 Watt high pressure lamps. This innovation expands the range of street lighting with LED technology to also include broad roads and higher masts.

Module to replace the standard 60-W light bulb

In addition to the existing 6 Watt lighting module (which replaces a 40 Watt light bulb), the LED retrofit lamp line was expanded to include a larger module as a substitute for 60 Watt light bulbs as well as a much smaller module in candle form to replace 25 Watt lamps. A particularly important feature for residential applications are warm colour temperature and good colour reproduction, whereby both are provided by a variety of LEDs in different colours and a unique phosphorus formula.

Focus on tuneable colour temperatures

Solutions with tuneable colour temperature are a focal point of development work: depending on the application, colour temperature in these LED modules can be adjusted from 2700 to 6500 Kelvin without losing their high efficiency or good colour reproduction.

1.10.2 Lighting Segment

Focus on LED technology

R&D activities in the Lighting Segment were directed primarily toward the further penetration of LED technology in general lighting. In addition, the first technology prototypes for OLED luminaires were produced. A total of 73 new patents were registered in 2009/2010.

The Zumtobel brand

Expansion of LED luminaire portfolio

The downlight product line was expanded to include the new PANOS Infinity luminaire series, an LED downlight that combines the advantages of LED technology – such as high efficiency, long service life and good colour reproduction – and is more efficient than standard solutions with compact fluorescent lamps. The range of spotlights was increased by DISCUS, which can be produced in a shape and size not possible with conventional technology (halogen lamps and high-pressure lamps). These developments illustrate the capability of LED-based lighting to support new shapes and smaller dimensions. In addition, modern LED alternatives were added to popular spotlight series such as ARCOS and VIVO. The same is true for decorative luminaire series such as Sconfine.

The new Mild Light Generation 5 built-in luminaire series also utilises the advantages of LED technology, but also offers fluorescent lighting alternatives. The first application comprises large, two-component plastic elements that allow for a significant reduction in the number of parts as well as low-cost sealing against dust and insects. The light is directed over micro-structured side areas of the casing and a miniaturised raster in the centre. This LED innovation is complemented by LED bars for the proven TECTON continuous lighting system, which now permit the use of LEDs in shopping and retail areas. VALUEA and ELEEA represent the creation of new T5 luminaires with high efficiency and ergonomics.

The Thorn brand

Stronger competitive position for Thorn

If any Thorn product can be described as "typical", it is the PopPack lighting strip: this product has become a synonym for practical, efficient lighting in a variety of applications. However, even classics must reinvent themselves from time to time – that is why the new PopPack combines the advantages of its predecessor with a new, unequalled, fast and uncomplicated assembly technique.

MENLO³, a classic flat luminaire, was also replaced: this new generation of mild lights by Thorn has become more efficient, more modern and more versatile – and is also offered as an LED option in addition to conventional compact fluorescent lamps. The proven QUATTRO, PLANOR and CRUZ series were expanded to include modern LED models and now comprise a full range of efficient lighting products. EQULINE marks the development of a system luminaire that can be mounted directly on the ceiling or hung to swing freely in architectonically demanding buildings.

In the area of exterior lighting, STYLED represents the first LED streetlight to meet all norm requirements. Sophisticated technology also makes it suitable for broader streets. ATLA is an efficient, high-quality white light that is designed for smaller roads and side streets; it is also available with LED technology. The proven ORACLE range was increased to include a smaller form for modern high-pressure lamps, while a high-performance LED module was added to the DYANA series.

1.10.3 Components Segment

Development focused on energy efficiency

R&D activities at Tridonic continued to focus on energy-efficient and environmentally compatible lighting technology in 2009/10. Greater efficiency and a longer product service life reduce not only energy requirements but also maintenance and disposal costs. A total of 67 new patents (2008/09: 60) were registered during the reporting year.

Continued roll-out of xitec technology

Xitec, a processor technology developed by Tridonic, is used exclusively in products developed by this company. The technology makes it possible to develop future-oriented, intelligent control gear with high functionality and energy efficiency. Xitec stands for maximum reliability with maximum component integration. In 2009/10 Tridonic continued its programme 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. The digitalisation of lamp controls with xitec chips was also increased. This new control gear has an unparalleled tolerance level, which guarantees exceptionally good lighting quality. This in-house development demonstrates Tridonic nearly two decades of experience and know-how with dimmable and non-dimmable ballasts.

In the area of non-dimmable ballasts, the modernisation of the low-cost standard gear line (PC-PRO series) was completed and now includes solutions for virtually every fluorescent lamp. Development work on the new gear focused on energy efficiency, higher safety standards, easy installation and flexibility in use.

The new EXCEL line of dimmable electronic ballasts for multi-lamp fluorescent lighting operations that was launched in autumn 2008 was expanded in 2009/10 to include the EcoFamilie. These ballasts combine the highest standards for reliability and excellent operating economy with a dimming option.

Innovative emergency lighting ballasts on DALI basis

The EM PRO EZ-3 was added to the company's range of innovative emergency lighting ballasts. This product is equipped with a number of new special functions, e.g. the latest technology to improve start-up performance, and supports the use of a wide range of fluorescent lamps in emergency lighting systems on DALI basis.

Comprehensive portfolio of LED control gear

TALEXX LED products by Tridonic guarantee top quality with respect to lighting efficiency, homogeneity and consistent colour reproduction. The broad-based TALEXX converter range of products for interior and exterior applications was enlarged during the reporting year to include a completely new series. Tridonic now offers suitable ballasts for every conceivable application, which allow LED light to realise its full potential. Whether in simple applications with uncoloured LED light or specific colour shading, for accents in advertising lighting or in general lighting: a suitable LED converter is available for interior or exterior areas.

New high-pressure lamp series

In 2009/10 Tridonic launched the third generation of high-pressure lamps for indoor applications and the first for outdoor. The result is a wide-ranging product line with performance of up to 250 Watt that receives top grades for reliability, energy efficiency, lighting management, service life and time-saving assembly. These new high-pressure ballasts can also be used in temperature-sensitive luminaires because of their optimised electronics and new cooling concept.

New ignition device for halogen metal vapour lamps

A new low-cost impulse ignition device for 250 to 1,000 Watt halogen metal vapour lamps was also introduced to the market during the reporting year. This device provides an ideal basis for compact lighting design because of its compact casing dimensions and improved temperature reaction.

1.11 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2010 that would have led to a change in the financial position or the financial performance of the company.

1.12 Risk Management

Systematic approach for the early identification of opportunities and risks

The Zumtobel Group is well aware that an effective risk management system – as well as a system of internal controls – represents an important factor for maintaining and expanding its competitive position. Risk management in the Zumtobel Group covers the direct interaction and handling of risk to protect the asset, financial and earnings positions of the Group and to support the identification of opportunities and the evaluation of entrepreneurial decisions. The goal of risk management is to identify risks and opportunities through a systematic approach, and thereby permit the implementation of suitable measures to deal with changes in the operating environment. Risk management in the Zumtobel Group is an independent strategic process that forms an integral part of operational management. The basic instruments for the monitoring and management of risks are standardised planning and controlling processes, Group guidelines, regular reporting and the system of internal controls (see section 1.13).

The importance of risk management and internal controls was increased by a recent amendment to Austrian corporate law (''Unternehmensrechts-Änderungsgesetzes 2008'').

Risk management based on recognised best practices and standards

The corporate financial analysis and risk management department, a section of the controlling department at corporate headquarters, is responsible for the continuous development of risk management processes as well as the coordination of Group-wide risk management and risk monitoring. The risk management system used by the Zumtobel Group is closely linked with corporate controlling processes and the system of internal controls. The underlying framework for these two systems is formed by the COSO[6] model for "Enterprise Risk Management - Integrated Framework" (COSO II, 2004), an internationally recognised guideline for risk management and internal control. Activities in 2009/10 focused on the extension of risk management systems to increase the awareness and improve the handling of risk in the Group's business units. The effects of the global financial and economic crisis on the performance of the Zumtobel Group were also analysed.

Risks and opportunities are systematically identified and assessed at least once each year by the "risk owners" at the operating unit level. Standardised tools and processes are used for this evaluation. The results and their impact on corporate performance as well as the probability of occurrence are also analysed with uniform methods defined by the Group. Measures to manage the major risks and opportunities are then developed and implemented. Corporate risk management accompanies these processes and routinely evaluates these measures. Any major unexpected risks that occur are reported immediately to corporate risk management, and the Management Board is informed accordingly. Standardised guidelines and process descriptions for risk management are available for all companies in the Zumtobel Group.

Most of the risks to which the Group is exposed are managed directly in the operating units. Individual risks that are relevant for the entire Group are handled centrally based on special guidelines, e.g. financing and foreign exchange risks.

[6] COSO = Committee of Sponsoring Organizations of the Treadway Commission (www.coso.org)

Reporting plays a central role in the monitoring and management of economic risks. The operating units provide the Management Board with regular information on the current and expected development of business as well as the existing risks and available opportunities. The Supervisory Board is also regularly informed of the major risks faced by the Group. In addition to the monthly financial report, a performance and risk report analyses the critical success factors and short-term risks issues for the segments and the Group.

The tools used by the Group to identify and evaluate risk are continuously developed and improved with the support of internal audit and the auditor. In accordance with Rule 83 of the Austrian Corporate Governance Code, the auditor of the consolidated financial statements evaluates the effectiveness of risk management at Zumtobel on a regular basis and reports to the Supervisory and Management Boards on the results of this analysis.

The opportunities for the Zumtobel Group are described extensively in section 1.1.3 The major risks and possible countermeasures are described in the following sections.

1.12.1 Market and competitive risks in the lighting industry

Economic crisis and strong cyclical patterns

The Group's regional sales markets are heavily dependent on the state of the construction industry which, in turn, is exposed to strong cyclical fluctuations. Unfavourable developments can have a negative influence on demand for the Zumtobel Group's products, on sales volumes and on price levels. Cyclical fluctuations in demand carry an inherent risk of excess capacity in the industry, which can lead to increased pressure on prices, negative shifts in the product mix, a decline in margins and revenues that fail to cover production costs. The global recession also represents the most significant risk for 20010/11 because economic forecasts are still connected with substantial uncertainty. In 2009/10 the Zumtobel Group was confronted with in part significantly lower demand on nearly all markets. However, far-reaching measures to improve the cost structure and cash flow enabled the Group to generate positive operating profit (adjusted EBIT) and to protect liquidity.

The lighting business is also heavily dependent on commercial construction. This can increase the risk of delays in the realisation of existing orders or the possible cancellation of ongoing projects in difficult economic times. Additionally, new construction projects could be postponed for an indefinite period or even terminated. Positive growth impulses from energy-efficient lighting and LED technology can offset the decline in demand to a certain extent. The Zumtobel Group is working to reduce this dependency on regional cyclical fluctuations through the development and strengthening of activities in selected emerging countries.

Consolidation in the industry

The professional lighting industry in Europe is highly fragmented: The ten largest luminaire producers cover roughly 40% of the market, while the remainder is served by over 800 suppliers. LED technology has created a range of new challenges for the entire branch and the largest and financially strongest companies – including the Zumtobel Group – should be more successfully than medium-sized competitors in making the necessary adjustments. If prospects for acquisitions should arise during this process, the Zumtobel Group has the necessary balance sheet strength to realise these opportunities. The consolidation process in the area of conventional components has been largely completed, and the major players (Matsushita, Osram, Philips and the Zumtobel Group) now control nearly 55% of the world market. The competitive environment in the LED components market is unclear because of the new technology, but the entry of new suppliers, above all from Japan and Korea, is to be expected.

Technology shift through LED

The technological transformation process from conventional lighting to LED could lead to the entry of new competitors and also accelerate the consolidation of the luminaire market. This transformation process requires higher research and development expenditures from the individual luminaire producers and leads to increasing product and system complexity as well as shorter product lifecycles. Larger luminaire companies with direct customer contact and electronics know-how – such as the Zumtobel Group – have an advantage in this changing environment.

Risks in personnel management

A lack of specialised personnel, especially in research and development, could endanger the successful pursuit of the company's strategy over the long-term. This risk has been moderated somewhat by the current economic crisis, but will increase again with the recovery that has already taken hold in a number of branches. In order to ensure the availability of the necessary expertise, the Zumtobel Group 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. All specialists and managers are provided with opportunities to strengthen their know-how and acquire new skills. Personnel development forms an integral part of the Group's strategy. The Zumtobel Group is also committed to the goal-oriented and performance-based payment of employees. However, it cannot be excluded that qualified employees may be hired away by competitors.

1.12.2 Business risks/sales/production

Dependency on business partners and opinion leaders

Access to a global network of opinion leaders and decision-makers is an important success factor in the project business. The Zumtobel Group uses highly qualified sales and marketing teams that have been trained in internal academies to provide optimal service for this network. Training courses for customers form an additional part of the customer loyalty process. The Group has also established a extensive technological network with research institutes and universities, which allows Zumtobel 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 IT risk. In addition, firewalls and virus protection software have been installed as a precaution against attacks by IT hackers. IT systems are protected by a modern high-security computing centre as well as a back-up facility that operates in a so-called "hot stand-by" mode in accordance with the latest technology. In order to ensure that the Group's information technology always meets the demands of the business, IT management has developed a wide range of procedures, guidelines and measures. These processes and procedures are evaluated at least once each year, and adjusted whenever necessary. The routine replacement of hardware and software minimises the risk of breakdown and loss of data. Databases are scanned continuously by anti-virus software and stored on a regular basis.

Political risk

The Zumtobel Group operates in a global business environment, whereby its activities are focused on the strategic core markets of Central Europe, Australia and the USA as well as those markets in Asia and the Middle East 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 sharp rise in the global demand for raw materials as a result of the recovery in individual branches has reduced available supplies, in particular of electronic components. This has led to an increase in prices, and uninterrupted supplies can only be guaranteed by long-term disposition. Comparatively moderate inventory reductions during the crisis, effective material disposition and long-term supplier relationships have allowed the Zumtobel Group to maintain its delivery capabilities to date and also increase its market share in the Components Segment. The prices for key materials used by the Zumtobel Group – e.g. copper, plastics, aluminium and steel – have again started to rise substantially. Energy sources such as electricity, gas and oil etc. are of lesser importance for the Zumtobel Group, and the potential earnings effect of an increase in energy prices is therefore low. Copper prices are hedged on a rolling basis through futures, and currently unavoidable increases in material prices are passed on to customers whenever possible albeit with a time lag.

The Zumtobel Group is well known as a manufacturer of quality products, and sets the same high standards for its suppliers. Regular audits of supplying companies 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 communications and cooperation with suppliers make it possible for the Group to identify and eliminate possible risks.

1.12.3 Asset risks

Regular maintenance and replacement investments

A policy that calls for regular maintenance and replacement investments reduces the risk of interruptions in production. 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 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" (HPR) at all major production locations, e.g. through the installation of sprinkler systems. Three locations are currently classified as HPR.

Valuation of finished goods

The valuation of inventories also incorporates turnover rates, with measurement reflecting the principle of prudence.

1.12.4 Pension risks

The Zumtobel Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. The obligations remaining after the deduction of plan assets are recognised as provisions. The amount of the pension provision is primarily dependent on the market value of the invested assets, but also on the development of wages and salaries, life expectancy according to the applicable mortality tables and the discount rate. The largest pension plan (UK) was closed for new registrations at the end of the 2008/09 financial year, and the related risk is therefore limited to established claims. Additional details on this subject are provided in the notes under section 2.6.6.11.

1.12.5 Product liability risks

These risks represent regress claims arising from quality defects, which could result from errors in product development or production. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. The Group has also concluded product liability insurance to provide coverage for related claims. The five-year warranty recently introduced by the Zumtobel brand can lead to higher warranty costs, and appropriate provisions will be created on a step-by-step basis.

1.12.6 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 legal department of the Zumtobel Group regularly reviews the legal framework in the major regions where business activities are carried out and also monitors pending proceedings to allow suitable actions to be taken at the required time. The Group's intellectual property is considered a major competitive factor, and is accordingly reviewed and protected. Third party property rights are respected. There are no pending legal proceedings that could pose a substantial risk for the Zumtobel Group.

1.12.7 Financial risks

Financial risks are caused by fluctuations in interest rates, foreign exchange rates and commodity prices as well as liquidity risks (also see section 2.6.11 of the notes).

Market risk

The Zumtobel Group is exposed to a variety of financial risks from its global operations. This risk is limited as far as possible through the regular monitoring of developments in areas considered to be at risk and by the use of derivative instruments. No derivatives are used for trading or speculative purposes. Group guidelines provide clear instructions for the interaction with risk. These guidelines are reviewed regularly by the Management Board, and any necessary adjustments are made and submitted to the Supervisory Board for approval.

The Group treasury and risk management departments are responsible for the identification and assessment of these risks. Necessary measures, such as the use of derivative financial instruments, are implemented after consultation with the Management Board and in accordance with the guidelines approved by the Supervisory Board.

The Zumtobel Group installed a treasury management system in 2007/08 to describe, execute and evaluate all trading activities. This system was expanded during the reporting year to include additional functions.

Liquidity risk

On 12 June 2008 an important financing agreement was concluded to support the liquidity of the Zumtobel Group. This consortium agreement with seven banks has a term extending to June 2013 and a maximum volume of EUR 480 million. There were no changes in the amount drawn during the reporting year, and the outstanding balance totalled EUR 186 million as of 30 April 2010. The remaining credit lines of EUR 294 million are available to finance growth and acquisitions, but have not been drawn up to the present time. This agreement requires compliance with specific financial covenants, i.e. a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%. These financial covenants were met in full as of 30 April 2010 with a debt coverage ratio of 1.57 and an equity ratio of 35.8%. The Group uses a cash pooling system to improve the effectiveness and efficiency of liquidity management. Any deterioration in these financial indicators and subsequent downgrade in the Group's credit rating by lenders could lead to a gradual increase in the credit margin for bank liabilities. Moreover, failure to meet the covenants could cause the lending banks to call existing loans.

Liquidity management is based, among others, on the regular analysis of working capital turnover. Accounts receivable turnover averaged 52.5 days during the reporting year (2008/09: 49.0), inventory turnover 47.7 days (2008/09: 46.3) and accounts payable turnover 42.7 days (2008/09: 34.2). This results in an average working capital turnover of 57.6 days (2008/09: 61.1).

Interest rate risk

The interest rates on existing bank liabilities are variable. In order to reduce the resulting interest rate risk, the Zumtobel Group concluded interest rate swaps with various banks for a total volume of approx. EUR 102.0 million. The swaps represent approx. 55% of the long-term credit volume currently outstanding. These instruments are structured over various terms (up to June 2015 at the latest), and convert the variable interest payments on the financing into fixed interest payments or limit the interest rate to a maximum of 3.34%. Additional information is provided in section 2.6.11.3 of the notes.

Foreign exchange risk

The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when the local companies buy and/or sell their products in a currency other than their local currency. Intra-Group dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (Euro) for the consolidation – is of lesser importance for the Zumtobel Group. The use of derivative financial instruments is regulated by the hedging policy that was revised in January 2009 and approved by the Supervisory Board. Appropriate hedges are concluded a rolling basis for a period of two to three quarters to cover planned cash flows that are subject to a risk of market fluctuations in exchange rates or raw material prices. This method leads to a relatively constant volume of hedges, but smoothes foreign exchange exposure. Translation risk is not hedged. The most important currencies for the Group are the EUR, GBP, USD, CHF and AUD. The sustainability of economic recovery in Europe and the effects of recent exchange rate shifts on the translation of revenues and earnings currently represent the major risks. Additional information is provided in section 2.6.11.3 of the notes.

1.12.8 Credit risk

The default risk associated with trade receivables is largely limited by credit management processes and appropriate merchandise credit insurance (also see section 2.6.11.1 of the notes). There was no significant deterioration in the payment behaviour of customers during 2009/10. In cases where credit insurance companies have reduced or refused coverage, the Group carries out a careful risk assessment and, if necessary, sets its own limits after an internal approval procedure. The Zumtobel Group also requests bank guarantees or advance payments in specific cases. An increased risk of default cannot be excluded for 2010/11, whereby merchandise credit insurers have become noticeably more cautious in granting limits.

1.12.9 Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The asset and earnings positions of the Group are directly influenced by foreign exchange effects as well as the necessary use of estimates and judgment in valuing non-financial assets, deferred tax assets, inventories, receivables, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill from the Thorn acquisition in 2000/01, the valuation of capitalised development costs and the valuation of machinery. Assets with an indefinite useful life are tested each year for signs of impairment, while assets with a finite useful life are tested when there are indications of impairment. The valuation effects of assets denominated in a foreign currency are recorded under equity without recognition through profit or loss.

Write-off of Thorn goodwill

Impairment testing at the end of the reporting year resulted in an impairment charge of EUR 66.6 million to goodwill in the Thorn Lighting Group. This charge had a negative effect on profit for 2009/10, but will not result in cash outflows. Equity was also reduced by a currency translation adjustment totalling EUR 23.7 million to goodwill in the Thorn Lighting Group, which covered 2009/10 as well as earlier years and was not recognised through profit or loss. Additional information is provided in section 2.6.6.1 of the notes.

1.12.10 Other risks

In many countries the Zumtobel Group is faced with extensive and increasingly strict environmental, health and security regulations. The production facilities make regular investments to minimise the risk associated with these requirements, but additional investments to meet changing environmental regulations cannot be excluded in the future.

Overall risk evaluation of the Zumtobel Group

No recognisable risks that could endanger the continued existence of the Group

A general analysis of the above factors shows a concentration on market risks, which reflect 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. Group controlling and the system of internal controls are able to quickly identify all major risks with a high degree of probability.

Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group. The risks arising from the economic crisis do not represent a danger for the continued existence of the Group because of the measures implemented to date.

1.13 System of Internal Controls

COSO models and recognised best practices as basis

In designing its system of internal controls (and the risk management system), the Zumtobel Group focuses closely on the COSO[7] models. The system of internal controls comprises the monitoring and management measures that are developed by management and integrated into operating processes. This system protects the assets of the Zumtobel Group, guarantees the completeness and reliability of (financial) information and systems (assurance), ensures the efficiency and effectiveness of processes and supports the fulfilment of legal, internal and contractual regulations (compliance).

Responsibility for internal control system reflects business responsibility

Internal controls are implemented and monitored at different management levels (corporate or local), whereby the responsibility lies with the managers in charge of the individual business processes. The general framework and rules are defined by the Management Board for the entire Group and published in the corporate policy on internal control systems. Line management is responsible for the implementation of these rules in the individual business processes. Group internal audit, as a staff department reporting to the Management Board, supports management in the ongoing monitoring and improvement of the internal control system.

1.13.1 Principles of the internal control system

Key controls established and accepted

The internal control system of the Zumtobel Group is based on established and accepted control mechanisms, which operate manually or automatically (e.g. as IT controls). The most important controls include:

- A transparent organisation and clear assignment of roles and responsibilities
- Sufficient progressive levels for release and approval procedures
- Appropriate documentation of processes
- Dual controls and separation of functions
- Controls for completeness, plausibility, cross-comparisons and variance analyses
- Agreement procedures, verification of consistency and validity
- Analytical review by specialised departments and management
- Mandatory fields, check digits, logic queries and similar IT process controls
- Appropriate general IT controls (e.g. infrastructure security, user administration / access controls, change management procedures).

Appropriateness of risks and controls

The following principles form the basis for the design of the individual control and management measures in the Zumtobel Group:

- Monitoring and control measures must reflect the scope and intensity of the relevant risk (cost-benefit analysis). Therefore, internal controls always follow a risk-oriented approach.
- Control measures are always integrated into business processes, i.e. they operate parallel to or take place before or after these processes. The system of internal controls does not operate separately from business processes, but is much more an integral part of these processes.
- Automatic control mechanisms (e.g. IT-operated controls) should be used where it is not possible or reasonable to use organisational controls (e.g. instructions).

Suitable written documentation

[7] COSO: Committee Of Sponsoring Organisations of the Treadway Commission, see www.coso.org

The written documentation for the system of internal controls is designed to give an expert third party a reliable view of processes, risks and controls within an appropriate period of time, above all in the areas of accounting and financial reporting.

1.13.2 Internal control system in financial reporting

The corporate policy on internal control systems includes a comprehensive description of the processes and systems that are used for financial reporting in the Zumtobel Group.

- Annual and quarterly financial statements as well as the consolidated financial statements of Zumtobel AG and its major subsidiaries, together with the relevant management report and notes to the financial statements, as well as documentation and information for analysts, investors and road shows.
- All IT systems important for financial reporting, i.e. not only accounting systems but systems used to publish the financial reports.

The Zumtobel Group has created a separate portal in the Intranet to document the processes and internal control system for financial reporting. This portal includes, among others, the so-called COSO matrix, which presents the major elements of the internal control system in the Zumtobel Group based on the five components of the COSO model (internal environment, risk management, control activities, information & communications, monitoring).

Internal environment

In the Zumtobel Group the corporate vision and values, the code of conduct and the strategy maps as well as the organisational chart, role manuals (management functions and committees) and position descriptions (employees) are well documented and for the most part available in the Intranet. The same applies to the articles of association, the rules of procedure, plans for the distribution of duties among the Management Board members and other corporate directives.

Risk management

Risk management in the Zumtobel Group has two features: a separate risk management process managed by corporate headquarters that focuses on Group-wide risks and central risk reporting, and process-specific risk management that is integrated in the individual business processes by the respective process owners. An extensive description of risk management is provided in section 1.12 (Risk management) of this Group Management Report.

Control Activities

Control activities in the Zumtobel Group are based, among others, on the corporate policies and corporate authorisation framework. Of special importance for the internal control system in financial reporting are the Group accounting manual and closing checklist. This manual includes all major accounting and valuation principles applied by the Zumtobel Group. The closing checklist defines the duties and control steps that must be completed in connection with accounting processes. Another important component of the internal control system is the graphic presentation of the entire financial reporting process.

Information & communications

The collection and processing of data in the Zumtobel Group is based primarily on centralised SAP systems. Either these systems or the SAP Business Warehouse are used for the input and output of data. The data subsequently flows into standardised monthly, quarterly and annual reports that assist the Management Board and management in exercising their monitoring and control functions.

Monitoring

With respect to monitoring, COSO provides for regular reviews in connection with routine management activities as well as special evaluations by separate supervising functions. The Zumtobel Group uses a combination of both approaches. Management monitors the performance of the segments and subsidiaries based on monthly reviews. Corporate internal auditing and corporate controlling are responsible for the separate monitoring of the internal control system. The external review of the interim financial statements and the audit of the annual financial statements are carried out by a chartered accounting firm, whose international network guarantees the application of uniform auditing standards in all Group companies. The internal control system is also monitored by the Audit Committee of Zumtobel AG. At each meeting this committee receives a detailed report on the accounting process, the audit of the annual financial statements or the half-year review, the current status of risk management and the activities of corporate internal audit.

Further development

In order to improve its effectiveness and efficiency, the internal control system of the Zumtobel Group is continuously adapted to meet changes in the operating environment as well as newly identified risks and opportunities. One focal point of this development in 2010/11 will be evaluation of Web 2.0 technologies to support the internal control system.

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

1. The share capital of Zumtobel AG totals EUR 108,750,000 and is divided into 43,500,000 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 28,230,640 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 2010 the company held 774,957 shares as treasury stock.

2. AUGMENTOR private foundation (4,205,752 shares), ASTERIX private foundation (4,121,752 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 (176,088 shares) and Jürg Zumtobel (144,248 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 25% plus one share up to 31 December 2012. The company is not aware of any other limitations on voting rights or the transfer of shares.

3. A stake of over 5% is held by Aviva plc. as well as FMR LLC through various funds. 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 2.6.8.4 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; 764,254 shares of these shares had been distributed to employees by 30 April 2010.

A total of 1,943,555 shares were repurchased in accordance with §65 (1) 8 and §65 (1a) of the Austrian Stock Corporation Act based on a resolution of the Management Board on 29 July 2008 in accordance with a resolution of the annual general meeting on this same date and the approval of the Supervisory Board to repurchase up to 10% of share capital. Of these shares, 1,204,344 were withdrawn during the reporting year.

8. On 12 June 2008 Group companies concluded a major financing agreement with a consortium of banks, which cover borrowings of EUR 480 million with a term of five years up to 12 June 2013. The outstanding

liabilities resulting from these facilities totalled EUR 186 million as of 30 April 2009. The agreements include 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 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.

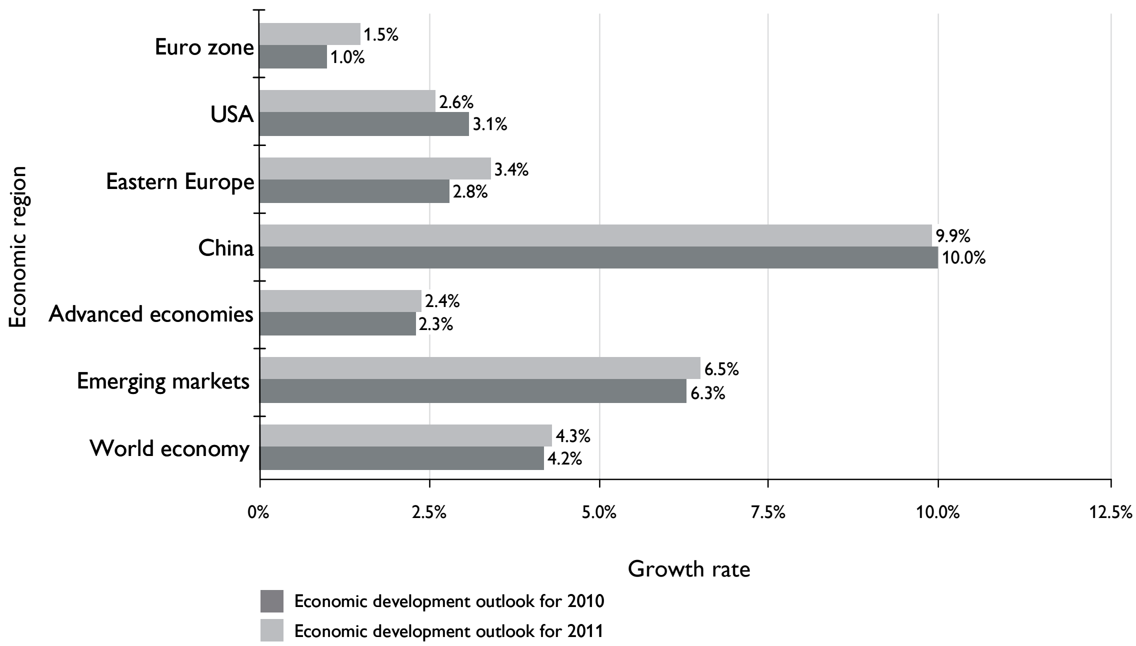
11. The most important elements of the risk management system and the internal control system are described in detail under sections 1.2 and 1.13 of the Group Management Report.

1.15 Outlook and Goals

Upward trend in the global economy expected to continue in 2011

According to the International Monetary Fund (IMF)[8], the global economic recovery appears to be stabilising. The IMF experts are forecasting worldwide growth of 4.2% for the 2010 calendar year and 4.3% in 2011. Economic momentum should accelerate slightly in the industrialised countries with a plus of 2.4%, but growth in the Euro zone will remain at a more moderate 1.5%. Forecasts for the D/A/CH countries, a key region for the Zumtobel Group, are similar: Germany and Austria should record growth of 1.7% in the coming year and Switzerland a slightly higher 1.8%. In contrast, the developing and emerging countries are expected to generate renewed dynamic growth of 6.5%. The experts see an increasing risk – especially for the industrialised western countries – in the difficult financial problems faced by a number of Euro states and the resulting potential negative effects on economic development. These forecasts could also be influenced by rising raw material prices and the high volatility of major currencies.

Economic development outlook for 2010 and 2011



Cautious optimism for 2010/11, positive long-term trend

The commercial construction sector remains weak, and the forecasts for 2010 and 2011 are accordingly reserved. Due to the late cyclical nature of the Group's business and after the sharp downturn over the past two financial years, it is certainly premature to believe the crisis has ended. The slow recovery in Europe will also be negatively affected by the growing debt in several European countries and the development of the Euro in relation to other western currencies. Against this backdrop, it is still difficult to estimate the extent to which the crisis has been overcome and whether sustainable global recovery is realistic within the foreseeable future.

[8] Source – IMF forecast, April 2010

However, the positive signals for the coming months are increasing – above all for the components business of the Zumtobel Group. A detailed analysis of results for 2009/10 shows a gradual improvement in revenues during the course of the year. The Management Board therefore views the 2010/11 financial year with cautious optimism despite the continued limited visibility, and is forecasting an improvement in revenues and increase in operating earnings for the Group as a whole. This optimism is supported by the expected continued dynamic expansion of LED-based products and the continuing demand for energy-efficient lighting systems.

Dornbirn, 18 June 2010

The Management Board

Harald Sommerer	Thomas Spitzenpfeil	Martin Brandt
Chief Executive Officer	Chief Financial Officer	Chief Operating Officer

2. Consolidated Financial Statements

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2. Consolidated Financial Statements

2.1 Income Statement

in TEUR	Notes	2009/10	2008/09	Change in %
Revenues	2.6.4.1	1,117,301	1,174,006	(4.8)
Cost of goods sold	2.6.4.2	(732,057)	(739,892)	1.1
Gross profit		**385,244**	**434,114**	**(11.3)**
as a % of revenues		34.5	37.0	
Selling expenses	2.6.4.2	(275,285)	(285,616)	3.6
Administrative expenses	2.6.4.2	(70,002)	(75,682)	7.5
Other operating results	2.6.4.3	(85,133)	(15,791)	<(100)
thereof special effects		*(96,692)*	*(21,883)*	<(100)
Operating profit/loss		**(45,176)**	**57,025**	**<(100)**
as a % of revenues		(4.0)	4.9	
Interest expense	2.6.4.4	(10,187)	(22,638)	55.0
Interest income	2.6.4.4	2,111	2,116	(0.2)
Other financial income and expenses	2.6.4.5	(6,749)	(8,810)	23.4
Profit/loss from associated companies	2.6.6.4	(959)	1,584	<(100)
Financial results		**(15,784)**	**(27,748)**	**43.1**
as a % of revenues		(1.4)	(2.4)	
Profit/loss before tax		**(60,960)**	**29,277**	**<(100)**
Income taxes	2.6.4.6	(5,965)	(6,321)	5.6
Net profit/loss from continuing operations		**(66,925)**	**22,956**	**<(100)**
Net profit/loss from discontinued operations	**2.6.4.7**	**(112)**	**(9,649)**	**98.8**
Net profit/loss for the period		**(67,037)**	**13,307**	**<(100)**
as a % of revenues		(6.0)	1.1	
thereof due to non-controlling interests		188	(119)	>100
thereof due to shareholders of the parent company		*(67,225)*	*13,426*	*<(100)*
Average number of shares outstanding - basic (in 1000 pcs.)		42,715	43,618	
Average diluting effect (stock options) (in 1000 pcs.)		74	33	
Average number of shares outstanding - diluted (in 1000 pcs.)		42,789	43,651	
Earnings per share (in EUR)	**2.6.4.8**			
Basic earnings per share		(1.57)	0.31	
Diluted earnings per share		(1.57)	0.31	
Earnings per share from continuing operations (in EUR)				
Basic earnings per share		(1.57)	0.53	
Diluted earnings per share		(1.56)	0.53	
Earnings per share from discontinued operations (in EUR)				
Basic earnings per share		0.00	(0.22)	
Diluted earnings per share		0.00	(0.22)	

2.2 Statement of Comprehensive Income

in TEUR	Notes	2009/10	2008/09 (restated*)	Change in %
Net profit/loss for the period		**(67,037)**	**13,307**	**<(100)**
Currency differences	2.6.5.1	22,898	(18,098) *	>100
Currency differences arising from loans	2.6.5.2	4,474	(10,295)	>100
Hedge accounting		(1,427)	(2,176)	34.4
Actuarial loss / gain	2.6.5.3	(18,090)	(17,785)	(1.7)
Taxes	2.6.5.4	(11,294)	6,532	<(100)
thereof IAS 19		(11,651)	5,964	<(100)
thereof Hedge Accounting		357	568	(37.2)
Subtotal other comprehensive income		**(3,439)**	**(41,822)**	**91.8**
thereof due to non-controlling interests		*141*	*110*	*28.2*
thereof due to shareholders of the parent company		(3,580)	(41,932)	*91.5*
Total comprehensive income		**(70,476)**	**(28,515)**	**<(100)**
thereof due to non-controlling interests		*329*	*(8)*	*>100*
thereof due to shareholders of the parent company		*(70,805)*	*(28,507)*	*<(100)*

* The comparative prior year data were adjusted to reflect the retrospective application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) for the valuation of goodwill. These figures are marked with an asterisk (*) in the following document (also see section 2.6.6.1).

2.3 Balance Sheet

in TEUR	Notes	30 April 2010	in %	30 April 2009 (restated)*		in %
Goodwill	2.6.6.1	183,451	18.7	240,396	*	23.6
Other intangible assets	2.6.6.2	48,913	5.0	49,669		4.9
Property, plant and equipment	2.6.6.3	231,385	23.5	233,427		22.9
Investments in associated companies	2.6.6.4	4,112	0.4	7,861		0.8
Financial assets	2.6.6.5	11,236	1.1	11,967	*	1.2
Other assets	2.6.6.6	4,163	0.4	4,093	*	0.4
Deferred taxes	2.6.6.7	33,894	3.4	46,228		4.5
Non-current assets		**517,154**	**52.5**	**593,641**	*	**58.3**
Inventories	2.6.6.8	146,077	14.9	148,819		14.6
Trade receivables	2.6.6.9	173,649	17.7	169,378		16.6
Other assets	2.6.6.6	32,603	3.3	22,883	*	2.2
Financial assets	2.6.6.5	16,706	1.7	15,084	*	1.5
Liquid funds	2.6.6.10	97,308	9.9	69,008		6.8
Current assets		**466,343**	**47.5**	**425,172**		**41.7**
ASSETS		**983,497**	**100.0**	**1,018,813**	*	**100.0**
Share capital		108,750	11.1	111,761		11.0
Additional paid-in capital		334,597	34.0	331,497		32.5
Reserves		(28,326)	(2.9)	(37,725)	*	(3.7)
Net profit/loss for the period		(67,225)	(6.8)	13,426		1.3
Capital attributed to shareholders of the parent company		347,796	35.4	418,959		41.1
Capital attributed to non-controlling interests		3,825	0.4	1,962		0.2
Equity	**2.6.8**	**351,621**	**35.8**	**420,921**	*	**41.3**
Provisions for pensions	2.6.6.11	57,268	5.8	47,370		4.6
Provisions for severance compensation	2.6.6.11	32,639	3.3	30,758		3.0
Provisions for other defined benefit employee plans acc. to IAS19	2.6.6.11	11,513	1.2	9,814		1.0
Other provisions	2.6.6.13	813	0.1	904		0.1
Borrowings	2.6.6.14	214,448	21.8	215,600		21.2
Other liabilities	2.6.6.17	46	0.0	84		0.0
Deferred taxes	2.6.6.7	11,552	1.2	9,133		0.9
Non-current liabilities		**328,279**	**33.4**	**313,663**		**30.8**
Provisions for taxes		20,988	2.1	25,332		2.5
Other provisions	2.6.6.13	33,056	3.4	34,534		3.4
Borrowings	2.6.6.14	4,807	0.5	16,886		1.7
Trade payables		130,560	13.2	109,895		10.7
Other liabilities	2.6.6.17	114,186	11.6	97,582		9.6
Current liabilities		**303,597**	**30.8**	**284,229**		**27.9**
EQUITY AND LIABILITIES		**983,497**	**100.0**	**1,018,813**	*	**100.0**

* The comparative prior year data were adjusted to reflect the retrospective application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) for the valuation of goodwill. These figures are marked with an asterisk (*) in the following document (also see section 2.6.6.1 Goodwill). In order to improve the explanatory power of the report, all financial instruments are now reported under financial assets. The prior year data were adjusted accordingly (also see section 2.6.6.5).

2.4 Cash Flow Statement

in TEUR	Notes	2009/10	2008/09
Operating profit/loss from continuing and discontinued operations	2.1	-45.288	47.377
Depreciation and amortisation	2.6.4.2	122.703	53.023
Gain/loss from disposal of fixed assets		665	-2.436
Results from discontinued operations		-472	9.305
Cash flow from operating results		**77.608**	**107.269**
Inventories		10.105	10.048
Trade receivables		6.696	49.792
Trade payables		17.682	-33.856
Prepayments received		552	777
Change in working capital		**35.035**	**26.761**
Non-current provisions		-5.715	-8.530
Current provisions		-1.291	12.536
Other current and non-current assets and liabilities		-16.539	-11.755
Change in other operating items		**-23.545**	**-7.749**
Taxes paid		**-7.135**	**-12.138**
Cash flow from operating activities		**81.963**	**114.143**
Proceeds from the sale of non-current assets		5.830	4.140
Proceeds from the sale of non-current financial assets		2.243	0
Capital expenditures		-49.391	-64.730
Change in non-current and current financial assets		-1.486	11.695
Change in liquid funds from changes in the consolidation range		0	-7.452
Cash flow from investing activities		**-42.804**	**-56.347**
FREE CASH FLOW		**39.159**	**57.796**
Change in net borrowings		-584	-21.009
thereof restricted cash		*416*	*294*
Dividends		-485	-31.255
Share buyback / exercise of options		89	-16.845
Interest paid/received		-6.562	-17.377
Cash flow from financing activities		**-7.542**	**-86.486**
Effects of exchange rate changes on cash and cash equivalents		6.594	-1.520
CHANGE IN CASH AND CASH EQUIVALENTS		**38.211**	**-30.210**
Cash and cash equivalents at the beginning of the period	2.6.7.1	55.953	86.163
Cash and cash equivalents at the end of the period	2.6.7.1	94.164	55.953
Change absolute		**38.211**	**-30.210**

2.5 Statement of Changes in Equity

2009/10 Financial Year

in TEUR	Attributed to shareholders of the parent company										
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve (restated)*	Hedge accounting	Reserve for stock options	IAS 19 Reserve	Net profit/loss for the period	Total	Non-controlling interests	Total equity
30 April 2009	**111,761**	**331,497**	**47,007**	**(75,807) ***	**(1,524)**	**17,717**	**(25,118)**	**13,426**	**418,959**	**1,962**	**420,921**
+/- Additions to reserves	0	0	13,426	0	0	0	0	(13,426)	0	**0**	**0**
+/- Total comprehensive income	0	0	0	27,230	(1,070)	0	(29,740)	(67,225)	(70,805)	**329**	**(70,476)**
+/- Capital decrease through withdrawal of own shares	(3,011)	3,011	0	0	0	0	0	0	0	**0**	**0**
+/- Stock options - exercises	0	89	0	0	0	0	0	0	89	**0**	**89**
+/- Stock options - addition/reversal	0	0	0	0	0	(447)	0	0	(447)	**0**	**(447)**
+/- Dividends	0	0	0	0	0	0	0	0	0	**(484)**	**(484)**
+/- Change in consolidation method	0	0	0	0	0	0	0	0	0	**2,018**	**2,018**
30 April 2010	108,750	334,597	60,433	(48,577)	(2,594)	17,270	(54,858)	(67,225)	347,796	**3,825**	**351,621**

2008/09 Financial Year

in TEUR	Attributed to shareholders of the parent company										
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve (restated)*	Hedge accounting	Reserve for stock options	IAS 19 Reserve	Net profit/loss for the period	Total	Non-controlling interests	Total equity
30 April 2008	**111,761**	**348,342**	**(14,724)**	**(47,302) ***	**84**	**17,543**	**(13,298)**	**92,986**	**495,392**	**1,970**	**497,362**
+/- Additions to reserves	0	0	92,986	0	0	0	0	(92,986)	0	0	0
+/- Total comprehensive income	0	0	0	(28,505) *	(1,608)	0	(11,820)	13,426	(28,507)	(8)	(28,515)
+/- Share buyback	0	(17,331)	0	0	0	0	0	0	(17,331)	0	(17,331)
+/- Stock options - exercises	0	486	0	0	0	0	0	0	486	0	486
+/- Stock options - addition/reversal	0	0	0	0	0	174	0	0	174	0	174
+/- Dividends	0	0	(31,255)	0	0	0	0	0	(31,255)	0	(31,255)
30 April 2009	111,761	331,497	47,007	(75,807) *	(1,524)	17,717	(25,118)	13,426	418,959	1,962	420,921

Reserves as shown on the balance sheet include other reserves as well as the currency translation adjustment, the reserve for hedge accounting, the reserve for stock options and the IAS 19 reserve.

A detailed explanation of the changes is provided under section 2.6.8.

2.6 Notes to the Consolidated Financial Statements

2.6.1 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 in the European Union for the 2009/10 financial year.

The Management Board of Zumtobel AG released the consolidated financial statements for distribution to the Supervisory Board on 18 June 2010. 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. The relevant Supervisory Board meeting is scheduled for 25 June 2010 in Dornbirn.

Zumtobel is an international lighting group. The headquarters of the parent company, Zumtobel AG, are located at Höchster Strasse 8, A-6850 Dornbirn, Austria, and the Company is registered with the Provincial and Commercial Court in Feldkirch, Austria, under FN 62309 g. The balance sheet date is 30 April, and the reporting year covers the period from 1 May 2008 to 30 April 2009. The reporting currency is the euro. The business activities of the Group are carried out primarily through its subsidiary groups: the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (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. The use of automatic data processing equipment can lead to rounding differences.

The consolidated financial statements were prepared on the basis of historical acquisition cost, with the exception of the following positions:

>> Derivative financial instruments (measurement at fair value)
>> Financial instruments carried at fair value through profit or loss

2.6.2 Consolidation Range and Methods

2.6.2.1 Consolidation range

The consolidated financial statements for 2009/10 include 96 (2008/09: 96) fully consolidated companies in which Zumtobel AG exercises management control or directly or indirectly owns the majority of shares. Six companies were included in the consolidation at equity (2008/09: five), and no companies were included using the proportional method. Sixteen companies (2008/09: 16) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial.

IFRS interim financial statements were prepared as of 30 April for companies that have a different balance sheet date.

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 Method		
Consolidation Range	full	at equity	TOTAL
30 April 2009	**96**	**5**	**101**
Change in consolidation method	1	(1)	0
Included during reporting period for first time	1	2	3
Liquidated during reporting period	(2)	0	(2)
30 April 2010	**96**	**6**	**102**

The following companies were liquidated during the reporting year:

>> Multilux (Pty) Ltd., Australia
>> Staff/Conlux Administration Coy. Pty. Ltd., Australia

Thorn Gulf LLC, Dubai, which was previously included in the consolidated financial statements at equity, was fully consolidated as of 1 May 2009. LEDON Lamp GmbH, a company registered in Austria, was founded during the first half of 2009/10.

In November 2009 LEDON OLED Lighting GmbH & Co KG, Dresden, and LEDON OLED Verwaltungs GmbH, Dresden, were founded together with the Fraunhofer Institute. This cooperation is designed to intensify activities in the future-oriented OLED (organic light-emitting diode) technology. Zumtobel holds a 51% stake in OLED Lighting GmbH & Co KG and a 49% stake in LEDON OLED Verwaltungs GmbH. These two companies are included in the consolidated financial statements at equity (also see section 2.6.6.4).

The changes in the consolidation range have no material effect on the consolidated financial statements.

2.6.2.2 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, any negative differences are recognised immediately to profit or loss.

Non-controlling 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. The resulting differences are shown on the statement of comprehensive income.

The major currencies for the Zumtobel Group are shown in the following table:

	Average exchange rate Income Statement		Closing rate Balance sheet	
1 EUR equals	30 April 2010	30 April 2009	30 April 2010	30 April 2009
AUD	1.6328	1.8312	1.4292	1.8146
CHF	1.4950	1.5550	1.4341	1.5066
USD	1.4158	1.4006	1.3315	1.3275
SEK	10.2756	10.1157	9.6217	10.6915
GBP	0.8837	0.8413	0.8703	0.8934

2.6.3 Accounting and Valuation Methods

2.6.3.1 Effects of new and amended standards

The following new or amended standards and interpretations are relevant for the Zumtobel Group and were applied for the first time in the reporting year.

In accordance with the amendments to IAS 1 "Presentation of Financial Statements", the income statement is expanded in the statement of comprehensive income to also include income and expenses recognised directly in equity. The statement of changes in equity only includes transactions with shareholders. Total comprehensive income is shown on a separate line in the statement of changes in equity.

IFRS 8 "Operating Segments" includes new requirements for segment reporting and replaces IAS 14. In contrast to IAS 14, which called for segment reporting by area of business and region, IFRS 8 follows the so-called "management approach". Accordingly, the identification of segments and reporting on these segments are based on the information used internally by management to allocate resources to and assess the performance of the company's various operating units. Since external segment reporting by the Zumtobel Group was already based on internal reports, this standard did not result in any major changes.

The amendment to IAS 23 "Borrowing Costs" eliminated the option to immediately expense the borrowing costs related to the acquisition, construction or production of a qualifying asset. These borrowing costs must now be capitalised together with the acquisition or production cost of the respective asset. The effect of this change on the consolidated financial statements as of 30 April 2010 is negligible.

The amendments to IFRS 7 require additional disclosures on the valuation of financial instruments (introduction of a 3-level classification hierarchy) and on liquidity risk. These expanded disclosures are provided for the first time in 2009/10.

The revised standards IFRS 3 and IAS 27 have no effect on the consolidated financial statements for 2009/10.

The following new or amended IAS / IFRS were not applied prematurely, and are therefore not relevant for the consolidated financial statements of the Zumtobel Group for the 2009/10 financial year:

Revised standards		Mandatory application in financial years beginning after
IAS 32	Classification of subscription rights	1 February 2010
IFRS 2	Share-based payment transactions with cash settlement	1 January 2010

These new regulations are not expected to have any impact on the consolidated financial statements for 2010/11.

2.6.3.2 Major accounting and valuation methods

Goodwill
Goodwill represents the 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. Any impairment is recognised immediately to the income statement (also see the section "Discretionary decisions and estimation uncertainty").

Other 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 (4 – 10 years).

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 (4 - 8 years). If the recognition of an internally generated intangible asset is not permitted, the relevant development costs are expensed in the period incurred. Research costs are expensed as 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 capitalised if material and not recognised as expenses of the period incurred.

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

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

Leases

Leases are classified as finance leases when the conditions of the relevant 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. The Group only acts as a lessee.

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.

Financial instruments

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

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

>> Securities and similar rights

Securities and similar rights (e.g. investments in other companies) are initially recognised at acquisition cost, which also includes any related transaction expenses.They are then classified as held for trading and measured at fair value in subsequent periods.

>> Trade receivables

Receivables are generally carried at amortised cost, whereby recognisable risks are reflected in allowances for bad debts.

>> Loans received and originated, finance leases

Liabilities are recognised at their repayment amount or nominal value including transaction costs (amortised cost). Non-current liabilities are recognised at their present value.

Derivative financial instruments are principally recorded at fair value.

>> Market value of derivatives held for trading

Changes in the value of derivative instruments that are not part of hedge accounting are shown on the income statement under financial results.

>> Market value of derivatives (hedge accounting)

Increases or decreases in the fair value of derivative instruments that qualify for hedge accounting as defined in IAS 39 (cash flow hedges) and are highly effective are credited or charged to equity. 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.

>> Market value of a net investment in a foreign operation

Derivative instruments concluded to hedge a net investment in a foreign operation (IAS 21) are recorded on the balance sheet as derivatives (hedge accounting). Accordingly, all changes in the fair value of these instruments as well as related cash income and expenses are recognised directly in equity.

>> Determination of fair value:

The determination of fair value is based on a three-level hierarchy that reflects the valuation certainty.

Level 1: Listed prices on active markets for identical instruments
Level 2: Valuation based on input factors that can be monitored on the market
Level 3: Valuation based on input factors that cannot be monitored on the market

In the Zumtobel Group, the calculation of fair value is based primarily on market value. The market value of non-current receivables and other non-derivative financial instruments reflects the carrying amount, discounted at the market interest rate. The market value of current financial instruments reflects the carrying amount due to their short term.

The determination of the fair value of derivative financial instruments can be reliably duplicated as of each balance sheet date because these measurements are based primarily on external data sources (stock exchange prices or bank statements). Therefore, all instruments represent Level 1 or 2 valuations.

The financial instruments in Level 2 represent the derivatives (positive market value: TEUR 7,715, 2008/09: TEUR 6,827; negative market value: TEUR -10,647, 2008/09: TEUR -4,609) that are classified under financial assets and financial liabilities. Also see section 2.6.10.1

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 and reversals from the reserve are recognised to profit or loss. The reserve is not adjusted through profit or loss to reflect the options actually exercised. These items are reported on the balance sheet 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. In cases where the nominal value of a provision differs substantially from the present value (based on a market interest rate), the present value is used as the carrying amount.
If the outflow of resources is not probable and the amount of the obligation cannot be estimated, 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 37.70 ff).

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.

A provision for onerous contracts is recognised when the revenues expected from a previously concluded agreement exceed the unavoidable costs of meeting the respective obligation. The provision is recognised at the lower of the costs that would arise on exiting from the contract and the net costs for fulfilling the obligation. Before a separate provision is created for an onerous contract, an impairment charge is recognised to the related assets.

Employee benefits

>> 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 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

The calculation of tax expense for the current period is based on taxable income for the financial 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 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/or 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 as well as from tax loss carryforwards. 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. Income taxes are generally recognised to the income statement, unless they relate to transactions that were recognised directly in equity during the reporting year or another financial year.

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.

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. 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 estimation uncertainty

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 principle of providing a "true and fair view" is also followed without limitation in the use of estimates.

Actual values may differ from the relevant assumptions and estimates when the operating environment has not developed as expected by the balance sheet date. The assumptions and estimates used by the Group are reviewed regularly. Significant changes are reflected in an adjustment of the premises and subsequent recognition through profit or loss.

Estimates and assumptions are related above all to the following areas:

>> Impairment of goodwill, other intangible assets and property, plant and equipment

Property, plant and equipment as well as intangible assets are tested for indications of impairment as of each balance sheet date. If such indications are identified, the recoverable amount of each asset is estimated in order to determine the potential impairment charge. If the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit containing the asset is estimated. As a rule, this involves an entire production facility.

Intangible assets with an indefinite useful life, intangible assets that are not yet available (e.g. development projects still in progress) and goodwill are tested each year for signs of impairment – even when there are no such indications.

The recoverable amount represents the higher of fair value less costs to sell and the value in use. The value in use is determined by discounting the estimated future cash flows from the asset, whereby a WACC of 7.2% (2008/09: 8.0%) is applied to research and development costs and a WACC of 7.8% (2008/09: 8.0%) to goodwill. The WACC does not include short-term market interest rates because of the long-term nature of goodwill (which would lead to a WACC of 7.2%). The use of the current steep interest rate curve for long-term financing resulted in a WACC of 7.8%. Country-specific WACCs were not calculated because the effects would have been immaterial.

The value in use serves as a benchmark for the impairment testing of goodwill. It is calculated as the discounted cash flows produced by the relevant cash-generating unit. The estimates of future cash inflows are based on internal forecasts, which were prepared in detail for 2010/11 and with minor simplifications for a further three years. A constant growth rate of 2% was applied to the periods after the detailed forecast range. The quality of the forecast data is regularly compared with actual results through a variance analysis. Cash flows are estimated on the basis of regional assumptions for the development of the market. Cost structures are generally forecasted on the basis of experience and then extrapolated. All impairment charges are recognised immediately to profit or loss.

A change in the WACC and the growth rate used to determine the value in use would result in the following impairment charge to goodwill in the Thorn Lighting Group:

in TEUR		WACC		
		7.6%	7.8%	8.0%
Growth rate	1.5%	(87,764)	(103,411)	(118,088)
	2.0%	(48,269)	(66,630)*	(83,758)
	2.5%	(1,030)	(22,909)	(43,187)

*Impairment charge recognised in 2009/10

>> Provisions for employee benefits
The actuarial measurement of employee benefits requires the use of assumptions for interest rates, expected income on plan assets, wage/salary and pension increases, the retirement age and life expectancy.

>> Other provisions
The determination of provisions for restructuring requires the use of estimates for reductions in the workforce and the resulting costs as well as expenses connected with the cancellation of contracts. The provisions for legal proceedings are based on management's estimates of the possible outcome of the legal proceedings. The provision for warranties is created on the basis of past experience. These assumptions are connected with uncertainty, and actual payments may vary from the estimates.

>> Deferred tax assets
The capitalisation of deferred taxes is based on expected future tax rates as well as estimates for the utilisation of these deferred taxes against future earnings. Possible changes in tax rates or income that differs from the assumed level could lead to the write-down of deferred tax assets.

>> Stock option programmes
The determination of option values under the Black-Scholes method involves the use of assumptions for the interest rate, the expected volatility and the dividend policy.

As of the balance sheet date on 30 April 2010, the Group was unaware of any major circumstances that could lead to a significant variance in the carrying amount of an asset or liability during the next financial year.

Special effects
In accordance with IAS 1.98, circumstances outside a company's ordinary activities must be disclosed separately if these items are of a scope, nature or incidence that their disclosure is relevant to explain financial performance. Examples of such items are 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.

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment for sales deductions (primarily customer discounts) of TEUR 43,791(2008/09: TEUR 49,302). Gross revenues total TEUR 1,161,092 (2008/09: TEUR 1,223,308).

2.6.4.2 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:

2009/10 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(481,253)	(4,863)	(238)	0	(486,354)
Personnel expenses	(181,391)	(136,731)	(43,478)	(7,356)	(368,956)
Depreciation	(37,773)	(5,406)	(1,666)	(77,858)	(122,703)
Other expenses	(64,919)	(121,611)	(30,174)	(12,391)	(229,095)
Own work capitalised	15,433	0	35	0	15,468
Internal charges	5,938	(10,463)	4,646	(121)	0
Total expenses	**(743,965)**	**(279,074)**	**(70,875)**	**(97,726)**	**(1,191,640)**
Other income	**11,908**	**3,789**	**873**	**12,593**	**29,163**
Total	**(732,057)**	**(275,285)**	**(70,002)**	**(85,133)**	**(1,162,477)**

2008/09 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(496,420)	(4,617)	(304)	0	(501,341)
Personnel expenses	(184,339)	(143,407)	(42,855)	(20,790)	(391,391)
Depreciation	(34,510)	(5,916)	(2,220)	(10,377)	(53,023)
Other expenses	(54,161)	(125,970)	(37,022)	9,097	(208,056)
Own work capitalised	14,327	86	837	0	15,250
Internal charges	6,538	(10,845)	4,331	(24)	0
Total expenses	**(748,565)**	**(290,669)**	**(77,233)**	**(22,094)**	**(1,138,561)**
Other income	**8,673**	**5,053**	**1,551**	**6,303**	**21,580**
Total	**(739,892)**	**(285,616)**	**(75,682)**	**(15,791)**	**(1,116,981)**

The cost of materials includes TEUR 18,523 (2008/09: TEUR 20,113) of third party services.

In order to improve the explanatory power of the notes and achieve conformity with internal reporting, expenses for contract workers were reclassified from the cost of materials to personnel expenses. The prior year data were adjusted accordingly. The number of employees shown in the segment report includes contract workers.

Other income includes government grants of TEUR 2,276 (2008/09: TEUR 3,971), which were provided primarily for research activities. Of this total, TEUR 905 (2008/09: 2,465) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 34,755 (2008/09: TEUR 32,830). Capitalised development costs totalled TEUR 14,130 for the reporting year (2008/09: TEUR 13,066), while the related amortisation amounted to TEUR 8,417 for the reporting year (2008/09: TEUR 6,420). Capitalised development costs were reduced by an impairment charge of TEUR 1,586.

Administrative expenses include TEUR 1,320 (2008/09: TEUR 1,720) for auditing services performed by the KPMG network for the Zumtobel Group.

Selling expenses include TEUR 2,047 (2008/09: TEUR 1,679) of research costs.

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

in TEUR	2009/10	2008/09
Wages	(70,421)	(73,382)
Salaries	(208,562)	(214,376)
Expenses for severance compensation	(737)	(2,575)
Expenses for pensions	(3,485)	(2,945)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(57,262)	(59,393)
Other employee benefits	(10,741)	(12,599)
Contract workers	(10,287)	(5,383)
Expenses from restructuring	(7,461)	(20,738)
Personnel expenses	**(368,956)**	**(391,391)**

2.6.4.3 Other operating results

in TEUR	2009/10	2008/09
Government grants	905	2,465
License revenues	11,387	3,085
Special effects	(96,692)	(21,883)
Impairment charges (-) / write up (+) to non-current assets	(77,858)	(10,358)
Restructuring	*(14,818)*	*(28,734)*
Gains / losses on sale	(26)	17,660
Litigation	(3,990)	(451)
Miscellaneous	(733)	542
Total	**(85,133)**	**(15,791)**

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

In May 2009 the Zumtobel Group and the Philips Group signed an extensive worldwide cross-licensing agreement for current and future patents in the areas of lighting technology and solid state lighting. This agreement had a non-recurring positive effect on license revenues for the reporting year. The Zumtobel Group will be required to make regular revenue-based license payments to the Philips Group in the future, which will be included under the cost of goods sold. In addition, this position includes license income from the LED business.

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

"Impairment charges to non-current assets" consist chiefly of impairment charges to goodwill, which amount to TEUR 66,630 for the "Thorn Lighting Group", TEUR 1,221 for "SpaceCannon" and TEUR 470 for "Thorn India" (also see section 2.6.6.1). This position also includes an impairment charge of TEUR 3,415 to the "SpaceCannon" brand. In addition, impairment testing resulted in a TEUR 4,720 write-down to a building in Italy.

In the prior year "impairment charges to non-current assets" included impairment charges to goodwill in the "Atco-Group" (TEUR 4,733) and "SpaceCannon" (TEUR 1,800). An impairment charge of TEUR 2,854 resulting from the shutdown of the lighting plant in Romania was also reported under this position. A further TEUR 970 represented an impairment charge to land and buildings owned by TridonicAtco Manufacturing Pty, Australia.

An extensive cost reduction programme – "Excellerate" – was launched during the second half of 2008/09 as a reaction to the economic crisis. The related expenses are reported under "restructuring".

"Gains/losses on sale" in 2008/09 were related primarily to the sale of former plant site in Spennymoor, Great Britain, which generated a gain of TEUR 17,367.

"Litigation" reflects the expenses for legal proceedings that have been pending since 2000/01, in which the position of the Zumtobel Group as the respondent was weakened following the revision of a legal interpretation by the Supreme Court.

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

2.6.4.4 Interest income and expense

Interest expense is related primarily to the current credit agreement, whereby the reduction reflects the general decline in interest rates. Moreover, interest expense for the prior year includes a bonus margin, transaction costs and loan commitment fees of TEUR 4,370 that are related to the refinancing of the 2001 consortium credit agreement. This position also includes the interest component of the lease for the new plant in England (TEUR 1,801; 2008/09: TEUR 1,731).

2.6.4.5 Other financial income and expenses

in TEUR	2009/10	2008/09
Interest component as per IAS 19 less income on plan assets	(4,165)	(2,830)
Foreign exchange gains and losses	642	(5,125)
Market valuation of financial instruments	(3,225)	(729)
Gains / losses on sale	(1)	(126)
Total	**(6,749)**	**(8,810)**

Foreign exchange gains and losses are comprised above all of effects from the valuation of receivables and liabilities denominated in currencies other than the euro.

The market valuation of financial instruments shows the results from the measurement of forward exchange contracts at the relevant market value as of the balance sheet date.

2.6.4.6 Income taxes

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

in TEUR	2009/10	2008/09
Current taxes	(3,265)	(4,572)
thereof current year	(3,640)	(4,483)
thereof prior years	375	(89)
Deferred taxes	(2,700)	(1,749)
Income taxes	**(5,965)**	**(6,321)**

The actual tax rate represents a weighted average of all companies included in the consolidation range. Although the Zumtobel Group recorded a pre-tax loss for the reporting year, taxable income in the individual jurisdictions resulted in the payment of taxes. The effective tax rate for the prior year was 22%.

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 and actual tax expense / income

in TEUR	2009/10	2008/09
Profit/loss before tax	**(60,960)**	**29,277**
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	**15,240**	**(7,319)**
Difference between calculated / actual tax expense	**21,205**	**(998)**
Increase in taxes based on	**(39,405)**	**(23,835)**
Non-deductible expenses	(21,084)	(5,623)
Foreign tax rates	(2,551)	(3,564)
Valuation discounts for deferred taxes	(12,579)	(10,860)
Subsequent payments	(178)	(439)
Other items	(3,013)	(3,349)
Decrease in taxes based on	**18,200**	**24,833**
Investment allowances and research grants	318	388
Foreign tax rates	3,642	3,613
Tax credits	0	163
Valuation discounts for deferred taxes	7,484	11,045
Tax-free income	1,576	5,634
Other items	5,180	3,990
Total tax expense	**(5,965)**	**(6,321)**

2.6.4.7 Results from discontinued operations

Results from discontinued operations comprise the subsequent effects from the termination of residential lighting activities at the end of the 2008/09 financial year (TEUR 112; 2008/09: TEUR 7,126). In 2008/09 this position also included a valuation adjustment to a purchase price receivable from a plant sold in a previous financial year. The results from discontinued operations did not generate any income tax liability.

2.6.4.8 Earnings per share

The calculation of earnings per share was based on the loss (2008/09: profit) recorded for the period.

The distribution to shareholders from reserves and annual results may not exceed the total profit reported on the individual financial statements of Zumtobel AG, which are prepared in accordance with Austrian corporate law (TEUR 7,000; 2008/09: TEUR 29,153; also see section 2.6.8.5).

Reconciliation of the number of Zumtobel shares outstanding (in 1.000 pcs.):

2009/10 Financial Year

in 1000 pcs.	Balance Sheet Date	Average
1 May 2009	**42.713**	**42.713**
Stock options - exercises	12	2
30 April 2010	**42,725**	**42,715**

2008/09 Financial Year

in 1000 pcs.	Balance Sheet Date	Average
1 May 2008	**44.592**	**44.592**
Share buyback	(1,944)	(1,025)
Stock options - exercises	65	51
30 April 2009	**42,713**	**43,618**

2.6.5 Notes to the Statement of Comprehensive Income

2.6.5.1 Foreign exchange differences

Foreign exchange differences occur in part when companies do not report in the euro and, in this connection, when the historical exchange rate on the date of initial consolidation differs from the rate in effect on the balance sheet date. Foreign exchange differences also arise from the translation of income statement items at the average monthly exchange rate and the rate on the balance sheet date. The retrospective application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) to goodwill resulted in a cumulative foreign currency adjustment of TEUR -23,682 to goodwill. Of this total, TEUR 11,376 were related to the prior year (2008/09: TEUR -11,487; also see section 2.6.6.1).

2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR 4,474 (2008/09: TEUR -10,295) on loans reflect long-term loans granted by the Group in SEK and GBP, which are classified as net investments in foreign operations in accordance with IAS 21.

2.6.5.3 Actuarial gain / loss

The actuarial loss is related primarily to the provision for pensions in Great Britain. It resulted chiefly from an increase in the present value of the defined benefit obligation (DBO) following the application of lower interest rates and an adjustment to the mortality tables. The actuarial loss for 2008/09 was related above all to a decline in plan assets attributable to the pension scheme in Great Britain.

2.6.5.4 Taxes

The change resulted from deferred taxes of TEUR -11,651 (2008/09: TEUR 5,964) that were recognised in accordance with IAS 19. The main component (TEUR -15,674) represents an impairment charge to deferred tax assets, which were recorded in earlier years for actuarial losses relating to the pension provision in Great Britain and will not be offset by sufficient taxable profit over the mid-term. The total change also involves deferred taxes of TEUR 357 on hedge accounting (2008/09: TEUR 568).

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

in TEUR	Thorn Lighting Group	Atco-Group	Staff-Group	Atco Singapore & Malaysia	Ledon Lighting Jennersdorf	Thorn India	Space-Cannon	Total
Goodwill before impairment	**547,639**	**4,733**	**427**	**569**	**1,722**	**499**	**0**	**555,589**
Disposal of goodwill from prior periods	(4,405)	0	0	0	0	0	0	(4,405)
FX effects	(23,513)	0	0	0	0	(59)	0	(23,572)
Impairment charges from prior periods	(271,648)	0	0	(569)	0	0	0	(272,217)
Goodwill after impairment April 2008	**248,073**	**4,733**	**427**	**0**	**1,722**	**440**	**0**	**255,395**
Goodwill from initial consolidation	0	0	0	0	0	0	3,021	3,021
FX effects	(11,466)	0	0	0	0	(21)	0	(11,487)
Impairment of goodwill 2009	0	(4,733)	0	0	0	0	(1,800)	(6,533)
Goodwill as of April 2009	**236,607**	**0**	**427**	**0**	**1,722**	**419**	**1,221**	**240,396**
Goodwill from initial consolidation	0	0	0	0	0	0	0	0
FX effects	11,325	0	0	0	0	51	0	11,376
Impairment of goodwill 2010	(66,630)	0	0	0	0	(470)	(1,221)	(68,321)
Goodwill as of April 2010	**181,302**	**0**	**427**	**0**	**1,722**	**0**	**0**	**183,451**

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

Goodwill	CGU
"Thorn Lighting Group" & "Staff-Group"	Lighting Segment
"Atco-Group"	Consolidated segment "Atco" of the Component Segment
"Atco Singapore & Malaysia"	TridonicAtco Sdn. Bhd. (Malaysia) and TridonicAtco (S.E.A.) Pte Ltd. (Singapore)
"Ledon Lighting Jennersdorf"	Ledon Lighting Jennersdorf GmbH (Austria)
"Thorn India"	Thorn Lighting India Ltd
"SpaceCannon"	Space Cannon VH SRL (Italy)

The last two financial years were shaped by the massive effects of the most severe global recession in more than 60 years. These developments had a particularly strong impact on the late cyclical lighting business of the Zumtobel Group. Revenues and earnings in the Lighting Segment were negatively affected above all by volume and price declines as well as substantial currency transaction effects. In this context and given the current volatility on capital markets, it can be assumed that the Lighting Segment will require some time to bring earnings back to the pre-crisis level. Accordingly, impairment charges totalling TEUR 66,630 were recognised to goodwill.

The goodwill in "Thorn Lighting India Ltd" (TEUR 470) and the remaining goodwill in "SpaceCannon" (TEUR 1,221) were written off in full because of the reduced expectations for future earnings in the wake of the economic crisis.

These impairment charges are allocated to the Lighting Segment for segment reporting.

The retrospective application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) resulted in a foreign exchange adjustment of TEUR 11,376 to goodwill in 2009/10 (2008/09: TEUR -11,487), which was recognised directly in equity. The prior year data were adjusted accordingly. These currency translation effects are allocated to the Lighting Segment for segment reporting.

In 2008/09 the declining market opportunities for magnetic ballasts led to the write-down of goodwill in the "Atco-Group" through an impairment charge of TEUR 4,733. An impairment charge of TEUR 1,800 was also recognised to the goodwill in "SpaceCannon".

2.6.6.2 Other intangible assets

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

2009/10 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2009	**38,772**	**54,886**	**93,658**
Foreign currency translation	148	634	782
Additions	1,582	14,130	15,712
Disposals	(861)	(1,906)	(2,767)
30 April 2010	**39,641**	**67,744**	**107,385**
Accumulated amortisation			
30 April 2009	**(27,797)**	**(16,192)**	**(43,989)**
Foreign currency translation	(79)	(258)	(337)
Scheduled depreciation	(2,737)	(8,417)	(11,154)
Impairment	(3,415)	(1,351)	(4,766)
Depreciation in discontinued operations	0	(235)	(235)
Disposals	1,282	727	2,009
30 April 2010	**(32,746)**	**(25,726)**	**(58,472)**
Net carrying amount 30 April 2009	**10,975**	**38,694**	**49,669**
Net carrying amount 30 April 2010	**6,895**	**42,018**	**48,913**

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38. The additions to acquisition cost are comprised almost entirely of capitalised development expenses (TEUR 14,130, 2008/09: TEUR 13,066). The development projects involve work on luminaire and control products, whereby TEUR 12,540 (2008/09: TEUR 12,935) were not yet available for use as of the balance sheet date.

The impairment charges in the above table were recognised to the "SpaceCannon" brand (TEUR 3,415) and to development costs (TEUR 1,351), and reflect the results of impairment tests.

2008/09 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2008	**32,078**	**42,073**	**74,151**
Foreign currency translation	(149)	(476)	(625)
Changes in the consolidation range	3,442	255	3,697
Additions	3,139	13,066	16,205
Disposals	(115)	0	(115)
Transfers	377	(32)	345
30 April 2009	**38,772**	**54,886**	**93,658**
Accumulated amortisation			
30 April 2009	**(23,641)**	**(9,875)**	**(33,516)**
Foreign currency translation	45	231	276
Changes in the consolidation range	(34)	(138)	(172)
Scheduled depreciation	(3,573)	(6,420)	(9,993)
Depreciation in discontinued operations	(709)	(272)	(980)
Disposals	115	282	397
30 April 2008	**(27,797)**	**(16,192)**	**(43,989)**
Net carrying amount 30 April 2008	**8,437**	**32,198**	**40,635**
Net carrying amount 30 April 2009	**10,975**	**38,694**	**49,669**

2.6.6.3 Property, plant and equipment

2009/10 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2009	**197,438**	**351,665**	**104,272**	**11,958**	**665,333**
Foreign currency translation	4,150	6,909	2,304	225	13,588
Changes in the consolidation range	0	0	250	0	250
Additions	3,317	7,920	5,350	17,092	33,679
Disposals	(1,849)	(10,022)	(5,525)	0	(17,396)
Transfers	409	13,704	1,104	(15,217)	0
30 April 2010	**203,465**	**370,176**	**107,755**	**14,058**	**695,454**
Accumulated amortisation					
30 April 2009	**(73,412)**	**(273,930)**	**(84,564)**	**0**	**(431,906)**
Foreign currency translation	(1,463)	(5,380)	(1,639)	0	(8,482)
Changes in the consolidation range	0	0	(136)	0	(136)
Scheduled depreciation	(6,702)	(19,797)	(7,191)	0	(33,690)
Impairment	(1,758)	(18)	(33)	(2,962)	(4,771)
Disposals	1,409	8,372	5,135	0	14,916
30 April 2010	**(81,926)**	**(290,753)**	**(88,428)**	**(2,962)**	**(464,069)**
Net carrying amount 30 April 2009	**124,026**	**77,735**	**19,708**	**11,958**	**233,427**
Net carrying amount 30 April 2010	**121,539**	**79,423**	**19,327**	**11,096**	**231,385**

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

Changes in the consolidation range reflect a change in the accounting method applied to Thorn Gulf, which was previously classified as an associated company.

The consortium credit agreement does not include the pledge of property, plant or equipment as security for loans.

The Group has incurred obligations of TEUR 3,234 (2008/09: TEUR 2,041) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings TEUR 19 (2008/09: TEUR 129), plant and machinery TEUR 2,875 (2008/09: TEUR 1,363) and other non-current assets TEUR 340 (2008/09: TEUR 549).

Construction in progress and prepayments made are classified as follows: land and buildings TEUR 2,569 (2008/09: TEUR 3,433), plant and machinery TEUR 8,173 (2008/09: TEUR 8,287) and other non-current assets TEUR 354 (2008/09: TEUR 237).

Impairment testing resulted in a TEUR 4,720 write-down to a building in Italy. This impairment charge includes TEUR 1,758 to "land and buildings" and TEUR 2,962 to "construction in progress and prepayments".

2008/09 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2008	**165,128**	**346,890**	**103,105**	**19,850**	**634,973**
Foreign currency translation	(3,511)	(6,224)	(1,201)	(2,589)	(13,525)
Changes in the consolidation range	930	1,489	840	3,279	6,538
Additions	5,055	10,235	5,205	43,115	63,610
Disposals	(4,640)	(16,079)	(5,166)	(33)	(25,918)
Transfers	34,476	15,354	1,489	(51,664)	(345)
30 April 2009	**197,438**	**351,665**	**104,272**	**11,958**	**665,333**
Accumulated amortisation					
30 April 2008	**(68,280)**	**(273,141)**	**(82,330)**	**0**	**(423,751)**
Foreign currency translation	805	4,829	1,151	0	6,785
Changes in the consolidation range	(239)	(905)	(459)	0	(1,603)
Scheduled depreciation	(5,464)	(19,579)	(7,630)	0	(32,673)
Impairment	(3,824)	0	0	0	(3,824)
Depreciation in discontinued operations	0	(743)	(123)	0	(866)
Disposals	3,590	15,609	4,827	0	24,026
30 April 2009	**(73,412)**	**(273,930)**	**(84,564)**	**0**	**(431,906)**
Net carrying amount 30 April 2008	96,848	73,749	20,775	19,850	211,222
Net carrying amount 30 April 2009	124,026	77,735	19,708	11,958	233,427

The additions in 2008/09 included the building in Spennymoor, Great Britain, which was acquired through a finance lease (TEUR 15,085).

2.6.6.4 Financial assets accounted for at equity

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

in TEUR	Staff Iberica 50,00%	Tridonic South Africa 49,99%	OLED GmbH & Co KG 51,00%	OLED Verwaltungs GmbH 49,00%	Thorn Gulf 60,00%	z-werkzeugbau gmbh 30,00%	Lexedis Lighting GmbH 50,00%	Total
30 April 2008	**2,606**	**1,135**	**0**	**0**	**1,705**	**1,040**	**0**	**6,486**
Net profit/loss for the period	(47)	20	0	0	1,304	(163)	0	1,114
Dividends	0	0	0	0	(162)	0	0	(162)
Elimination of interim profits	0	0	0	0	0	36	0	36
Foreign currency translation	0	52	0	0	335	0	0	387
30 April 2009	**2,559**	**1,207**	**0**	**0**	**3,182**	**913**	**0**	**7,861**
Additions	0	0	935	6	0	0	0	941
Change in accounting method	0	0	0	0	(3,182)	0	0	(3,182)
Net profit/loss for the period	(145)	82	(416)	(1)	0	(13)	0	(493)
Impairment	0	0	0	0	0	(900)	0	(900)
Dividends	0	(276)	0	0	0	0	0	(276)
Foreign currency translation	0	161	0	0	0	0	0	161
30 April 2010	**2,414**	**1,174**	**519**	**5**	**0**	**0**	**0**	**4,112**

The decrease in investments in associated companies resulted above all from a change in the accounting method applied to ThornGulf LLC, Dubai, which was included in the consolidated financial statements at equity up to 30 April 2009. Thorn Gulf LLC, Dubai, was fully consolidated as of 1 May 2009 following a change in the structure of voting rights and the subsequent attainment of control. In addition, an impairment charge was recognised to z-werkzeugbau gmbh during the reporting year to reflect reduced prospects for earnings.

The stake owned in OLED GmbH & CO KG totals 51%, but the share of earnings amounts to 85%. The requirements for control are not met because this company is managed by OLED Verwaltungs GmbH, a company in which the Zumtobel Group only holds 49%. The Zumtobel Group is therefore not able to exercise a controlling influence over OLED Verwaltungs GmbH or OLED GmbH & CO KG.

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 financial assets accounted for at equity (carrying amount: TEUR 434). In addition, material interim profits from the delivery of plant or equipment to Group companies are released over the useful life of these assets. The majority owners of z-werkzeugbau GmbH exercised their option to acquire the remaining 30% of the company during the third quarter of 2009/10. This option will become legally valid after a period of six months at the earliest.

The valuation of Lexedis Lighting GmbH at equity was discontinued because of the losses accumulated to date. The profit generated during the reporting year was offset against these losses. This valuation will be resumed if / when profits exceed the accumulated losses.

Profit/loss from financial assets accounted for at equity:

in TEUR	2009/10	2008/09
Net profit/loss for the period	(493)	1,114
Impairment	(900)	0
Interim profits on the sale of plant and equipment	0	36
Interim profits on the sale of the tool production segment ("Werkzeugbau")	434	434
Total	**(959)**	**1,584**

Current trade receivables due from associated companies totalled TEUR 1,963 as of 30 April 2010 (2008/09: TEUR 4,160); 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.

Key indicators for the associated companies are shown in the following table:

	Staff Iberica	Tridonic South Africa	OLED GmbH & Co KG	OLED Verwaltungs GmbH	z-werkzeugbau gmbh	Lexedis Lighting GmbH
in TEUR	50.00%	49.99%	51.00%	49.00%	30.00%	50.00%
30 April 2010						
Assets	3,066	1,487	384	6	3,362	1,964
Liabilities	652	313	84	(6)	2,670	3,514
Equity	2,414	1,174	300	12	692	(1,550)
Revenues	2,168	2,144	32	0	1,870	7,482
Net profit/loss for the period	(145)	82	(416)	(1)	(13)	20

	Staff Iberica	Tridonic South Africa	Thorn Gulf	z-werkzeugbau gmbh	Lexedis Lighting GmbH
in TEUR	50.00%	49.99%	60.00%	30.00%	50.00%
30 April 2009					
Assets	3,125	1,542	4,478	3,442	1,404
Liabilities	566	359	2,274	2,498	2,974
Equity	2,559	1,182	2,204	944	(1,569)
Revenues	2,707	2,178	7,994	6,231	3,803
Net profit/loss for the period	(47)	20	1,304	(163)	7

Deferred tax liabilities of TEUR 400 (2008/09: TEUR 557) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39.

2.6.6.5 Financial assets

Non-current financial assets resulted primarily from the sale of the former plant in Spennymoor during December 2008 (TEUR 7,948; 2008/09: TEUR 11,289). The proceeds on sale of GBP 20.4 million will be paid in five annual instalments, whereby the second instalment of GBP 3.2 million was transferred in March 2010. The receivable is secured by a mortgage on the sold property. This position also includes the non-current components of the cross-licensing agreement with the Philips Group as well as securities.

Current financial assets consist primarily of the current portion of the proceeds from the sale of the Spennymoor factory (TEUR 4,336) and the current portion of the cross-licensing agreement with the Philips Group.

In order to improve the explanatory power of this report and in contrast to 2008/09, all financial instruments are now reported under financial assets. This change led to the reclassification of financial assets totalling TEUR 19,644 (2008/09: TEUR 26,408) that were previously included under other assets. The prior year data were adjusted accordingly. The positive market values of derivatives are now also recorded under financial assets due to this change in presentation (also see section 2.6.10).

2.6.6.6 Other assets

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

in TEUR	30 April 2010	30 April 2009
Coverage capital for Group life insurance	3,350	3,423
Other	813	670
Other non-current assets	**4,163**	**4,093**
Prepaid expenses and deferred charges	5,677	4,870
Amounts due from tax authorities	17,463	12,244
Prepayments made	1,231	759
Other	8,232	5,010
Other current assets	**32,603**	**22,883**

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.

The amounts due from tax authorities consist chiefly of receivables arising from value added tax. The position „other" comprises maintenance materials and receivables arising from part-time work for older employees in Germany.

2.6.6.7 Deferred taxes

Deferred tax assets and deferred tax 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 2010		30 April 2009	
in TEUR	Assets	Liabilities	Assets	Liabilities
Other intangible assets	4	8,225	8	7,638
Property, plant and equipment	4,780	16,644	2,459	8,937
Financial assets	322	74	289	77
Inventories	3,865	177	3,957	206
Trade receivables	1,249	799	819	778
Other receivables	271	1,313	620	2,035
Non-current provisions	5,786	3,127	21,603	616
Other provisions	4,517	1,618	4,014	3,018
Trade payables	6	6,000	53	6,082
Loss carryforwards	109,753		102,123	0
Deferred tax credits or liabilities	**130,553**	**37,977**	**135,945**	**29,387**
Valuation discounts for deferred taxes	(70,234)		(69,463)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(26,425)	(26,425)	(20,254)	(20,254)
Deferred taxes	**33,894**	**11,552**	**46,228**	**9,133**

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 310,047 (2008/09: TEUR 277,852) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 16,705 (2008/09: TEUR 17,725) 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 applicable local country tax rate was used to calculate deferred taxes for Group companies. Deferred taxes on loss carryforwards are only capitalised if they are offset by deferred tax liabilities or if the utilisation of the loss carryforwards is sufficiently certain.

Deferred taxes of TEUR -11,294 (2008/09: TEUR 6,532) recognised under equity in 2009/10 include TEUR -11,651 related to actuarial losses on the provisions for pensions and severance compensation as required by IAS 19 as well as TEUR 357 for the hedging reserve.

2.6.6.8 Inventories

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

in TEUR	30 April 2010	30 April 2009
Raw materials	42,862	46,796
Gross value	*52,073*	*55,485*
Impairment charges	*(9,211)*	*(8,689)*
Work in process	3,686	3,012
Semi-finished goods	11,807	12,702
Gross value	*13,465*	*13,998*
Impairment charges	*(1,658)*	*(1,296)*
Merchandise	20,445	15,893
Gross value	*23,099*	*18,481*
Impairment charges	*(2,654)*	*(2,588)*
Finished goods	67,277	70,416
Gross value	*77,979*	*79,630*
Impairment charges	*(10,702)*	*(9,214)*
Inventories	**146,077**	**148,819**

Changes in the valuation adjustments to inventories that led to a decrease in income totalled TEUR 2,439 (2008/09: TEUR 1,693). Inventories with a combined value of TEUR 7,784 (2008/09: TEUR 7,703) were pledged as security for liabilities by the Australian Tridonic companies.

The Group has an off balance sheet commitment of TUSD 11,142 with a supplier to purchase LED modules, which must be fulfilled by 31 December 2010.

2.6.6.9 Trade receivables

in TEUR	30 April 2010	30 April 2009
Trade receivables gross	**202,054**	**197,687**
Valuation adjustments to receivables	(9,758)	(8,555)
Provision for customer bonuses and discounts	(18,647)	(19,754)
Trade receivables	**173,649**	**169,378**

Details on impairment charges to inventories are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts amounted to TEUR 45,465 as of 30 April 2010 (2008/09:TEUR 49,021).

2.6.6.10 Cash and cash equivalents

Cash and cash equivalents consist primarily of deposits at banks, cash on hand and checks. Of total bank deposits, TEUR 2 (2008/09: TEUR 412) are not available for discretionary use. The carrying amount of cash and cash equivalents corresponds to market value because of the terms of these funds.

2.6.6.11 Employee benefits (IAS 19)

The provisions for pensions and severance compensation represent post-employment benefits. Other provisions include miscellaneous non-current employee benefits as defined in IAS 19.
The reconciliation from the beginning balances to the ending balances is as follows:

	Post-employment benefits					
Defined benefit plans as per IAS 19	Pensions		Severance compensation		Other	
in TEUR	**2009/10**	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**
Beginning balance, net liability	**47,370**	**35,762**	**30,758**	**29,931**	**9,814**	**9,492**
Foreign currency translation & reclassification	994	(1,453)	0	0	540	(216)
Change in consolidation range & reclassifications	0	0	0	285	1	0
Changes recognised through profit or loss	3,279	1,492	2,913	2,981	2,455	2,230
thereof service cost	1,228	2,459	1,523	1,441	1,178	1,245
thereof subsequent service cost	0	0	0	0	699	548
thereof plan reductions and settlements	(182)	(1,908)	(170)	0	(40)	0
thereof interest expense	8,279	8,097	1,560	1,540	373	349
thereof expected income from plan assets	(6,046)	(7,156)	0	0	0	0
thereof actuarial loss	0	0	0	0	245	88
Payments	(7,490)	(8,349)	(3,221)	(2,900)	(1,297)	(1,692)
Actuarial loss / gain recognised to equity	13,115	19,918	2,189	461	0	0
Ending balance, net liability	**57,268**	**47,370**	**32,639**	**30,758**	**11,513**	**9,814**

The changes recognised through profit or loss are shown on the income statement. Interest expense and the expected income from plan assets are reported under financial results, while the other items are included under operating results as part of personnel expenses.

Detailed information on the actuarial losses recognised in equity is provided in the section on the IAS 19 reserve.

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2009/10	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**
Germany	5.3%	5.3%	-	-	2.0%	3.0%	1.8%	1.8%	60-65	1)
Great Britain	5.7%	6.6%	7.5%	7.5%	3)	3.5%	3.5%	3.3%	0	65/65
Switzerland	3.4%	3.5%	3.0%	3.0%	1.5%	1.5%	0.1%	0.3%	64/65	64/65
Norway	4.1%	4.1%	5.8%	5.8%	3.8%	3.8%	1.4%	1.5%	67/67	67/67
Sweden	3.5%	4.0%	-	-	-	-	2.0%	2.0%	65/65	65/65
Austria	4.8%	5.3%	-	-	3.3%	3.3%	-	-	60/65	2)
France	4.8%	5.3%	-	-	3.0%	3.0%	-	-	60/65	60/65
Italy	4.8%	5.3%	-	-	-	-	3.0%	3.0%	60/65	60/65
Australia	5.1%	6.0%	6.6%	-	3.5%	4.0%	0.0%	-	-	-

These calculations reflect the relevant mortality and invalidity tables as well as 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.

Note 3): The salary/wage trend is no longer applicable due to the closing of the pension plan at Thorn Lighting Ltd., Great Britain.

Pension obligations

Defined benefit pension plans have been implemented by the Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland. The German and Swedish plans 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 only used to meet performance obligations. The obligation remaining after the deduction of plan assets is recorded as a provision.

The pension plan at Thorn Lighting Ltd., Great Britain, was closed for new registrations as of 30 April 2009. The resulting positive effect (TEUR 1,908) was reported on the line "thereof plan reductions" in the prior year.

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 444 for the reporting year (2008/09: TEUR 396). The asset coverage calculated in accordance with Swedish law equalled 143% as of March 2010 (2008/09: 122%) for all participants in this plan. This coverage represents the difference between the insurance obligations and the fair 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 2010	30 April 2009
Obligations not financed through funds	*25,864*	*25,820*
Obligations financed through funds	*140,863*	*110,904*
Present value of defined benefit obligation (DBO)	166,727	136,724
Fair value of plan assets	(109,459)	(89,354)
Net liability as per balance sheet	**57,268**	**47,370**

The provision for pensions is allocated to the following countries:

Net liability

in TEUR	30 April 2010	30 April 2009
Germany	22,678	22,955
Sweden	3,186	2,865
Great Britain	31,044	20,729
Other	360	821
Net liability as per balance sheet	**57,268**	**47,370**

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

in TEUR	2009/10 DBO	 Plan assets	2008/09 DBO	 Plan assets
30 April 2009	**136,724**	**89,354**	**143,710**	**107,948**
Foreign currency translation	4,090	3,097	(12,801)	(11,348)
Service cost	1,228	0	2,459	0
Interest expense / income	8,278	6,046	8,097	7,156
Actuarial loss / gain recognised to equity	25,171	12,056	2,950	(16,967)
Plan reductions and settlements	(182)	0	(1,908)	0
Payments	(8,583)	(1,093)	(5,784)	2,565
30 April 2010	**166,727**	**109,459**	**136,724**	**89,354**

As of 30 April 2010 plan assets were comprised of international stocks (36%), fixed-interest securities (38%), alternative investments (14%) and cash and cash equivalents / real estate (12%). The actual income on plan assets equalled TEUR 18,102 (2008/09: loss of TEUR 9,811).

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

in TEUR	30 April 2010	30 April 2009	30 April 2008	30 April 2007	30 April 2006
Present value	166,727	136,724	143,710	175,381	190,840
Plan assets	(109,459)	(89,354)	(107,948)	(120,064)	(120,920)
Deficit	**57,268**	**47,370**	**35,762**	**55,317**	**69,920**

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 following table shows the decrease in the present value of the pension obligation as a result of experience-based adjustments:

in TEUR	30. April 2010	30. April 2009	30. April 2008	30. April 2007	30. April 2006
Decrease in present value of pension obligation	(180)	440	223	597	n.v.

Severance compensation obligations

These obligations are defined by law and require 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 2010	30 April 2009
Austria	29,231	27,582
France	2,161	2,114
Italy	1,247	1,062
Severance compensation obligation	**32,639**	**30,758**

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	2009/10	2008/09
30 April 2009	**30,758**	**29,931**
Changes in the consolidation range	0	285
Service cost	1,523	1,441
Interest expense / income	1,560	1,540
Actuarial loss / gain recognised to equity	2,189	461
Plan reductions and settlements	(170)	0
Payments	(3,221)	(2,900)
30 April 2010	**32,639**	**30,758**

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

in TEUR	30 April 2010	30 April 2009	30 April 2008	30 April 2007	30 April 2006
Present value	32,639	30,758	29,931	28,962	28,361

The following table shows the increase in the present value of the severance compensation obligation as a result of experience-based adjustments:

in TEUR	30. April 2010	30. April 2009	30. April 2008	30. April 2007	30. April 2006
Increase in present value of severance compensation obligations	208	490	469	381	n.v.

IAS 19 Reserve

The following table shows the development of actuarial gains and losses, including deferred taxes, which were recognised in equity:

	Pensions	Severance compensation	Total
30 April 2008	**13,299**	**(1)**	**13,298**
Actuarial loss / gain	19,918	461	20,379
Foreign currency translation	(2,595)	0	(2,595)
Deferred taxes	(5,849)	(115)	(5,964)
30 April 2009	**24,773**	**345**	**25,118**
Actuarial loss / gain	13,115	2,189	15,304
Foreign currency translation	2,786	0	2,786
Deferred taxes	12,127	(477)	11,650
30 April 2010	**52,801**	**2,057**	**54,858**

Deferred taxes of TEUR -11,651 (2008/09: TEUR 5,964) were recorded directly in equity. They resulted above all from the reversal of deferred tax assets recognised in earlier years on actuarial losses relating to the pension provision in Great Britain. The reversal in 2009/10 reflects the fact that this company is not expected to generate sufficient taxable profit over the mid-term to utilise these deferred tax assets.

Other long-term employee benefits

These obligations total TEUR 11,513 (2008/09: TEUR 9,814) and comprise the provisions for service anniversary bonuses and part-time work for older employees in Austria and Germany as well as special leave 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 64 (2008/09: TEUR 26) in the obligation.

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

2.6.6.12 Defined contribution obligations

Payments of TEUR 5,093 (2008/09: TEUR 4,128) were made during the reporting year in connection with various defined contribution plans. The new severance compensation directive in Austria is also included here.

2.6.6.13 Other provisions

2009/10 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2009	**7,798**	**17,163**	**2,302**	**1,316**	**6,859**	**35,438**
Addition	11,012	3,775	4,162	219	4,758	23,926
Utilisation	(3,620)	(13,173)	(1,083)	(986)	(4,745)	(23,607)
Reversal	(190)	(1,329)	0	(101)	(888)	(2,508)
Foreign currency translation	211	170	124	2	113	620
30 April 2010	**15,211**	**6,606**	**5,505**	**450**	**6,097**	**33,869**
thereof current	*15,211*	*6,606*	*5,505*	*450*	*5,284*	*33,056*
thereof non-current	*0*	*0*	*0*	*0*	*813*	*813*

Provision for guarantees
The provisions for guarantees are classified into separate provisions of TEUR 12,637 (2008/09: TEUR 5,680) for individual items as well as provisions of TEUR 2,574 (2008/09: TEUR 2,118) 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 additions to and use of provisions created for restructuring measures implemented as part of the "Excellerate" efficiency improvement programme.

Provisions for legal proceedings
This item consists primarily of a TEUR 4,155 claim by a social security carrier that is pending at court.

Onerous contracts
The addition to the provision for onerous contracts is related to an office building in the USA as well as a sales office in Norway. The amounts shown on the line "utilisation" reflect the provisions created in 2008/09 for a sales office in Ireland and an office building in Austria.

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.

2008/09 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2008	**8,451**	**632**	**2,112**	**4,936**	**5,890**	**22,021**
Addition	4,719	19,475	463	1,316	4,568	30,541
Reversal / Utilisation	(5,395)	(3,035)	(279)	(4,921)	(3,646)	(17,276)
Changes in the consolidation range	0	0	0	0	79	79
Foreign currency translation	23	91	6	(15)	(32)	74
30 April 2009	**7,798**	**17,163**	**2,302**	**1,316**	**6,859**	**35,438**
thereof current	*7,798*	*17,163*	*2,302*	*1,316*	*5,955*	*34,534*
thereof non-current	*0*	*0*	*0*	*0*	*904*	*904*

2.6.6.14 Financial liabilities

in TEUR	30 April 2010	30 April 2009
Loans from financial institutions	681	1,988
Finance leases	183	183
Loans from public authorities	745	1,693
Loans from other third parties	57	468
Working capital credits	3,141	12,554
Current borrowings	**4,807**	**16,886**
Loans from financial institutions	192,509	193,523
Finance leases	19,497	19,462
Loans from public authorities	2,308	2,447
Loans from other third parties	134	168
Non-current borrowings	**214,448**	**215,600**
Borrowings	**219,255**	**232,486**

The Group concluded a major financing agreement with a consortium of seven banks on 12 June 2008, which has a maximum volume of EUR 480 million and a term ending in June 2013. The amount drawn as of 30 April 2010 remained unchanged in comparison with the prior year, i.e. EUR 186 million. The remaining credit line of EUR 294 million is available to finance growth projects and acquisitions, but is not in use at the present time.

2.6.6.15 Finance leases

in TEUR	Expenses 2009/10	< 1 year	1 - 5 years	> 5 years	Total Liability	Net carrying amount assets
		Minimum lease payments				
		Future payments				
Land & buildings	1,838	1,838	7,993	36,032	45,863	12,655
Plant & machinery	55	55	95	0	150	149
Other equipment	0	122	0	0	122	192
Total minimum lease payments	**1,893**	**2,015**	**8,088**	**36,032**	**46,135**	**12,996**
Net minimum lease payments	1,893	2,015	8,088	36,032	46,135	
Less: finance charge = Interest expense	1,833	1,832	7,294	17,330	26,456	
Present value of net minimum lease payments	60	183	794	18,702	19,679	
Future minimum sublease-payments to be received under non-cancellable contracts	**256**	**256**	**1,111**	**5,089**	**6,456**	

There are no conditional lease payments for finance leases.

In 2008/09 a GBP 15.7 million finance lease was concluded for the plant building in Spennymoor. This lease has a term of 21 years, whereby no payments were due in the first year. The net present value of the minimum lease payments totalled TEUR 19,401 as of 30 April 2010 (2008/09: TEUR 19,208).

2.6.6.16 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:

in TEUR	Expenses 2009/10	< 1 year	1 - 5 years	> 5 years	Total
		Future payments to third parties			
Minimum lease payments based on non-cancellable leases	17,819	14,700	26,130	3,802	44,632
Less payments received from leases and sub-leases	586	585	1,518	3,580	5,683
Net minimum lease payments	**17,233**				

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from 12 months to 25 years, depending on the object and contract.

2.6.6.17 Other liabilities

The major components of other current liabilities are as follows:

in TEUR	30 April 2010	30 April 2009
Vacations, comp. in free time, special payments to employees	41,318	39,298
Amounts due to employees	13,231	10,032
Miscellaneous taxes	17,131	13,403
Social security	5,573	5,399
Prepayments received	12,949	11,903
Accrued interest	18	396
Deferred income	1,332	1,839
Derivatives (hedge accounting)	5,219	2,307
Derivatives held for trading	5,428	2,302
Customs	1,789	1,303
Other liabilities	10,198	9,400
Other current liabilities	**114,186**	**97,582**

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

2.6.7 Notes to the Cash Flow Statement

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

In agreement with the indirect method, operating profit is adjusted for the effects of non-cash transactions (e.g. depreciation and amortisation) as well as income and expenses that relate to investing or financing activities. Depreciation and amortisation include the respective scheduled expenses for the reporting period (TEUR 44,845) as well as impairment charges to goodwill (TEUR 68,321) and other impairment charges (TEUR 9,536). Additional information on the impairment charges to goodwill is provided in section 2.6.6.1.

The amounts recognised under equity in accordance with IAS 19, IAS 21 and IAS 39 are included in the cash flow statement under the changes to the relevant balance sheet items.

Cash flow from operating activities fell by TEUR 32,180 year-on-year, primarily due to a decline in operating profit. However, cash flow from operating activities was clearly positive (TEUR 81,963; 2008/09: TEUR 114,143) due to a further reduction in working capital. The change in other current and non-current assets and liabilities resulted above all from the receivable arising from the cross-licensing agreement, a change in other taxes receivable and payable, and a increase in vacation liabilities.

The initial consolidation balance sheet of Thorn Gulf was included in the calculation of cash flow following a change in the method used to consolidate this company. As a result of this change in presentation, certain positions under cash flow from operating activities differ from the increases or decreases in the respective balance sheet items.

Cash flow from investing activities was TEUR 13,543 lower than the comparable prior year value. This decrease resulted primarily from the acquisition activity in the previous year as well as higher cash outflows for plant and equipment at the new Spennymoor plant in 2008/09. The proceeds from the sale of non-current assets include, among others, the instalment payment on the sale of a factory in the previous year. Cash outflows for plant and equipment consist chiefly of capitalised research and development costs as well as investments in production equipment for the plants in Dornbirn, Lemgo and Spennymoor. No investments were made in financial assets during the reporting year or prior year.

The improvement in cash flow from financing activities to TEUR -7,542 for the reporting period (2008/09: TEUR -86,486) resulted, in particular, from the waiver of the dividend, a share buyback in 2008/09 and lower interest expense.

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.

2.6.7.1 Transition to cash and cash equivalents

in TEUR	30 April 2010	30 April 2009
Liquid funds	97,308	69,008
Not available for disposal	(3)	(412)
Overdrafts	(3,141)	(12,643)
Cash and cash equivalents	**94,164**	**55,953**

Cash and cash equivalents do not include funds that are subject to restrictions on disposal.

2.6.8 Notes to the Statement of Changes in Equity

2.6.8.1 Share capital

Capital decrease through withdrawal of own shares
The annual general meeting on 24 July 2009 approved a capital decrease through the withdrawal of treasury shares. This measure took effect on 20 August 2009 with recording in the company register. The withdrawal of 1,204,344 treasury shares reduced the company's share capital from EUR 111,760,860 to EUR 108,750,000. Share capital is now divided into 43,500,000 bearer shares with zero par value (previously 44,703,344 shares). Zumtobel 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 AT0000837307. The company has no shares that carry special preferred rights or control rights. A total of 42,725,043 shares were outstanding as of 30 April 2010 (2008/09: 42,713,233). As part of the employee stock participation programme, 11,810 options were exercised during 2009/10.The company held 774,957 treasury shares as of 30 April 2010.

Authorised capital and conditional capital increase
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 2010.

Furthermore, the annual general meeting 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

2.6.8.2 Additional paid-in capital

Additional paid-in capital includes the appropriated and non-appropriated capital of Zumtobel AG. This item also includes transaction in treasury shares, e.g. the cash change resulting from the exercise of stock options (exercise price).

2.6.8.3 Reserves

Other reserves
This position includes profit carried forward.

Currency translation reserve
This reserve includes the currency differences resulting from the application of the historical exchange rate on the date of initial consolidation and the exchange rate in effect on the balance sheet date for companies that do not report in the euro as well as differences resulting from the translation of the income statement at the monthly average exchange rate and the exchange rate in effect on the balance sheet date. Also included here are the currency differences arising from long-term Group loans granted in SEK and GBP, which are classified as net investments in foreign operations in accordance with IAS 21 (also see section 2.6.5.1 and 2.6.5.2).

Hedge accounting
The changes in equity from the application of hedge accounting reflect the changes in the fair value of derivative contracts that are recorded directly in equity as well as amounts transferred from equity to profit or loss following the exercise or realisation of contracts and the related deferred taxes (also see section 2.2).

IAS 19 Reserve
Also see section 2.6.6.11 for information on IAS 19 actuarial losses.

Reserve for stock options
Additional information on the reserve for stock option is provided in section 2.6.8.4.

2.6.8.4 Stock option programme

The Zumtobel Group has a share-based compensation programme for key managers, the Matching Stock Programme (MSP). Moreover, a stock option programme (SOP) was in effect up to 2008.

SOP (Stock Option Programme)
The Zumtobel Group had a share-based compensation programme from 2004 to 2008, the Stock Option Programme (SOP), which was replaced by the MSP in 2008. Options are no longer granted from the SOP, but the exercise period is open up to 2015. This exercise period contains a number of exercise slots, whereby the company has reserved the right to close the exercise periods prematurely. Each option carries the right to purchase one share at a fixed price.

MSP (Matching Stock Programme)
The MSP was introduced in connection with the initial public offering of Zumtobel AG on 1 May 2006. In order to participate in the MSP, an eligible manager must deposit a certain number of shares ("MSP shares") in blocked deposit; these shares represent the individual investment. The maximum total investment by the 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, while the terms of the individual segments equal two years. Each segment granted to the key managers comprises eight-times the number of shares invested in the respective programme. This multiplied value is credited to a bank account opened for the participants in the form of so-called

phantom stocks, and a base price (60-day average share price on the date of granting + 10%) is assigned. The options are granted at the beginning of the financial year. They are exercised automatically two years after granting, whereby the base price of the segment is compared with the 60-day average share price (strike price) on the exercise date. The difference multiplied by the number of phantom shares represents the MSP gross profit. This profit is used to purchase shares at the strike price, which are credited to the managers. If the increase in value is less than or equals zero, no shares are granted. The manager may dispose freely over the shares after a waiting period of two years.

The SOP and MSP options are not transferrable. There is no retention period for shares purchased with SOP options, but a retention period of two years under the MSP.

The options are valued in accordance with the Black-Scholes model.

The major parameters for the MSP are as follows:

- Market price per share: EUR 7.26 (2008/09: EUR 20.49)
- Basis price MSP: EUR 6.69 (2008/09: EUR 22.54)
- Expected volatility: 52.03% (2008/09: 37.5%) per year
- Risk-free interest rate: 1.728% per year (2008/09: 4.56% per year)
- Dividend yield: 0% per year
- Exercise price SOP: EUR 7.50 for eligible participants FY 03/04; EUR 11.55 and 14.22 FY 04/05; EUR 16.60 FY 05/06 and FY 06/07
- Term: SOP up to 30 April 2015

The expected volatility was calculated on the basis of the historical volatility over the past two years.

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 (average TEUR 14,192) during the 2006/07 financial year. In 2008/09 239,211 of these treasury shares were used for the stock option programme.

The development of treasury shares for the stock option programmes is shown in the following table:

in pcs.	Total
Share buyback (to 30 April 2009)	1,039,211
Exercised (to 30 April 2009)	(752,444)
30 April 2009	**286,767**
Exercised	(11,810)
30 April 2010	**274,957**

The exercise price payable by employees in 2009/10 equalled TEUR 89 (average price of EUR 7.50 per share). A total price of TEUR 5,929 was paid for the 764,254 shares previously exercised (average price of EUR 7.80 per share). This amount was credited to additional paid-in capital.

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 2009	**15,985**	**1,732**	**17,717**
Addition through profit or loss	-	1,213	1,213
Forfeited	-	(1,660)	(1,660)
30 April 2010	**15,985**	**1,285**	**17,270**

The addition to the MSP through profit or loss will be accrued over two years, whereby the accrual for 2009/10 equalled TEUR 1,213. In 2009/10 management waived its rights to the options granted from the MSP I (Segment 3), MSP II (Segment 2) and MSP III (Segment 1) in 2008/09. This waiver was recognised to the income statement (TEUR 1,660) for the reporting year.

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

	SOP		MSP	
	2009/10	**2008/09**	**2009/10**	**2008/09**
Granted options - beginning balance	**276,073**	**355,609**	**568,584**	**764,192**
New grants	0	0	675,488	634,280
Exercised	(11,810)	(64,625)	0	0
Canceled	(24,713)	(14,911)	(280,840)	(437,584)
Forfeited	0	0	(515,056)	(392,304)
Granted options - ending balance	**239,550**	**276,073**	**448,176**	**568,584**
Thereof eligible for exercise	*239,550*	*276,073*	*0*	*0*

The following table shows the exercise prices for the options that were granted from the SOP, but not yet exercised:

	2007/08	2006/07	2005/06	2004/05	2003/04	Total
Exercise price 7.5	73,910	52,026	43,272	23,105	19,649	211,962
Exercise price 11.5	320	640	640	384	0	1,984
Exercise price 14.2	5,080	10,160	6,320	1,644	0	23,204
Exercise price 16.6	1,360	1,040	0	0	0	2,400
Total options granted	**80,670**	**63,866**	**50,232**	**25,133**	**19,649**	**239,550**

2.6.8.5 Dividend

The Management Board is cautiously optimistic concerning the development of business in 2010/11 and expects an improvement in revenues and operating earnings for the Zumtobel Group as a whole. Against this backdrop, the Management Board will make a recommendation to the Supervisory Board, and subsequently to the annual general meeting on 23 July 2010, calling for the distribution of a EUR 0.15 dividend per share.

The annual general meeting on 24 July 2009 approved the waiver of a dividend for the 2008/09 financial year.

2.6.9 Equity management

The fundamental goals of equity management in the Zumtobel Group are to support the continued existence of the company, to ensure an adequate return on equity and, under the constraints of these two goals, to regularly distribute dividends at a payout ratio of 30 – 50% of Group earnings whenever possible. 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 decrease 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. Gearing equalled 33.8% in 2009/10 (2008/09: 35.9%). The EUR 480 million financing agreement concluded in June 2008 requires compliance with specific financial covenants, i.e. a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%. These covenants were met in full as of 30 April 2010.

2.6.10 Financial instruments

2.6.10.1 Categories of financial instrument as defined in IAS 39

The financial instruments used by the Zumtobel Group are classified as follows, based on the categories defined in IAS 39:

Definition of the categories of financial instruments:

- at FV/P&L – measured at fair value through profit or loss
- HFT – held for trading
- HTM – held to maturity
- L&R – loans and receivables
- Hedge accounting
- Cash – liquid funds
- Financial liabilities measures at amortised cost

Various balance sheet positions also include assets and liabilities that are not classified as financial instruments in accordance with IAS 32 (non-FI). Examples of such items are accruals, suppliers with debit balances and social security or tax payments.

The fair value of current financial instruments reflects the carrying amount of these items because of their short term. Since the interest rates on all loans from financial institutions were converted to variable rates as of 30 June 2008, the carrying amount of non-current financial liabilities also reflects fair value.

2009/10 Financial Year

Assets

in TEUR	Carrying amount	Fair Value	HFT	HTM	at FV/PL	L&R	Hedge Accounting	Cash
Non-current financial assets	11,236	11,236		11	546	10,679		
Securities and similar rights	*557*			*11*	*546*			
Loans received and originated	*10,679*					*10,679*		
Current financial assets	16,706	16,706	6,209	8	2	8,981	1,506	
Securities and similar rights	*27*			*8*	*2*	*17*		
Loans received and originated	*7,145*					*7,145*		
Positive market values of derivatives held for trading	*6,209*		*6,209*					
Positive market values of derivatives (hedge accounting)	*1,506*						*1,506*	
Other	*1,819*					*1,819*		
Trade receivables	173,649	173,649				173,649		
Liquid funds	97,308	97,308						97,308
Total	298,899	298,899	6,209	19	548	193,309	1,506	97,308

Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	214,448	214,448		214,448		
Loans received and originated	*194,951*			*194,951*		
Finance leases	*19,497*			*19,497*		
Current borrowings	4,807	4,807		4,807		
Loans received and originated	*4,624*			*4,624*		
Finance leases	*183*			*183*		
Trade payables	130,560	130,560		130,560		
Other current liabilities	114,186	114,186	5,428	18	5,219	103,521
Negative market values of derivatives held for trading	*5,428*		*5,428*			
Negative market values of derivatives (hedge accounting)	*5,219*				*5,219*	
Other	*103,539*			*18*		*103,521*
Total	464,001	464,001	5,428	349,832	5,219	103,521

The carrying value of non-current loans received and originated reflects fair value because most of these items (TEUR 186,000) carry a variable interest rate, i.e. this rate does not differ from the current market rate. Fixed-interest loans received and originated include TEUR 2,308 of subsidised loans, whose interest rates differ immaterially from the current market rate. The differences between the interest rates on the remaining fixed-interest rate loans received and originated and the current market interest rates are negligible.

2008/09 Financial Year

Assets

in TEUR	Carrying amount	Fair Value	HFT	HTM	at FV/PL	L&R	Hedge Accounting	Cash	Non-FI
Other non-current assets	4,093	4,093							4,093
Non-current financial assets	11,967	11,967		11	613	11,343			
Securities and similar rights	*624*			*11*	*613*				
Loans received and originated	11,343					11,343			
Current financial assets	15,084	15,084	6,711	9	49	8,028	287		
Securities and similar rights	*21*			*9*		*12*			
Positive market values of derivatives held for trading	*6,540*		*6,540*						
Positive market values of derivatives (hedge accounting)	287						287		
Other	8,236		171		49	8,016			
Trade receivables	169,378	169,378				169,378			
Other current assets	22,883	22,883							22,883
Liquid funds	69,008	69,008						69,008	
Total	**292,413**	**292,413**	**6,711**	**20**	**662**	**188,749**	**287**	**69,008**	**26,976**

Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	215,600	215,600		215,600		
Loans received and originated	*196,138*			*196,138*		
Finance leases	*19,462*			*19,462*		
Current borrowings	16,886	16,886		16,886		
Loans received and originated	16,703			16,703		
Finance leases	183			183		
Trade payables	*109,895*	*109,895*		*109,895*		
Other current liabilities	97,582	97,582	2,302	944	2,307	92,029
Negative market values of derivatives held for trading	*2,302*		*2,302*			
Negative market values of derivatives (hedge accounting)	*2,307*				*2,307*	
Other	*92,973*			*944*		*92,029*
Total	**439,963**	**439,963**	**2,302**	**343,325**	**2,307**	**92,029**

2.6.10.2 Income / expense on financial instruments (IAS 39 valuation categories)

in TEUR	2009/10	2008/09
Net gains or net losses	**(2,584)**	**(5,980)**
Financial Liabilities Measured at Amortised Cost	642	(5,125)
Held for Trading	(3,225)	(729)
At fair value through P/L	(1)	(126)
Interest expense	**(10,187)**	**(22,638)**
Interest expense for financial assets measured at amortised cost	(8,483)	(22,592)
Interest expense held for trading	(1,704)	(46)
Interest income	**2,111**	**2,116**
Interest income at amortised cost	1,982	1,925
Interest income Hedge Accounting	129	191
Decrease in value	**2,097**	**962**

Other financial income and expense (TEUR -6,749; 2008/09: TEUR -8,810) includes net income or expense (TEUR -2,584; 2008/09: TEUR -5,980) as well as the interest component as defined in IAS 19 less the income on plan assets (TEUR -4,165; 2008/09:TEUR -2,830).

Net income / expense as well as the total interest expense and income are included under financial results, while the decrease in value is reported under operating earnings.

Additional impairment charges were not recognised to the other classes of financial instruments.

2.6.11 Information on Risk Management

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 1.12 of the management report.

2.6.11.1 Credit risk

- Trade 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 customers and financial institutions. As in the prior year, losses on receivables amounted to less than 0.1% of Group revenues in 2009/10. The 10 largest customers were responsible for 20% of revenues in the reporting year (2008/09: 16 %).

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.

The valuation adjustments to trade receivables reflect actual cases or experience, and developed as follows:

in TEUR	30 April 2010	30 April 2009
Beginning balance	**8,555**	**8,569**
Addition	3,354	4,344
Utilisation	(1,614)	(527)
Reversal	(537)	(3,831)
Ending balance	**9,758**	**8,555**

In individual cases, valuation adjustments were recognised to reflect possible default. These individual charges are based on the classification of receivables into doubtful and non-doubtful. Impairment charges of between 20 and 50% are recognised to non-doubtful receivables that are overdue more than 60 days. Doubtful receivables are generally written down by at least 60%. In addition, a 1% valuation adjustment of TEUR 962 (2008/09: TEUR 930) was recognised to cover losses on receivables, which had occurred but were not yet known. Insured receivables are deducted from the basis for the calculation of impairment charges.

The age structure of trade receivables is shown below

	30 April 2010		30 April 2009	
in TEUR	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	166,037	537	165,844	1,049
Overdue 1(60) days	19,681	484	17,087	597
Overdue 61(90) days	2,260	459	4,015	436
Overdue 91(180) days	3,422	1,033	2,298	540
Overdue > 180 days	10,654	7,245	8,443	5,933
Total	**202,054**	**9,758**	**197,687**	**8,555**

Receivables totalling TEUR 19,659 (2008/09: TEUR 16,918) are overdue (1-60 days) but were not reduced through valuation adjustments. Appropriate valuation adjustments were recognised to all other overdue receivables. The nominal value of trade includes TEUR 6,742 (2008/09: 6,592TEUR) of doubtful receivables; TEUR 6,564 (2008/09: TEUR 6,083) of this amount are overdue more than 180 days and were adjusted at a total of TEUR 5,326 (2008/09: EUR 4,931).

>> 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 systemically relevant banks.

>> Outstanding credit risk

D The maximum risk represents the carrying amount of financial instruments, and totalled TEUR 298,899 as of 30 April 2010 (2008/09: TEUR 292,413). This amount is comprised primarily of trade receivables and liquid funds.

2.6.11.2 Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet its current and/or future payment obligations in full or on a timely basis. In order to ensure the ability to meet these obligations at any time, the Zumtobel Group maintains liquidity reserves in the form of demand deposits with banks to service expected operating expenses and financial liabilities. The Group also has extensive working capital credits that allow it to offset seasonal liquidity fluctuations, both in specific months and during the course of the year. Therefore, the Zumtobel Group is not exposed to any material liquidity risks in connection with short-term financing.

As of 30 April 2010 liquidity was secured through funds provided by the long-term consortium financing agreement (see section 2.6.6.14) as well as short-term unsecured lines of credit totalling TEUR 112,389 (2008/09: TEUR 147,056). Further improvements in cash management (cash pooling and netting) made it possible for the Group to cancel or reduce unnecessary credit lines. The interest rates are dependent on local market circumstances and reflect ordinary conditions in the relevant countries.

The future payments reflect the periods in which the cash flows are expected to occur and will presumably have an impact on the income statement. The following table shows the payments (principal and interest) that will result from financial liabilities recognised as of 30 April 2010.

30 April 2010

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	219,255	247,581	9,161	202,388	36,032
Loans from financial institutions	*193,189*	*194,315*	*2,664*	*191,651*	*0*
Loans from public authorities	*3,053*	*3,798*	*1,284*	*2,514*	*0*
Loans from other third parties	*192*	*192*	*57*	*135*	*0*
Finance leases	*19,680*	*46,135*	*2,015*	*8,088*	*36,032*
Working capital credits	*3,141*	*3,141*	*3,141*	*0*	*0*
Trade payables	130,560	130,560	130,560	0	0
Other current liabilities	114,186	114,500	114,500	0	0
Derivatives held for trading	*5,428*	*5,656*	*5,656*	*0*	*0*
Derivatives (hedge accounting)	*5,219*	*5,305*	*5,305*	*0*	*0*
Other financial instruments	*18*	*18*	*18*	*0*	*0*
Liabilities Non-FI	*103,521*	*103,521*	*103,521*	*0*	*0*
Liquidity risk	*464,001*	*492,642*	*254,221*	*202,388*	*36,032*

30 April 2009

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	232,486	270,659	22,650	210,486	37,523
Loans from financial institutions	*195,511*	*205,916*	*5,663*	*200,253*	*0*
Loans from public authorities	*4,140*	*4,352*	*1,997*	*2,355*	*0*
Loans from other third parties	*636*	*636*	*468*	*168*	*0*
Finance leases	*19,645*	*47,201*	*1,968*	*7,710*	*37,523*
Working capital credits	*12,554*	*12,554*	*12,554*	*0*	*0*
Trade payables	109,895	109,895	109,895	0	0
Other liabilities	97,582	97,788	97,788	0	0
Derivatives held for trading	*2,302*	*2,484*	*2,484*	*0*	*0*
Derivatives (hedge accounting)	*2,307*	*2,331*	*2,331*	*0*	*0*
Other financial instruments	*944*	*944*	*944*	*0*	*0*
Liabilities Non-FI	*92,029*	*92,029*	*92,029*	*0*	*0*
Liquidity risk	**439,963**	**478,342**	**230,333**	**210,486**	**37,523**

The future cash flows from derivatives with positive market values are as follows:

30 April 2010

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Financial assets	7,715	7,746	5,599	2,147	0
Derivatives (hedge accounting)	*1,506*	*1,488*	*1,488*	*0*	*0*
Derivatives held for trading	*6,209*	*6,258*	*4,111*	*2,147*	*0*

30 April 2009

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Financial assets	6,826	6,908	5,986	922	0
Derivatives (hedge accounting)	*287*	*287*	*287*	*0*	*0*
Derivatives held for trading	*6,539*	*6,621*	*5,699*	*922*	*0*

No securities have been pledged as collateral.

2.6.11.3 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. Derivative transactions are concluded only with systemically relevant banks in order to minimise the credit risk associated with hedges. The use of derivative financial instruments is regulated by the hedging policy that was revised in January 2009 and approved by the Supervisory Board.

Hedging activities focus primarily on cash flows, shifts in market prices that result from exchange rate fluctuations and changing raw material prices. In these cases, the relevant positions are hedged for a period of two to three quarters on a rolling basis. This method leads to a relatively constant volume of hedges, but smoothes foreign exchange exposure.

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.

The amount currently outstanding under the consortium credit agreement (EUR 186 million) is considered long-term because of its maturity date on 13 June 2013. However, this credit also carries a variable interest rate (EURIBOR money market interest rate). Medium-term financial planning calls for an extension of this external financing beyond June 2013 to equalise the ratio of debt to equity on the Zumtobel Group balance sheet.

In order to reduce the resulting interest rate risk, interest rate swaps with a total volume of approx. EUR 102 million were concluded with various banks (including approx. EUR 20 million as a cross-currency swap with payment obligations in Swiss francs). The swaps represent approx. 55% of the long-term credit volume currently outstanding. These instruments are structured over various terms (up to June 2015 at the latest), and convert the variable interest payments on the financing into fixed interest payments or limit the interest rate to a maximum of 3.34%. The euro-denominated interest rate swaps with fixed interest rates qualify for hedge accounting as defined in IAS 39. The effectiveness of these hedges is demonstrated by the hypothetical derivative method. The foreign exchange component of the cross-currency swap with payment obligations in Swiss francs meets the requirements of IAS 21 for a hedge of a net investment in a foreign operation. The components with a capped interest rate are reported as derivatives held for trading.

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2009/10
EUR	62,000	(3,592)
EUR	20,000	(1,134)
CHF	28,728	(41)
Negative market values of interest rate hedging instrument (hedge accounting)		**(4,767)**
Negative market values of foreign exchange hedging instrument (hedge accounting)		**(452)**
Negative market values of derivatives (hedge accounting)		**(5,219)**

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2008/09
EUR	62,000	(2,307)

The interest rate hedges reported as of 30 April 2009 were reversed through profit or loss in 2009/10.

>> 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 2010	30 April 2009
Borrowings	(33,256)	(46,486)
Fixed rate instruments	**(33,256)**	**(46,486)**
Financial assets	26,123	26,552
Liquid funds	97,308	69,008
Borrowings	(186,000)	(186,000)
Variable rate instruments	**(62,569)**	**(90,440)**
Total	**(95,825)**	**(136,926)**

Within the context of the consortium credit agreement, the interest rate was converted from the variable OeKB ("Oesterreichische Kontrollbank AG") floating interest rate to a EURIBOR-based money market interest rate as of 31 December 2009.

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

For variable interest instruments, a change of 100 basis points in the interest rate would result in a change of TEUR 892 (2008/09: TEUR 1,199) in interest income or interest expense on the income statement. 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 the interest rate swap, a change of 100 basis points in the interest rate would result in an opposite change of TEUR 1,068 (2008/09: TEUR 475) to equity.

Foreign exchange risk

Most of the foreign exchange hedges had a remaining term of less than one year as of the balance sheet date on 30 April 2009. The Group generally uses 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.

Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met. The only forward exchange contracts that qualify for hedge accounting were concluded to cover a specific procurement agreement (positive market value of TEUR 1,507 as of 30 April 2010; negative market value of TEUR -452 as of 30 April 2010), i.e. a long-term procurement contract for USD-based components.

>> Sensitivity analysis

The following information illustrates the sensitivity of an increase in the euro over the relevant foreign currency from the Group point of view. All financial instruments reported on the balance sheet as of 30 April 2010 (including internal financing instruments) are included in the calculation.

Financial instruments denominated in the relevant functional currency of subsidiaries that are not located in the Euro Zone do not represent a risk and are therefore not included in this sensitivity analysis.

A 10 per cent increase or decrease in the value of the euro versus the relevant foreign currency as of 30 April 2010 would have had the following effect on profit after tax and equity based on the most important currency pairs. The effects on equity are related to long-term Group loans.

	EUR increase of 10%		EUR decrease of 10%	
in TEUR	Profit or loss	Equity	Profit or loss	Equity
EUR-GBP	5,858	4,596	(5,858)	(4,596)
EUR-SEK	4,936	3,326	(4,936)	(3,326)

The following table shows the effects on derivatives of an exchange rate change of +/- 10%.

in TEUR	Fair value	EUR increase of 10%	EUR decrease of 10%
EUR - GBP	(497)	(5,430)	4,698
EUR - CHF	(591)	(1,493)	1,357
EUR - AUD	(1,889)	(1,928)	1,592
EUR - USD	2,306	5,357	(5,126)
EUR - SEK	(147)	(1,230)	1,119

The derivative portfolio held by the Group consists mainly of derivatives with a genuine hedge character (defined worst case scenario available), but also includes a smaller component of exchange rate optimisation instruments that were concluded for the EUR - AUD, EUR - CHF and EUR - GBP. These derivatives had a negative fair value of TEUR 804 as of 30 April 2010 (2008/09: TEUR 80). The risk potential associated with negative developments was estimated at TEUR 6,708 (2008/09: TEUR 2,566) up to the end of the contract terms in April 2011.

Raw material price risk

The most important raw materials used by the Zumtobel Group are energy, aluminium, steel and copper. Fixed-term supply contracts are concluded wherever possible (energy, aluminium, steel) to minimise the risks arising from unexpected price fluctuations. Fluctuations in copper prices are hedged, if necessary, with derivatives (futures or options) on a rolling basis.

>> Sensitivity analysis

Copper purchases totalled 2,558 MT (metric tonnes) in 2009/10. A price increase of EUR 1,000/MT would represent an annual price risk of approx. TEUR 2,558.

2.6.12 Segment Reporting

2.6.12.1 Business segments

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

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

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

Results of TEUR -959 (2008/09: TEUR 1,584) from associated companies consist of TEUR 82 (2008/09: TEUR 20) from the Components Segment and TEUR -1,041 (2008/09: TEUR 1,564) from the Lighting Segment. Taxes and the remaining balance of financial results are not allocated to a specific segment of business.

The position "depreciation" also includes impairment charges amounting to TEUR 77,858, whereby TEUR 77,304 are related to the Lighting Segment,. The impairment charges recognised in the Lighting Segment include TEUR 68,321 for goodwill in the "Thorn Lighting Group", "SpaceCannon" and "Thorn India". This position also includes the write-off of the "SpaceCannon" brand (TEUR 3,415) and an impairment charge to a building in Italy (TEUR 4,720). Impairment charges recognised by the Component Segment total TEUR 553 and resulted primarily from impairment tests to development costs.

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

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08
Net revenues	819,360	871,380	948,872	366,590	365,763	400,400	(68,649)	(63,137)	(66,933)	1,117,301	1,174,006	1,282,338
External revenues	817,989	870,456	948,405	298,750	302,672	333,001	564	878	932	1,117,301	1,174,006	1,282,338
Inter-company revenues	1,371	924	466	67,840	63,091	67,399	(69,213)	(64,015)	(67,865)	0	0	0
Operating profit/loss	(78,352)	31,899	82,164	45,353	37,945	46,836	(12,177)	(12,819)	(7,140)	(45,176)	57,025	121,859
Investments	34,048	41,344	41,058	12,771	23,108	22,332	2,572	278	2,623	49,391	64,730	66,013
Depreciation	(103,385)	(25,390)	(24,257)	(18,103)	(15,654)	(16,891)	(1,215)	(1,622)	1,879	(122,703)	(42,666)	(39,270)

in TEUR	30 April 2010	30 April 2009	30 April 2008	30 April 2010	30 April 2009	30 April 2008	30 April 2010	30 April 2009	30 April 2008	30 April 2010	30 April 2009	30 April 2008
Assets	602,099	662,994	731,276	210,648	204,661	233,295	170,751	151,158	117,805	983,497	1,018,813	1,082,376

	30 April 2010	30 April 2009	30 April 2008	30 April 2010	30 April 2009	30 April 2008	30 April 2010	30 April 2009	30 April 2008	30 April 2010	30 April 2009	30 April 2008
Headcount (full-time equivalent)	4,954	5,167	5,670	1,961	1,745	1,926	126	129	112	7,041	7,041	7,708

The transition column comprises the following:

	Transition	
in TEUR	2009/10	2008/09
Group parent companies	(12,727)	(10,062)
Group entries	550	(2,757)
Operating profit/loss	**(12,177)**	**(12,819)**

The Group parent companies represent companies that provide administrative or financing services for the entire Group and cannot be allocated to a specific segment. The transition to operating profit includes Group entries for the elimination of interim profits in current and non-current assets.

	Transition	
in TEUR	30 April 2010	30 April 2009
Assets used by more than one segment	179,024	138,526
Group parent companies	57,475	64,097
Group entries	(65,748)	(51,465)
Assets	**170,751**	**151,158**

The increase in assets used by more than one segment resulted above all from an increase in cash and cash equivalents.

The revenues recorded by the Group parent companies with external customers are less than 10% of total revenues.

2.6.12.2 Regional segments

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

D/A/CH:	Germany, Austria, Switzerland
Eastern Europe:	Czech Republic, Croatia, Hungary, Poland, Romania, Russia, Slovakia, Baltic States, Slovenia
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, other countries not listed individually

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		
in TEUR	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08
D/A/CH	282,224	298,494	308,897	381,968	367,062	389,430
Eastern Europe	58,269	66,737	67,937	14,484	14,823	20,932
Northern Europe	91,212	97,541	106,885	26,929	26,289	31,346
Western Europe	353,129	383,502	427,373	145,307	151,799	178,089
Southern Europe	95,364	105,709	129,940	29,174	34,754	23,133
Europe	880,198	951,983	1,041,033	597,862	594,727	642,930
Asia	95,896	88,695	87,418	45,968	35,214	40,260
Australia & New Zealand	100,645	89,922	107,461	50,960	43,336	60,909
America	30,217	31,857	35,484	10,502	13,246	13,162
Others	10,345	11,549	10,942	0	0	0
Reconciliation	0	0	0	278,205	332,290	325,115
Total	**1,117,301**	**1,174,006**	**1,282,338**	**983,497**	**1,018,813**	**1,082,376**

Transition from regional segments:

	Assets	
in TEUR	2009/10	2008/09
Assets used by more than one segment	279,690	318,407
Group entries	(1,485)	13,883
Assets	**278,205**	**332,290**

2.6.13 Contingent Liabilities and Guarantees

The Group has provided bank guarantees of TEUR 9,316 (2008/09: TEUR 7,881) for various liabilities.

2.6.14 Subsequent Events

No significant events occurred after the balance sheet date.

2.6.15 Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel AG. As of 30 April 2010 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 (also see section 2.6.6.4).

There are no material supply or delivery relationships with non-consolidated subsidiaries. There were no outstanding balances as of 30 April 2010.

Remuneration for the bodies of the Group

in TEUR	2009/10	2008/09
Total remuneration for the Management Board	**4,505**	**1,514**
thereof fixed component	*1,311*	*830*
thereof variable component	*1,158*	*684*
thereof expenses resulting from an exit agreement	*2,036*	

in TEUR	2009/10	2008/09
Andreas Ludwig	**3,536**	**1,006**
thereof fixed component	*750*	*550*
thereof variable component	*750*	*456*
thereof expenses resulting from an exit agreement	*2,036*	
Harald Sommerer	**33**	
thereof fixed component	*33*	
thereof variable component		
Martin Brandt	**382**	
thereof fixed component	*249*	
thereof variable component	*133*	
Thomas Spitzenpfeil	**554**	**508**
thereof fixed component	*279*	*280*
thereof variable component	*275*	*228*

Thomas Spitzenpfeil holds options for 7,655 (2008/09: 7,655) shares from the MSP programme; the comparable figure for Martin Brandt is 7,655. No other types of remuneration such as pensions or additional post-employment benefits were granted. The expenses recognised in connection with the resignation of Andreas Ludwig totalled TEUR 2,036. Mr. Ludwig is also entitled to participate in the stock option programme (SOP) up to the next exercise window.

The remuneration received by the Supervisory Board of Zumtobel AG is shown in the following table:

in TEUR	2009/10	2008/09
Total Supervisory Board remuneration	**350**	**350**
thereof annual remuneration	*180*	*180*
thereof attendance fees	*162*	*150*
thereof reimbursement for expenses	*8*	*20*

2.6.16 Information on Employees and Bodies of the Group

2.6.16.1 Personnel structure

	2009/10		2008/09	
	Average	Balance Sheet Date	Average	Balance Sheet Date
Production	3,764	3,842	4,121	3,714
Research and development	429	431	448	449
Sales	2,190	2,181	2,316	2,226
Administration	606	587	668	652
Total	**6,989**	**7,041**	**7,553**	**7,041**

2.6.16.2 Bodies of the Group

Supervisory Board
Jürg Zumtobel (Chairman)
Harald Sommerer (Vice-Chairman up to 24 March 2010)
Hero Brahms (Vice-Chairman)
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 (Chief Executive Officer up to 30 April 2010)
Harald Sommerer, appointed up to 30 April 2013 (member of the Management Board as of 25 March 2010, Chief Executive Officer as of 1 May 2010)
Thomas Spitzenpfeil, appointed up to 30 April 2013
Martin Brandt, appointed up to 30 April 2013 (since 1 September 2009)

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

We confirm to the best of our knowledge that the consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Dornbirn, 18 June 2010

The Management Board

Harald Sommerer	Thomas Spitzenpfeil	Martin Brandt
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

2.8 Consolidation Range

No.	Unit	Country	Share in %	Consolidation Method	Balance Sheet Date	Currency
1	Atco Finance Pty. Ltd.	Australia	100	full	30 April	AUD
2	ATCO Industrial Pty. Ltd.	Australia	100	full	30 April	AUD
3	Conlux Pty. Limited	Australia	100	full	30 April	AUD
4	Thorn Lighting Pty Ltd	Australia	100	full	30 April	AUD
5	Tridonic Australia Pty. Ltd.	Australia	100	full	30 April	AUD
6	Tridonic Manufacturing Pty Ltd	Australia	100	full	30 April	AUD
7	Tridonic Oceania Holding Pty. Ltd.	Australia	100	full	30 April	AUD
8	Zumtobel Lighting Pty. Ltd.	Australia	100	full	30 April	AUD
9	FURIAE Raiffeisen-Immobilien-Leasing GmbH	Austria	100	full	30 April	EUR
10	LEDON Lighting GmbH	Austria	100	full	30 April	EUR
11	Ledon Lamp GmbH	Austria	100	full	30 April	EUR
12	Ledon Lighting Jennersdorf GmbH	Austria	95	full	30 April	EUR
13	LEDON OLED Verwaltungs GmbH	Austria	100	equity	30 April	EUR
14	LEDON OLED Lighting GmbH & Co KG	Austria	100	equity	30 April	EUR
15	LEXEDIS Lighting GmbH	Austria	50	equity	30 April	EUR
16	Thorn Licht Gesellschaft mbH	Austria	99.89	full	30 April	EUR
17	TridonicAtco connection technology GmbH	Austria	100	full	30 April	EUR
18	TridonicAtco connection technology GmbH & Co KG	Austria	100	full	30 April	EUR
19	TridonicAtco GmbH	Austria	100	full	30 April	EUR
20	TridonicAtco GmbH & Co KG	Austria	100	full	30 April	EUR
21	TridonicAtco Holding GmbH	Austria	100	full	30 April	EUR
22	Zumtobel AG	Austria	100	full	30 April	EUR
23	Zumtobel Holding GmbH	Austria	100	full	30 April	EUR
24	Zumtobel Insurance Management GmbH	Austria	100	full	30 April	EUR
25	Zumtobel LED GmbH	Austria	100	full	30 April	EUR
26	Zumtobel LED Holding GmbH	Austria	100	full	30 April	EUR
27	Zumtobel Licht GmbH	Austria	100	full	30 April	EUR
28	Zumtobel Lighting GmbH	Austria	100	full	30 April	EUR
29	Zumtobel Pool GmbH	Austria	100	full	30 April	EUR
30	z-werkzeugbau gmbh	Austria	30	equity	30 April	EUR
31	N.V. Zumtobel Lighting S.A.	Belgium	100	full	30 April	EUR
32	Thorn Lighting (Guangzhou) Ltd.	China	100	full	31 December	CNY
33	Thorn Lighting (Guangzhou) Operations Ltd.	China	100	full	31 December	CNY
34	Thorn Lighting (Hong Kong) Ltd.	China	100	full	30 April	HKD
35	Thorn Lighting (Tianjin) Co. Ltd.	China	70	full	31 December	CNY
36	TridonicAtco (Shanghai) Co. Ltd.	China	100	full	31 December	CNY
37	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	31 December	CNY
38	TridonicAtco Hong Kong Ltd.	China	100	full	30 April	HKD
39	Zumtobel Licht d.o.o.	Croatia	100	full	30 April	HRK
40	Thorn Lighting CS Spol s.r.o.	Czech Republic	99.89	full	30 April	CZK
41	Zumtobel Lighting s.r.o.	Czech Republic	100	full	30 April	CZK
42	Lightmakers A/S	Denmark	51	full	30 April	DKK

43	Thorn Lighting AS	Denmark	100	full	30 April	DKK
44	Thorn Lighting OY	Finland	100	full	30 April	EUR
45	Thorn Europhane S.A.	France	99.89	full	30 April	EUR
46	TridonicAtco France Sarl	France	100	full	30 April	EUR
47	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
48	Ledon Lighting Morbach GmbH	Germany	100	full	30 April	EUR
49	Reiss Lighting GmbH	Germany	100	full	30 April	EUR
50	TridonicAtco Deutschland GmbH	Germany	100	full	30 April	EUR
51	Zumtobel Holding GmbH	Germany	100	full	30 April	EUR
52	Zumtobel Licht GmbH	Germany	100	full	30 April	EUR
53	Zumtobel Lighting GmbH	Germany	100	full	30 April	EUR
54	Luxmate Ltd.	Great Britain	100	full	30 April	GBP
55	Rewath Ltd.	Great Britain	100	full	30 April	GBP
56	Thorn Lighting Group	Great Britain	100	full	30 April	GBP
57	Thorn Lighting Holdings Ltd.	Great Britain	100	full	30 April	GBP
58	Thorn Lighting International Ltd.	Great Britain	100	full	30 April	GBP
59	Thorn Lighting Ltd.	Great Britain	100	full	30 April	GBP
60	TridonicAtco UK Ltd	Great Britain	100	full	30 April	GBP
61	Wengen - Five Ltd.	Great Britain	100	full	30 April	GBP
62	Wengen - Four Ltd.	Great Britain	100	full	30 April	GBP
63	Wengen - One Ltd.	Great Britain	100	full	30 April	GBP
64	Wengen - Three Ltd.	Great Britain	100	full	30 April	GBP
65	Wengen - Two Ltd.	Great Britain	100	full	30 April	GBP
66	Zumtobel Lighting Limited	Great Britain	100	full	30 April	GBP
67	Zumtobel Lighting Kft	Hungary	100	full	30 April	HUF
68	Thorn Lighting India Private Limited	India	70	full	30 April	INR
69	Thorn Lighting (Ireland) Limited	Ireland	100	full	30 April	EUR
70	Space Cannon VH SRL	Italy	100	full	30 April	EUR
71	Thorn Europhane SPA	Italy	99.89	full	30 April	EUR
72	TridonicAtco Italia SRL	Italy	100	full	30 April	EUR
73	Zumtobel Illuminazione SRL	Italy	100	full	30 April	EUR
74	Zumtobel LED Illuminazione Holding srl	Italy	100	full	30 April	EUR
75	Zumtobel Residental Lighting srl	Italy	100	full	30 April	EUR
76	Tridonic (Malaysia) Sdn, Bhd.	Malaysia	100	full	30 April	MYR
77	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	30 April	USD
78	Thorn Lighting Asian Holdings BV	Netherlands	100	full	30 April	EUR
79	Thorn Lighting (NZ) Limited	New Zealand	100	full	30 April	NZD
80	TridonicAtco NZ Limited	New Zealand	100	full	30 April	NZD
81	Thorn Lighting AS	Norway	100	full	30 April	NOK
82	Thorn Lighting Polska SP ZOO	Poland	100	full	30 April	PLN
83	Raiffeisen Lux S.r.l.	Romania	100	full	31 December	EUR
84	Zumtobel Lighting Romania srl	Romania	100	full	31 December	RON
85	Thorn Lighting (Singapore) Pte Ltd	Singapore	100	full	30 April	SGD
86	TridonicAtco (S.E.A.) Pte Ltd.	Singapore	100	full	30 April	SGD
87	ZUMTOBEL LICHT d.o.o.	Slovenia	100	full	30 April	EUR

88	Tridonic S.A .	South Africa	49.99	equity	28 February	ZAR
89	Luxmate S.L.	Spain	100	full	30 April	EUR
90	Staff Iberica S.A.	Spain	50	equity	30 April	EUR
91	Hans-Agne Jakobsson A/B	Sweden	100	full	30 April	SEK
92	Thorn Lighting AB	Sweden	100	full	30 April	SEK
93	Thorn Lighting Nordic A/B	Sweden	100	full	30 April	SEK
94	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
95	TridonicAtco Schweiz AG	Switzerland	100	full	30 April	CHF
96	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
97	Zumtobel Pool AG	Switzerland	100	full	30 April	EUR
98	TridonicAtco Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
99	Thorn Gulf LCC	UAE	100	full	31 December	AED
100	TridonicAtco (ME) FZE	UAE	100	full	30 April	AED
101	Lemgo Realty Corp.	USA	100	full	30 April	USD
102	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Deconsolidations

1	Multilux Pty. Limited	Australia	100	full	30 April	AUD
2	Staff/Conlux Administration Pty. Ltd.	Australia	100	full	30 April	AUD

Not included in consolidation range (immaterial)

1	Atlas International Limited	Great Britain
2	British Lighting Industries Limited	Great Britain
3	Kompetenzzentrum Licht GmbH	Austria
4	Metall Closures Group Limited	Great Britain
5	Oriole Emergency & Fire Protection UK	Great Britain
6	Smart & Brown Limited	Great Britain
7	Thorn Lighting Pension Trustees Limited	Great Britain
8	Thorn Lighting Overseas	Great Britain
9	TLG Limited	Great Britain
10	TLG Quest Trustees Limited	Great Britain
11	TLG Supplemental Pension Trustees Limited	Great Britain
12	Wassall Pension Trustees Limited	Great Britain
13	Zumtobel Lighting GmbH	Hong Kong
14	Thorn Lighting Hungary Kft	Hungary
15	ATCO Controls Pty. Limited	Australia
16	ATCO Controls (I) Pvt. Ltd.	India

Unqualified Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

Zumtobel AG,
Dornbirn,

for the year from 1 May 2009 to 30 April 2010. These consolidated financial statements comprise the balance sheet as of 30 April 2010, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended 30 April 2010 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and 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 the consolidated 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 and Description of Type and Scope of the Statutory Audit

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, as well as in accordance with 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 professional guidelines and that we plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 30 April 2010 and of its financial performance and its cash flows for the year from 1 May 2009 to 30 April 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 18. June 2010

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Thomas Smrekar	Mag. Michael Schlenk
Wirtschaftsprüfer	Wirtschaftsprüfer

(Austrian Chartered Accountants)

3. Corporate Governance Report 2009/10

Contents

3. Corporate Governance

3.1 Corporate Governance in the Zumtobel Group

The Zumtobel Group views corporate governance as a model for the comprehensive management and monitoring of the company. This orientation is reflected in the Group's corporate culture with its strategic focus on sustainability, long-term development and responsibility.

The general framework for the design of the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code. The major building blocks of the corporate governance system are the mission statement and corporate values, which play a key role in the long-term creation of value and a sustainable increase in the worth of the company. These elements are supplemented by the code of conduct and corporate policies.

Major developments during the 2009/10 financial year

In keeping with the objective of the Zumtobel Group to continuously adapt the corporate governance system to reflect changes in the operating environment, a number of measures were implemented during 2009/10. One focal point was the final implementation of the 8th EU Guideline and a 2008 amendment to Austrian corporate law ("Unternehmensrechtsänderungsgesetz 2008"). Although these requirements only apply to the Zumtobel Group beginning with the 2009/10 financial year, most of the required activities were successfully completed during 2008/09. Only a few actions remained for 2009/10, e.g. the roll-out of the relevant standards in the smaller Group companies. With respect to internal controls in the area of financial reporting, the processes implemented in 2008/09 were further improved during the reporting year. The ongoing development of the corporate governance system in 2009/10 also involved the optimisation of corporate guidelines, including the revision of the corporate treasury policy and the introduction of a new corporate policy on licence reporting.

New activities were launched in the area of compliance management. Compliance represents a major goal of the internal control system and the risk management system, both of which are based on COSO[1] models in the Zumtobel Group. In the future the previous structures and processes for compliance management will be made even more transparent. The underlying concept for the necessary improvements was approved during the final quarter of 2009/10, and operational implementation will begin during the first quarter of 2010/11.

3.2 The Austrian Corporate Governance Code

The Austrian Corporate Governance Code is issued by the Austrian Working Group for Corporate Governance. It is available for review on the website of this organisation (*www.corporate-governance.at*).

A new version of the Austrian Corporate Governance Code was issued in January 2010. It applies to financial years beginning after 31 December 2009, i.e. for the Zumtobel AG beginning with the 2010/11 financial year. The version of the code issued in January 2009 applies to reporting by the Zumtobel Group for 2009/10.

Zumtobel AG previously announced its intention to voluntarily comply with the Austrian Corporate Governance Code in the January 2009 version. Zumtobel views the active implementation of the code as an important obligation to support management and monitoring that is focused on realising a sustainable and long-term increase in the value of the company. As a consequence of this conviction, the new C-Rules

[1] COSO: Committee Of Sponsoring Organisations of the Treadway Commission, see www.coso.org

defined in the January 2010 version of the code were for the most part voluntarily implemented by 30 April 2010 – although this was not required.

As in previous years, Zumtobel AG complied with nearly all provisions of the code in 2009/10, meeting not only the minimum requirements but also generally observing almost all R-Rules. The actions of the Group varied in part from only four of the 83 C-Rules 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 2010/11 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 evaluate and report on compliance with the Austrian Corporate Governance Code in 2009/10. Based on this review, Zumtobel AG can confirm that it met all L-Rules of the Austrian Corporate Governance Code (January 2009 and January 2010 versions) during the 2009/10 financial year. The following C-Rules in the January 2009 version of the code were not or are not applied in full:

Rule 30: The Zumtobel Group classifies information on insurance coverage in general and D&O coverage in particular as confidential data, whose disclosure may result in damage to the corporation. Therefore, the Zumtobel Group does not disclose this information.

Rule 51: The remuneration of the individual members of the Supervisory Board is not disclosed. The Zumtobel Group believes this data does provide only little added value for the readers of this annual financial report.

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.

Rule 83: The external evaluation of the effectiveness of risk management by the auditor takes place every two years, whereby the next review is scheduled for 2010/11.

3.2.2 Disclosure of auditors‘ fees

The Annual General Meeting on 24 July 2009 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 performed or arranged to perform the following services for Zumtobel AG in 2009/10:

In TEUR	2009/10	2008/09
Total fees	**212**	**231**
thereof audit and related activities	158	209
thereof audit related consulting	54	13
thereof other services	0	9

The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group totalled TEUR 1,320, including external costs.

3.3 Risk Management and the Internal Control System

The COSO models form the basis for the risk management system and the internal control system used in the Zumtobel Group. Consequently, these systems overlap and influence each other during their daily application.

Risk management is viewed as an independent strategic process, which focuses on the interaction with risks and opportunities. The more risk management deals with the global risks to which companies are exposed, the more it becomes an independent process. The more it deals with the risks arising from individual corporate processes, the more it fuses with the internal control system.

In accordance with § 243a (2) of the Austrian Corporate Code as well as Rules 69 and 70, the management report must disclose the major elements of the internal control system and risk management system related to accounting processes. The relevant information can be found in the Group Management Report under sections 1.12 (Risk Management) and 1.13 (Internal Control System).

Internal audit

The corporate internal audit department of Zumtobel AG reports directly to the Management Board. In accordance with Rule 18 of the Austrian Corporate Governance Code, this department also provides regular reports to the Audit Committee on the planning for and most important results of its activities.

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 internal control system in operating processes as well as monitoring the internal control system used in financial reporting. Self-assessments and other innovative auditing methods are becoming an increasingly important element of this work.

The activities of corporate internal audit also include ad-hoc audits at the request 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, the supervisory board and the 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 the 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. 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 the Supervisory Board. The articles of association 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.

The annual general meeting is announced at least 28 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. The information required by Austrian Companies Act is published on the company's website at the latest 21 days prior to the annual general meeting.

The shares issued by Zumtobel AG are bearer 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 1.3 (The Zumtobel Share).

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.

Name	Function	appointed in	term ends in	service time
Dr. Andreas Ludwig	CEO (until 30.04.2010)	2003	2010	7 years
Dr. Harald Sommerer	Management Board member (since 25.03.2010) CEO (since 01.05.2010)	2010	2013	-
Dipl. Wirtsch. Ing. Martin Brandt	COO (Chief Operation Officer)	2009	2012	1 year
Dipl. Wirtsch. Ing. Thomas Spitzenpfeil	CFO (Chief Financial Officer)	2004	2013	6 years

Andreas Ludwig - CEO (up to 30 April 2010)

Andreas Ludwig joined the Management Board of Zumtobel AG on 1 May 2003 and was appointed CEO and Chairman of the Management Board on 1 September 2003. Mr. Ludwig resigned from the Management Board on 30 April 2010. 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 Zumtobel 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, Chairman of ZVEI[2], Section Electrical Lighting and President of CELMA[3] (Mr. Ludwig resigned from all these functions as of 30 April 2010).

[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

Harald Sommerer - CEO (as of 1 May 2010)

Harald Sommerer has been a member of the Management Board since 25 March 2010 and CEO and Chairman of the Management Board of Zumtobel AG since 1 May 2010. His term of office extends until 30 April 2013. Mr. Sommerer was born in Vienna in 1967, and received a Doctorate in Social and Economic Sciences from the University of Economics and Corporate Management in Vienna as well as a Master of Management from the J. L. Kellogg Graduate School of Management at Northwestern University. From 1997 to 2010 Harald Sommerer was a member of the Management Board of AT&S Austria Technologie & Systemtechnik AG, where he served as CFO from 1998 to 2005 and CEO from 2005 to January 2010.

Additional functions or inter-company relations outside the Zumtobel Group: member of the Professional Association Committee of FEEI, Vienna (Austria) since 1 May 2010, member of the Management Boards of the Vorarlberg Federation of Industry and the Federation of Austrian Industry since 1 May 2010.

Martin Brandt - COO

Martin Brandt has been a member of the Management Board and Chief Operating Officer of the Zumtobel Group since 1 September 2009. His term of office extends until 30 April 2012. Mr. Brandt was born in Ravensburg in 1960, and received his degree as an industrial engineer from the TH Karlsruhe. Martin Brandt started his career with Mercer Management Consulting GmbH, and subsequently became head of the Munich office of Baumgartner und Partner consultants. In 1996 he joined Effeff Fritz Fuss GmbH & Co KGAA in Albstatt as a division manager and was appointed Managing Director in 1998. At ASSA ABLOY Sicherheitstechnik GmBH in Berlin, he served as Market Regional Manager for the D-A-CH regions beginning in 2004, and became Executive Vice President of ASSA ABLOY AG in Hong Kong and CEO of ASSA ABLOY Asia Pacific in 2006.

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

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 2013. 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 2010.

Name	Duties
Andreas Ludwig (up to 30 April 2010)	Overseas regions Thorn/Zumtobel (USA, Australia/New Zealand), Tridonic, research and development, internal and external communications, human resources, strategy & corporate development, strategic projects, corporate identity
Martin Brandt	Sales, marketing, product management for the Zumtobel brand; sales, marketing, product management for the Thorn brand, "Lighting Europe" operations, Thorn/Zumtobel emerging markets
Thomas Spitzenpfeil	Controlling, accounting, treasury, tax and legal, information technology, internal audit, investor relations, insurance, facility management

The distribution of duties was changed as follows as of 1 May 2010:

	Harald Sommerer	Martin Brandt	Thomas Spitzenpfeil
Operating segments	Lighting Segment Coordination		
	Brand coordination Zumtobel (worldwide) Tridonic (worldwide)	Brand coordination Thorn (worldwide)	
Lighting Segment Regional responsibility	Lighting Segment Europe (Zumtobel) and USA	Lighting Segment Europe (Thorn), emerging markets, Australia/New Zealand	
Lighting Segment Matrix functions		Quality management, Lean Six Sigma, business process improvement, pricing systems, logistics	Strategic procurement
Corporate functions	Technology, human resources, Group marketing, internal and external communications		Controlling, accounting, treasury, tax & legal, IT, internal audit, insurance management, investor relations, facility management

The members of the Management Board are independently responsible for the conduct of business in their respective areas. They also have specific responsibilities for operations in the Lighting Segment. The Management Board holds monthly meetings (since March 2010: weekly) to coordinate the control and management of the Group and the Lighting Segment, whereby minutes are recorded of the discussions and results of these meetings. The Components Segment is directed by management that reports directly to the Management Board of Zumtobel AG.

Relations between the members of the Management Board and the company are the responsibility of the Supervisory Board Committee for Management Board Matters, which also serves as a remuneration committee in the sense of Rule 43 and as a nominating committee in the sense of Rule 41. The Supervisory Board has defined a job profile and appointment procedure for appointments to the Management Board (Rule 38).

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 individual Management Board members. 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) together with other key managers. This incentive programme was revised in 2009 and, in combination with the Matching Stock Program Programme (MSP), now meets the requirements of C Rule 27 of the Corporate Governance Code in the January 2010 version (for the Zumtobel Group mandatory as of 2010/11). The key features of the LIP include pre-defined, upper limits for variable remuneration (as a percentage of fixed remuneration) as well as performance criteria that are based on measurable, sustainability-oriented and long-term incentives. The performance criteria include both financial and non-financial benchmarks, whereby the financial criteria are defined by the Supervisory Board and the non-financial criteria represent personal targets that are established together with the responsible manager (for the CEO by the Supervisory Board).

The economic crisis was reflected in special bonus targets for the Management Board members in 2009/10. These targets focused on safeguarding the continued existence of the Group and included the maintenance of positive free cash flow, the realisation of significant cost reductions, the expansion of market shares and compliance with the financial covenants. The bonus system was fundamentally redesigned for 2010/11, and the targets were shifted to growth and profitability.

Remuneration recognised for the Management Board[4]
Disclosures in accordance with Rules 29, 30 and 31 of the Austrian Corporate Governance Code:

In TEUR	2009/10	2008/09
Total remuneration for the Management Board	**4.505**	**1.514**
thereof fixed remuneration	1.311	830
thereof variable remuneration	1.158	684
thereof expenses resulting form an exit agreement	2.036	

In TEUR	2009/10	2008/09
Andreas Ludwig	**3.536**	**1.006**
thereof fixed remuneration	750	550
thereof variable remuneration	750	456
thereof expenses resulting form an exit agreement	2.036	
Harald Sommerer	**33**	
thereof fixed remuneration	33	
thereof variable remuneration		
Martin Brandt	**382**	
thereof fixed remuneration	249	
thereof variable remuneration	133	
Thomas Spitzenpfeil	**554**	**508**
thereof fixed remuneration	279	280
thereof variable remuneration	275	228

Zumtobel AG has no special pension fund for members of the Management Board. The Management Board contracts include a change of control clause. If the company is taken over by a new majority shareholder, the

[4] Note: in order to improve transparency and clarity, the above table includes the remuneration earned in 2009/10 irrespective of the payment date

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. With the exception of this change of control clause, the members of the Management Board have no 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, i.e. the "Stock Option Programme" (SOP) and the "Matching Stock Programme" (MSP). Both programmes are described in detail under section 2.6.8.4 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[5]:

Andreas Ludwig

	MSP			SOP		
	2009/10	2008/09	01.05.2003 - 30.04.2008	2009/10	2008/09	01.05.2003 - 30.04.2008
Granted	153.128	153.128	187.272	closed	closed	255.000
Executed	0	0	0	0	0	230.000
Expired	0	78.048	0			
Forfeiture	153.128	0	0			
Waived	153.128	109.224	0			
Available	**0**	**153.128**	**187.272**	**25.000**	**25.000**	**25.000**
Exercise price				7,50 EUR	7,50 EUR	7,50 EUR

Harald Sommerer

Mr. Sommerer will first participate in the MSP during the 2010/11 financial year.

Martin Brandt

	MSP
	2009/10
Granted	61.240
Executed	0
Expired	0
Waived	0
Available	**61.240**

[5] Note: in order to improve transparency and clarity, the allocation and exercise of options are assigned to the relevant financial years based on the date of granting and exercise.

Thomas Spitzenpfeil

	MSP			SOP		
	2009/10	2008/09	01.05.2003 - 30.04.2008	2009/10	2008/09	01.05.2003 - 30.04.2008
Granted	61.240	61.240	74.896	closed	closed	70.000
Executed	0	0	0	0	0	36.400
Expired	0	31.216	0			
Waived	61.240	43.680	0			
Available	**61.240**	**61.240**	**74.896**	**33.600**	**33.600**	**33.600**
Exercise price				7,50 EUR	7,50 EUR	7,50 EUR

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 disclosure exceeds the requirements of Rule 73 in that the information remains on the website for at least six months.

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	Function	appointed / delegated in	term ends in	service time
Dipl.-Ing. Jürg Zumtobel	Chairman	2003	2010	7 years
Dr. Harald Sommerer	First Vice Chairman (until 24.03.2010)	2006	2010	4 years
Hero Brahms	Second Vice Chairman	2008	2010	2 years
Walter M. Dünser	Member (until 24.03.2010) First Vice Chairman (since 25.03.2010)	1994	2010	16 years
Dr. Wolf Klinz	Member	2001	2010	9 years
Dipl.-Ing. Fritz Zumtobel	Member	1996	2010	14 years
Ludwig Auer	Delegated by the Employees' Council	2004		6 years
Herbert Kaufmann	Delegated by the Employees' Council	2004		6 years
Mario Wintschnig	Delegated by the Employees' Council	2007		3 years

The Supervisory Board initially defined the criteria for the independence of its members in accordance with Rule 53 in a meeting on 29 September 2006. On 26 June 2009 the Supervisory Board approved an amended version of these criteria, which more closely reflects the guidelines in the Austrian Corporate Governance Code. In accordance with these criteria, a member of the Supervisory Board is considered to be independent when he/she has no business or personal relations with the Zumtobel Group or its management board members. Such relations include, among others, material customer delivery transactions or close family ties. The criteria for independence are disclosed in full on the website of the Zumtobel Group (*www.zumtobelgroup.com*).

All members of the Supervisory Board have declared their independence in accordance with these criteria. Therefore, Rules 39 and 53 are met in full. Three members of the Supervisory Board – Brahms, Klinz and

Sommerer – are independent and are neither shareholders nor representatives of shareholders. Accordingly, Rule 54 is also met in full.

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 or 49.

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 listed in this corporate governance report in accordance with Rules 56 and 57.

3.4.5 The Supervisory Board | Activity report

The Supervisory Board met six times during the 2009/10 financial year: four times at scheduled meetings, once in the form of a conference call and once at an unscheduled meeting. No member of the Supervisory Board was absent from more than half of the meetings.

The Supervisory Board meeting on 26 June 2009 focused on the 2008/09 annual financial statements of Zumtobel AG and the Group. The Board agreed with the recommendations of the Audit Committee to authorise the annual financial statements and approve the use of retained earnings. In addition, the Supervisory Board discussed and endorsed its report on the 2008/09 financial year for release to the annual general meeting. Also approved were the reports on the effectiveness of the risk management system and the activities of the officer for insider compliance, which were passed on by the Audit Committee. In connection with reporting on the development of business, the Supervisory Board discussed the status of the "Excellerate" project and progress on major projects as well as transactions requiring Board approval. The Supervisory Board also analysed the efficiency of its work in accordance with Rules 31 and 36 of the Austrian Corporate Governance Code. A survey of the current situation formed the basis for an assessment of opportunities to improve the organisation and working processes of the Supervisory Board. In conclusion, the Supervisory Board evaluated the use of treasury shares for the Matching Stock Programme.

The unscheduled conference call of the Supervisory Board on 21 July 2009 dealt with major projects as well as transactions requiring Board approval, including the appointment of Martin Brandt to the Management Board and related changes in the organisation.

On 24 September 2009 the Supervisory Board dealt with the management report on the first quarter of 2009/10 as well as reports on the development of business, in particular the status of current projects. The subject of future performance-based remuneration for employees was also discussed. Extensive consideration was given to the long-term suitability of various remuneration systems in an economic environment that is becoming less predictable. The Supervisory Board intends to strengthen the monitoring of performance-based remuneration, and the rules of procedure for the Management Board were therefore amended to expand the list of transactions that require the approval of this body. In connection with transactions requiring the approval of the Supervisory Board, the extension of the contract with Thomas Spitzenpfeil was approved at this meeting.

The main topics of the meeting on 15 January 2010 included the management report on the first six months of 2009/10 with key indicators and the risk report, the outlook for the 2009/10 financial year and the status of ongoing projects. The relevant resolutions proposed by the Audit Committee were subsequently approved. In addition, the Supervisory Board discussed the strategy and strategic planning of the Group and its segments in detail. These consultations also addressed the challenges that will arise from the expected changes in the competitive environment. In connection with transactions requiring the approval of the Supervisory Board, the report by the Committee for Management Board Matters on issues relating to the incentive systems was approved.

The unscheduled meeting of the Supervisory Board on 25 March 2010 dealt with the resignations of Harald Sommerer from the Supervisory Board and Andreas Ludwig as CEO as well as the related changes. Harald Sommerer was appointed to the Management Board as of 25 March 2010 and as new CEO as of 1 May 2010. In addition, Hero Brahms was appointed to succeed Mr. Sommerer as chairman and financial expert of the Audit Committee. Walter Dünser was also appointed first vice-chairman of the Supervisory Board.

The Supervisory Board meeting on 15 April 2010 was held at the Light & Building trade fair in Frankfurt. The central topics of discussion were the management report on the third quarter of 2009/10 and the outlook for the 2009/10 financial year as well as the standing of key corporate indicators, the development of business in the segments and the risk report. The status report by the Management Board on the executive agenda for 2009/10 was also accepted. Another focal point was the budget for 2010/11, including earnings stabilisation measures and mid-term planning. The Supervisory Board also approved amendments to the articles of association that were required to reflect changes in Austrian stock corporation law and accepted personnel changes on the supervisory boards of Zumtobel Lighting GmbH and TridonicAtco GmbH. The members of the Supervisory Board concluded their meeting with a visit to the Thorn, Zumtobel, Tridonic and Ledon Lamp exhibits to review the innovative performance of these four brands.

3.4.6 The Supervisory Board | Committees

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

Audit Committee

Members: Harald Sommerer (Chairman and Finance Expert up to 24 March 2010), Hero Brahms (Chairman and Finance Expert as of 25 March 2010), Walter M. Dünser, Jürg Zumtobel 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 management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairman of the Supervisory Board. The Audit Committee is also responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2009/10 financial year. At each meeting the responsible managers report to the committee on the current status of these systems and processes. The chairman of the Audit Committee also meets twice a year with the head of corporate internal audit.

The Audit Committee met twice during the 2009/10, and all members were present at both meetings.

The meeting on 25 June 2009 concentrated on the 2008/09 annual financial segments. Due to the importance of this topic, a preparatory conference call was held on 22 June 2009. In both the meeting and the conference call, the auditor and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and individual financial statements of Zumtobel AG as well as accounting processes and major accounting principles. The reports on the internal control system, the risk management system and the activities of corporate internal audit were discussed and accepted. The committee also received the corporate governance report and the report by the insider compliance officer. A resolution for the appointment of the auditor was approved and passed on to the Supervisory Board.

The meeting on 15 January 2010 focused on the six month financial statements as of 31 October 2009, and included the acceptance of related reports by the auditor and corporate staff. Another point of discussion was the management letter issued in April 2009. In preparation for the 2009/10 financial statements, the audit approach and auditor's focal points were presented and new and amended accounting standards (IFRS) were discussed. Status reports were presented on the internal control system, the risk management system and the activities of corporate internal audit, and the most important results of the individual audits were discussed.

Committee for Management Board Matters

Members: Jürg Zumtobel (Chairman), Hero Brahms, Walter M. Dünser.

Duties: The Committee for Management Board Matters is responsible for relations between the company and the members of the Management Board. It corresponds to the remuneration committee required by Rule 43 of the Austrian Corporate Governance Code and also fulfils the duties required of a nominating committee under Rule 41. As such, this committee developed and approved a job profile and nomination process for the Management Board in accordance with Rule 38.

The Committee for Management Board Matters worked extensively on a number of issues in 2009/10. Formal meetings were held on 27 November 2009 and 16 December 2009, while additional consultations took the form of conference calls or discussions at scheduled meetings of the Supervisory Boards. A number of conference calls and meetings on special topics were also held with external experts. In its role as a remuneration committee, the Committee for Management Board Matters dealt with the further development of the Group-wide bonus systems and employee stock participation programme. A key focus of duties during the reporting year was the selection of a new chairman for the Management Board following the resignation of Andreas Ludwig.

3.4.7 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 Zumtobel Group: House of Culture, Bregenz/Austria (member of the Supervisory Board).

Harald Sommerer (up to 24 March 2010)

Mr. Sommerer has been a member and first vice-chairman of the Supervisory Board of Zumtobel AG from 7 April 2006 to 24 March 2010. He was appointed to the Management Boards of Zumtobel AG on 25 March 2010 and became CEO and Chairman of the Management Board on 1 May 2010.

Additional functions or inter-company relations outside the Zumtobel Group: various functions in the AT&S Group (up to December 2009).

Hero Brahms

Mr. Brahms has been a member and second vice-chairman of the Supervisory Board Zumtobel AG since 29 July 2008. His term of office extends up to the Annual General Meeting for the 2009/2010 financial year. Mr. Brahms was born in 1941 in Münster/Westphalia, Germany. His career includes positions such as member of the Management Board of Hoesch AG in Dortmund/Germany (1982 to 1991), Vice-President of Treuhandanstalt Berlin/Germany (1991 to 1994), member of the Management Board and CFO of Kaufhof AG in Cologne/ Germany (1994 to 1996) and member of the Management Board and CFO of Linde AG in Wiesbaden/ Germany (1996 to 2004).

Additional functions or inter-company relations outside the Zumtobel Group: Société Générale, Frankfurt/Germany (senior advisor up to 15 September 2010), Telefunken Holding AG, Frankfurt/ Germany (chairman of the Supervisory Board since 1 May 2009).

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 joined the Zumtobel Group in 1949. 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 for 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 Zumtobel Group: Anteilsverwaltungssparkasse Dornbirn, Dornbirn/Austria (member of the savings bank advisory board), Dornbirner Sparkasse Bank AG, Dornbirn/ Austria (chairman of the supervisory board), Hilti & Jehle GmbH, Feldkirch/ Austria (chairman of the supervisory board), GWZ Pirvate foundation, Vienna/Austria (chairman of the foundation advisory board), Hektor Pirvate foundation, Dornbirn/ Austria (chairman of the foundation advisory board).

Wolf Klinz

Mr. Klinz has been a member of the Zumtobel AG Supervisory Board since 2002. 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 Zumtobel Group: AVECO AG, Frankfurt am Main/Germany (member of the supervisory board), IVG Immobilien AG, Bonn (member of the advisory board).

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel AG since 1996. He was Chairman until 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 Zumtobel Group: JHD Pirvate foundation (member of the foundation board), Aurelio Pirvate foundation (member of the foundation board).

3.4.8 The Supervisory Board | Employee representatives

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 Zumtobel 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 Zumtobel Group: none.

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 GmbH.

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

3.4.9 The Supervisory Board | Remuneration rules and remuneration

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 approved by the Annual General Meeting and were last amended on 15 July 2005. The attendance fee equals EUR 3,000, and is only paid once even if there are two or more meetings on the same day. 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 by the end of the month in which the annual general meeting for the previous financial year is held.

Remuneration of the Supervisory Board[6] *Disclosure in accordance with Rule 51:*

In TEUR	2009/10	2008/09
Total remuneration for the Supervisory Board	**349**	**350**
thereof remuneration	178	180
thereof attendance fees	162	150
thereof reimbursement of expenses	9	20

6 Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held in 2009/10, irrespective of the date of payment.

4. Service

Contents

4. 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 + property, plant and equipment + inventories + trade receivables – trade payables – provisions for income taxes – other provisions – other liabilities, as an average over four quarters
CAPEX	Capital expenditure
Debt coverage ratio	Net debt divided by EBITDA
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Equity ratio	= Equity as a percentage of assets
Gearing	= Net debt as a percentage of equity
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

Control gear	Most artificial light sources, with the exception of incandescent and halogen lamps, require a special driver for start-up and operations. Depending on the type of lamp, these mechanisms are called ballasts, ignitors, converters or transformers.
COB	Chip on Board; a process to load a printed circuit board. The LED chip is bonded directly onto the board and contacted via the "bond wires". A bonded epoxy lens defines the light distribution. According to the design of the lens, a COB LED can have an extremely narrow-beam or an extreme wide-angle distribution.
Ballast	Ballasts are electrical devices which are used with fluorescent or high intensity discharge (HID) lamps. They supply sufficient voltage to start and operate the lamp, but then limits the current during operation. Ballasts 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. LEDs are point light sources, they give off directional light.
LED chip	Light-generating semiconductor in the LED (purchased by Zumtobel group from external sources, e.g. Toyoda Gosei or CREE)
LED component	An LED chip with an integrated circuit or resistance, which is enclosed in a housing. White LEDs have a phosphorus coating on the chip that converts blue light into white.
LED module	A module that serves as a light source. One or more LEDs are mounted and connected on a printed circuit board with optics (e.g. lense) and other optional electronic components (resistance, asics, transistors etc.). High-performance modules also require a cooling device for thermal conduction.
LED light engine	In the industry this term is used to describe an LED module with a converter. Sometimes, however, light engines are simply called LED modules.
LED converter	An LED driver that provides voltage or constant current for an LED module.
LED Lamp	An artificial light source based on LED technology. It also includes so-called LED retrofit lamps, whose shape and socket have the same dimensions as standard lights (e.g. substitute for incandescent lamps).
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.
Luminous efficacy	Luminous efficacy is a measure of the efficiency of a lamp. It indicates how many lumens (lm) a lamp produces per Watt (W) consumed. The greater the ratio of lumens to Watts, the more efficiently the lamp converts the consumed power into light.
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).
OLED	Organic light-emitting diode. A component comprising a system of thin organic layers located between two electrode layers (anode and cathode). When voltage is applied, light is generated and emerges through at least one of the electrode layers. OLEDs give off wide-area light.
OLED module	One or more OLED panels assembled with a housing, outcoupling and electrical contact system.
OLED panel	Organic light-emitting diode with airtight encapsulation that is mounted on a glass plate or foil.
OLED stack	Layer system based on several thin organic layers that are arranged to generate light in a specified spectrum.
SMD	Surface Mounted Device LED. An alternative process for loading a circuit board. The LEDs are first bonded on an SMD component, then mounted on the circuit board and contacted in the soldering bath.

Financial Calendar

34th Annual General Meeting	23 July 2010
Ex-Dividend Day	27 July 2010
Dividend Payout Day	30 July 2010
1st Quarterly Report 2010/11 (1 May 2010 – 31 July 2010)	06 September 2010
Interim Financial Report 2010/11 (1 May 2010 – 31 October 2010)	02 December 2010
3rd Quarterly Report 2010/11 (1 May 2010 – 31 January 2011)	07 March 2011
Annual Results 2010/11	27 June 2011

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Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com.The annual report 2009/10 will be available at our 34th Annual General Meeting.You can also order a copy by calling +43 (0)5572 509-1510.

More Information

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

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

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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.