



# **Annual Financial Report 2011/12 Zumtobel AG**

1 May 2011 to 30 April 2012

# Five-Year Overview

in EUR million	2011/12	2010/11	2009/10	2008/09	2007/08
Revenues	1,280.3	1,228.2	1,114.6	1,169.0	1,282.3
Adjusted EBIT	34.6	78.4	51.4	78.9	123.0
<i>as a % of revenues</i>	2.7	6.4	4.6	6.7	9.6
Net profit/loss for the period	16.0	51.3	(69.8)	13.3	93.5
<i>as a % of revenues</i>	1.2	4.2	(6.3)	1.1	7.3
Total assets	1,036.3	1,020.5	972.8	1,010.3	1,082.4
Equity	370.5	378.7	340.4	412.4	490.7
<i>Equity ratio in %</i>	35.8	37.1	35.0	40.8	45.3
Net debt	141.4	141.3	131.4	163.5	129.0
Cash flow from operating results	87.7	123.2	80.4	107.3	166.0
Investments	57.2	57.3	48.7	64.7	66.0
<i>as a % of revenues</i>	4.5	4.7	4.4	5.5	5.1
Headcount incl. contract worker (full-time equivalent)	7,456	7,814	7,329	7,165	7,908

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

# Contents

Five-Year Overview	2
Chief Executive's Review	4
1. Group Management Report	7
1.1 The Zumtobel Group – An Overview	10
1.2 General Economic Environment	17
1.3 The Zumtobel Share	18
1.4 Significant Events since 30 April 2011	20
1.5 Related Party transactions	21
1.6 Review of Operations	21
1.7 Human Resources	29
1.8 Suppliers	32
1.9 Quality	33
1.10 Environmental Protection	34
1.11 Research and Development	35
1.12 Significant Events after the Balance Sheet Date	36
1.13 Risk Management	37
1.14 System of Internal Controls	43
1.15 Information pursuant to § 243a of the Austrian Commercial Code	46
1.16 Outlook and Goals	48
2. Consolidated Financial Statements	51
2.1 Income Statement	54
2.2 Statement of comprehensive Income	55
2.3 Balance Sheet	56
2.4 Cash Flow Statement	57
2.5 Statement of Changes in Equity	58
2.6 Notes to the consolidated Financial Statements	59
2.7 Statement by the Management Board in accordance with §82 (4) of the Austrian Stock Exchange Act	112
2.8 Consolidation Range	113
Unqualified Auditor's Report	116
3. Corporate Governance	119
3.1 Corporate Governance in the Zumtobel Group	121
3.2 The Austrian Corporate Governance Code	121
3.3 Risk Management and Internal Control System	123
3.4 The Corporate Bodies and Committees of Zumtobel AG	123
4. Service	137

# Chief Executive's Review

Dear Shareholders,



Harald Sommerer

The lighting industry is currently in the midst of a widespread transformation process that is accompanied by trend-setting directional changes and significant challenges. Energy efficiency and LED not only represent the most important growth drivers for professional lighting, they are also increasing the global demand for intelligent lighting systems. Extensive structural changes and investments well above the previous levels for the lighting industry are now required. We are challenged to meet the technology shift to LED and the related shorter innovation cycles as well as parallel developments in the areas of LED and conventional lighting technology and the creation of a new generation of intelligent light management systems. As an example, research and development expenditures in the Zumtobel Group have nearly doubled to EUR 69.8 million over the past five years. Most of these funds – approx. 70% – were spent on LED innovations during the 2011/12 financial year. With revenues of EUR 183.2 million and an increase of 82.6%, the LED share of Group revenues rose from 8.2% to 14.3% within a single year. In addition to the development of new products, our efforts over the past two years have focused on the expansion of sales activities and production capacity to create a foundation for global growth. All these factors have led to a sharp rise in fixed costs.

## Diverse segment and regional trends

The above-mentioned framework conditions and generally weaker demand caused by the uncertain economic environment had a significant influence on the 2011/12 financial year of Zumtobel AG, which ended on 30 April 2012. We started the year with a very ambitious outlook and were consequently disappointed by actual developments. Revenues rose by 4.2% to EUR 1,280.3 million, but growth slowed steadily in year-on-year comparison to result in a slight revenue decline for the final quarter. However, developments differed widely by segment and region. In the Lighting Segment we recorded a sound 9.2% increase in revenues to EUR 949.2 million and were again able to disengage from the weak trend in the commercial construction industry. In Europe we are growing with the Zumtobel brand as planned and have also seen positive effects from the measures implemented to strengthen profitability and growth with the Thorn brand. Expansion in the LED business was even more dynamic than expected with an increase of 116.6%, which was based on our innovative LED luminaire portfolio. In contrast, our luminaire business in Asia and the USA remained disappointing.

The Components Segment turned into our major challenge for the reporting year. Following strong revenue growth of 19.3% and high profitability in 2010/11, revenues fell by 6.7% to EUR 408.1 million in 2011/12. In the second half-year, the decline reached a particularly high 14.8%. This disappointing development was a consequence of the challenging market environment and, above all, temporary weakness in the product portfolio that has already been addressed through the implementation of countermeasures.

## Results negatively affected by technology shift, growth investments and weakness in Components Segment

The costs associated with the technology shift, high growth investments and weakness in the Components Segment were responsible for a substantial EUR 43.8 million decline in adjusted EBIT to EUR 34.6 million (2010/11: EUR 78.4 million). The increase in selling expenses alone amounted to an additional EUR 26.1 million for 2011/12, and development costs rose by a further EUR 8.5 million year-on-year. As a result of the sharp drop in EBIT, profit for the year fell from EUR 51.3 million to EUR 16.0 million. Consequently, the Management Board and Supervisory Board of Zumtobel AG will recommend a dividend of EUR 0.20 to the annual general meeting on 27 July 2012 (2010/11: EUR 0.50).

## Focus on strict working capital management

The Zumtobel Group recorded positive development in both working capital and free cash flow during 2011/12. The high inventory levels, above all in the Components Segment, were steadily reduced by strict management controls throughout the reporting year. As a per cent of rolling 12-month revenues, working capital equalled 17.8% as of 30 April 2012, which represents the lower end of our defined target corridor of 18 to 20%. This improvement was reflected in positive free cash flow of EUR 22.3 million for the reporting year. Net debt totalled EUR 141.4 million as of 30 April 2012 (2010/11: EUR 141.3 million).

The Zumtobel Group is faced with a number of major strategic challenges and opportunities. The top priorities are to update the product line and to improve the competitive position of the components business. The necessary changes to the organisation as well as cost efficiency measures and the market launch of new innovative products in both the conventional and LED areas are now being implemented. At the same time, we are intensifying our efforts in the USA and Asia - at both the product and process level - to create the basis for profitable growth in these regions. We see substantial prospects for the Zumtobel Group, above all based on our strong brands and technology position, and believe our future-oriented investments will allow us to emerge from this dynamic technology shift as a stronger company. Accordingly, we are still basically committed to our global growth strategy because we are convinced that LED technology, the issue of energy efficiency and additional global market opportunities, for example in Asia and the USA, will create good growth impulses for the lighting industry. However, the Group must transform its substantial growth investments into an above-average increase in revenues and an improvement in profitability to justify the substantial rise in fixed selling and development costs.

**Major strategic  
challenges and  
opportunities**

In view of the increasingly negative economic outlook, our previous growth assumptions for the professional lighting industry - which called for an annual increase of 4% - no longer appear realistic. We must therefore reduce our medium-term revenue forecast (i.e. with an average increase of 10% per year in revenues) for the coming years and adjust our growth expectations to reflect the economic environment. However, we still believe our business model has the potential to increase the adjusted EBIT margin for the Group to over 10% under stable economic conditions.

**Medium-term revenue  
forecast adjusted to  
reflect economic  
developments**

**Outlook on 2012/13 connected with substantial uncertainty**

Concrete forecasts for the 2012/13 financial year are made more difficult by the strategic challenges we are facing as well as the uncertain development of the economies in our most important sales markets, especially in Europe, and, not least, by the uncertain effects of possible government austerity programmes. However, the Management Board expects a year-on-year improvement in revenues and the adjusted EBIT margin for the 2012/13 financial year of the Zumtobel Group based on the information currently available.

Our strengths are a leading market and technology position, wide-ranging market and application know-how, strong customer relations in fragmented markets and close cooperation with leading technology partners as well as a sound balance sheet and financing structure. All these factors give the Zumtobel Group a solid foundation to decisively address the coming challenges, to implement the necessary improvement measures and to optimally utilise the available market opportunities. The fundamental changes in our industry require full commitment and high flexibility from the entire Zumtobel Group. In these times, we can depend on our motivated and highly qualified employees - who I would also like to thank on behalf of my colleagues on the Management Board - for their dedication and performance. We would also like to thank our customers and other business partners as well as our shareholders for their confidence, support and open dialogue.

Sincerely,

Harald Sommerer  
Chief Executive Officer



## **1. Group Management Report**





# Contents

1. Group Management Report	
1.1 The Zumtobel Group - An Overview	10
1.1.1 Zumtobel Group – Passion for Light	10
1.1.2 Group structure and brand strategy	10
1.1.3 Products and production locations	11
1.1.4 Key success factors for the Zumtobel Group	12
1.1.5 Growth potential, opportunities and corporate strategy	13
1.2 General Economic Environment	17
1.3 The Zumtobel Share	18
1.4 Significant Events since 30 April 2011	20
1.5 Related Party Transactions	21
1.6 Review of Operations	21
1.6.1 At a glance	21
1.6.2 Revenues	22
1.6.3 Earnings	24
1.6.4 Economic position of Zumtobel AG and dividend	26
1.6.5 Seasonality, cash flow and asset position	26
1.7 Human Resources	29
1.8 Suppliers	32
1.9 Quality	33
1.10 Environmental Protection	34
1.11 Research and Development	35
1.12 Significant Events after the Balance Sheet Date	36
1.13 Risk Management	37
1.13.1 Market and competitive risks in the lighting industry	38
1.13.2 Business risks/sales/production	39
1.13.3 Asset risks	40
1.13.4 Pension risks	40
1.13.5 Product liability risks	40
1.13.6 Legal risks	41
1.13.7 Financial risks	41
1.13.8 Credit risk	42
1.13.9 Balance sheet risks	42
1.13.10 Other risks	43
1.14 System of Internal Controls	43
1.14.1 Principles of the internal control system	43
1.14.2 Internal control system in financial reporting	44
1.15 Information pursuant to § 243a of the Austrian Commercial Code	46
1.16 Outlook and Goals	48

# 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 2011/12 financial year. This option, which was also elected in 2010/11, 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 Zumtobel Group – Passion for Light

Over the past decades our Group has developed a unique corporate culture. It is symbolised by our three core values: passion, performance and partnership. They define our thoughts and actions, and are the driving force behind the realisation of our vision and mission.

#### Our Vision

We aim to provide the perfect light for people and the environment.

We aim to always be the natural first choice for our customers.

We aim to secure a leading position in the global lighting market.

#### Our Mission

Light is our passion and our profession - top quality light, perfectly geared to the needs of people and the environment. We have a comprehensive knowledge of light and lighting.

We build upon on a unique network of partners from the fields of research & development, technology and lighting applications. Our customers benefit from the strengths of a globally active group and our local presence.

We delight our customers with the quality of our products, services and solutions. This requires the continuous optimization of our processes and an in-depth understanding of customer needs.

Our success is based on a corporate culture that enables our employees to live their passion for light and invest and grow their knowledge and creativity. Through all of this we attain maximum customer satisfaction and the ideal balance between light quality and energy efficiency.

### 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 activities include controlling, personnel, corporate accounting, taxes and legal, internal audit, insurance, treasury (including central financing and liquidity management for the Group), IT, corporate communications and investor relations. The Management Board of Zumtobel AG is responsible for the direction and management of the Group.

Harald Sommerer has served as the Chief Executive Officer (CEO) of Zumtobel AG since 1 May 2010. Mathias Dähn has held the position of Chief Financial Officer (CFO) since 1 February 2011 and Martin Brandt the position of Chief Operating Officer (COO) since 1 September 2009. The organisational structure of the Zumtobel Group is based on a "parent company concept" that provides for the direct administration and control of the Lighting Segment by the Management Board. The Components Segment is run as an independent subsidiary with autonomous management, and reports to the CEO of Zumtobel AG. In January 2012 the Chief Executive Officer of Zumtobel AG, Harald Sommerer, took over the management of the Components Segment on an interim basis in addition to his responsibilities as CEO of the Group.

The Group follows a **multi-brand strategy**, addressing different fields of business and customer target groups in the lighting marketplace with strong internationally established brands. The foundation for these brands is formed by a continuous focus on energy-efficiency as well as innovation and sustainability. The Lighting Segment with its brands and innovative, high-quality products is positioned 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. The Components Segment with the Tridonic brand is a supplier to luminaire producers.

Segment reporting is based on the Lighting Segment and the Components Segment. Revenues generated by the sale of LED-based products – i.e. LED luminaires and LED components – involve both segments and are allocated 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 activities of the **Components Segment** are focused primarily on the development and marketing of lighting components and management systems, LED modules, LED ballasts (converters) and controls as well as connection technology under the **Tridonic** brand. The **Ledon** brand covers an extensive line of innovative LED lamps. Tridonic sells most of its products to external luminaire manufacturers, but also generates roughly 19% of its revenues with the affiliated Zumtobel and Thorn brands.

### 1.1.3 Products and production locations

The Zumtobel Group offers complete professional lighting solutions, luminaires, light management systems and lighting components for interior and exterior applications. The Lighting Segment with the Zumtobel and Thorn brands covers the following areas of application: office and communication, education and science, industry and engineering, presentation and retail, art and culture, sport and leisure, facade, 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. The broad-based product offering of the Components Segment comprises magnetic, electronic and digital dimmable luminaire control gear, ignition devices, light management systems, LED modules, LED converters, LED retrofit lamps and connection technology. The Zumtobel Group made a strategic decision many years ago not to invest in capital-intensive LED chip production and purchases these products from chip manufacturers.

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.



The Group currently operates 21 plants on four continents and cooperates with sales companies and partners in over 100 countries.



The Zumtobel Group holds leading positions on the professional lighting market and the conventional converter market in Europe and Australia. That makes the Group one of the few global players in the international lighting industry. Approximately 78% of Group revenues are generated in Europe. The European professional lighting industry is still highly fragmented with over 800 suppliers, and the ten largest luminaire producers cover only slightly more than 40% of the total market. In contrast, the worldwide components industry is more consolidated. The market for LED retrofit lamps, LED modules and LED has seen the entry of numerous competitors in recent years, above all from Asia.

#### 1.1.4 Key success factors for the Zumtobel Group

The outstanding competitive position of the Zumtobel Group is based, above all, on wide-ranging market access, extensive know-how in lighting applications and a strong technology position.

#### Focus on customer interfaces

The sales function plays a key role in the business model of the Zumtobel Group. The Group has 2,354 employees working in this area and follows different sales approaches. Sales activities for the Zumtobel brand concentrate entirely on the project business in the commercial construction sector. The Thorn brand,

whose projects are based in part on advance specifications, sells either direct to the customer or through wholesalers. One element that links the Thorn and Zumtobel brands is their participation in networks, for example with architects, electricians and lighting planners. These networks can only be established with appropriate investments in the sales structure and are developed over years. The importance of market access is also visible in the Components Segment, since these products are sold in the fragmented luminaire manufacturers market. One particular strength of Tridonic is its long-term customer relations with a large number of luminaire producers.

The design of a customer-specific lighting solution requires extensive knowledge of the concrete application of light. The sales staff must therefore understand not only the technical and functional aspects of light, but also its aesthetic and emotional implications, the positive influence of good lighting on the user's sense of well-being and the potential for energy savings. Accordingly, detailed and wide-ranging education and continuous training are decisive for the quality of sales.

**Know-how in lighting applications**

The Zumtobel Group grows by developing and applying new technologies for innovative, energy-efficient and high-quality products. In 2011/12 the Zumtobel Group increased research and development (R&D) expenditures by 11.3% to EUR 69.8 million. The technological shift from conventional lighting sources to LEDs and the increasing complexity of intelligent lighting systems represents a major challenge for R&D and, in turn, leads to increasing demands on capital and resources. As one of the largest suppliers in Europe, the Zumtobel Group has numerous advantages in competition with the many small and mid-sized luminaire producers. An extensive patent portfolio underscores the company's innovative power: it protects growth, competitive advantages and access to strategic cooperation with companies from the electronics industry. Additional information on this subject is provided in section 1.11 Research and Development.

**Strong technology position**

### 1.1.5 Growth potential, opportunities and corporate strategy

#### Growth potential and opportunities

The major growth drivers for the professional lighting industry are the trend toward energy efficiency with a special focus on intelligent lighting solutions as well as the opportunities offered by LED technology and the rising demand from established European and emerging global markets.

The subject of energy-efficiency is receiving greater attention in connection with the reduction of CO<sub>2</sub> emissions and has become the central growth driver for the Zumtobel Group. Lighting is currently responsible for 19% of worldwide electricity consumption. Of this amount, nearly two-thirds are used for commercial buildings and exterior lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group.

**Energy efficiency is the central growth driver**

Comprehensive intelligent lighting solutions can reduce electricity consumption by up to 80%. In addition to the design of the luminaire, energy efficiency can best be improved through the use of intelligent control systems, electronic and dimmable electronic ballasts as well as new, innovative lighting sources such as LEDs. This energy savings potential can be realised by combining various optimisation measures, beginning with the design of a luminaire to improve thermal management and light distribution (reflector surfaces, reflector profiles, diffuser optics etc.) through the selection of the optimal lamp technology and materials to the exact calculation of reflectors and prisms (optical systems). Another important factor is the use of electronic and dimmable electronic ballasts as a substitute for their much less efficient magnetic counterparts. Intelligent control systems are also capable of regulating light intensity as needed, for example based on presence detection and dependent on the available daylight and time. In addition to a significant potential for cost reduction, the growing demand for energy-efficient lighting is supported by legal regulations that include the EU directives on the energy efficiency of buildings and ecodesign.

**Energy savings of up to 80% through intelligent lighting solutions**

**Good lighting gives people a feeling of well-being**

Marketing activities for energy-efficient products are focused increasingly on the comparison of energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership). However, the Zumtobel Group aims to create lighting solutions that balance energy savings and optimal lighting quality. Good lighting can increase the sense of well-being and create ideal conditions for fitness, satisfaction and health - while also minimising the impact on the environment.

**Balance between energy-efficiency and lighting quality**

The Zumtobel Group has developed two software solutions, VIVALDI and ecoCalc, to demonstrate the energy-efficiency and lighting quality of a planned solution. VIVALDI is an interactive tool for the design of lighting scenarios and the planning of dynamic lighting concepts, which supports the realisation of cost savings with intelligent lighting concepts. ecoCALC is used to analyse the costs of a lighting solution over the entire lifecycle. The simulation of various factors - including operations, optimal luminaire selection and an efficient maintenance concept as well as maximum costs and energy efficiency - creates an excellent basis for the customer's investment decision. These two software solutions were updated and further optimised during the reporting year: ecoCALC 2.0 and VIVALDI 2.0 are now with numerous improvements in performance and user-friendliness.

**Strong rise in demand for LED lighting**

The potential of LED technology is one of the key issues that will define the future direction of the lighting industry. LEDs (light-emitting diodes) have a number of important advantages over conventional lighting with respect to performance, service life and energy consumption. In addition, their compact form opens up a range of new approaches for product design and functionality. The growing importance of this technology is a direct result of continued performance improvements and a parallel decline in the cost of LED chips as well as an increasing awareness of the need to improve energy efficiency. High-performance LEDs have already outpaced both the fluorescent lamp and the high pressure lamp for energy efficiency and, with respect to effectiveness and light quality, currently represent the best source of white light. In many areas of application, the higher initial investment is justified by a significant reduction in energy costs, maintenance and operating expenses over the service life. The amortisation period ranges from two to eight years, depending on the application.

For the Zumtobel Group, innovative LED technology is opening up a range of new opportunities for sustainable lighting solutions in a wide variety of applications. All Zumtobel Group brands offer an extensive portfolio of LED products, starting with hybrid luminaires that combine LEDs and conventional lighting to efficient LED downlights and spotlights, innovative LED facade solutions and LED streetlights. Additional LED flat-area luminaires with an attractive price-performance ratio were also launched during the reporting year. The LED product portfolio in the Components Segment comprises LED modules and converters for professional applications as well as LED modules for advertising lights, cooling equipment and LED retrofit lamps.

Together with other international companies in the lighting industry, the Zumtobel Group has joined the ZHAGA initiative. The participants in this project are working to develop a uniform standard for LED module interfaces that will permit the exchange of LED modules made by different producers and, in this way, supports the continuous, rapid development of LED technology.

The Zumtobel Group not only concentrates on activities in the area of LEDs, but is also investing in the future technology of OLEDs (organic light-emitting diodes). At the world's largest lighting industry trade fair, the Light + Building in April 2012, Tridonic introduced its first OLED lighting module that is ready for series production. OLEDs generate wide-area, glare-free light and differ from conventional LEDs, above all, through their use of organic material and extremely flat form. These organic diodes are now mounted on rigid base materials, e.g. glass, but flexible designs are under development. Unlike the point light source LED, OLEDs are still in a start-up phase that is focused on technical properties such as luminous efficacy and service life as well as the cost of the OLED elements. OLEDs are the first really flat light source and will play an important role in flat lighting in the future. In autumn 2009 the Zumtobel Group, together with the Fraunhofer Gesellschaft and several staff members of the Fraunhofer Institute for Photonic Microsystems in Dresden, founded a joint venture that will focus on this technology. The Group is also participating in a joint project, among others with Durham University, which carries the title "Thin organic prototypes, design, research, applications, with enduser recognition".

## Investments in OLED technology

Global economic growth is currently driven by the dynamic momentum in the developing and emerging countries, above all the BRIC states (Brazil, Russia, India and China). The Zumtobel Group intends to realise above-average benefits from the growth forecasted for these countries and is concentrating on China, India, the Middle East, Turkey and Russia. However, it should be noted that economic performance in terms of absolute GDP in most of these countries will in no way match the level in the European Union or the USA in the coming years. Consequently, the Group has set a medium-term goal to increase its penetration of the established markets in Europe and expand its presence in the new growth markets.

## Dynamic development in growth markets

### Corporate strategy

The Zumtobel Group pursues a long-term global growth strategy that targets average annual organic growth substantially higher than the industry. However, our previous growth assumptions for the professional lighting industry - which called for an annual increase of 4% - no longer appear realistic in view of the increasingly negative economic outlook. The Zumtobel Group must therefore reduce its medium-term revenue forecast (i.e. with an average increase of 10% per year in revenues) for the coming years and adjust growth expectations to reflect the economic environment. The steady focus on growth and investments for global expansion will continue, but short-term targets and measures will be adjusted to reflect changes in the operating environment.

## Long-term global growth strategy

The subject of energy-efficiency has become the key growth driver for the lighting industry. Important impulses for the near-term growth of the professional lighting industry will be provided, above all, by the trend toward comprehensive intelligent, energy-efficient lighting systems and by LED technology. These developments will be intensified by demand from growth markets such as China. Through its wide-ranging market access, extensive know-how in lighting applications and state-of-the-art technology, the Zumtobel Group is in an excellent position to benefit from the growth opportunities available in the industry.

## Excellent competitive position

In order to increase its global market shares, significant investments were made in sales activities - especially for the Zumtobel brand - during 2011/12. Activities are focused, above all, on improved penetration of the established markets in Europe. Opportunities for strong growth are expected over the medium-term in Asia, the Middle East and Eastern Europe, where the Zumtobel Group is currently underrepresented. Special efforts must be made in these regions, at both the product and process levels, to generate the targeted growth.

## Significant expansion of sales force



**Increased R&D expenses and investments to strengthen technology position**

The technological expertise of the Zumtobel Group will continue to provide key support for above-average growth. Consequently, the Group is also setting a strong sign with increased investments in new product development and innovation. R&D expenditures as a per cent of revenues rose further to 5.4% in 2011/12 (2010/11: 5.1%) and are expected to range from 5 to 5.5% of revenues over the coming years. This increase in innovation costs is a result of shorter innovation cycles as well as parallel activities in the areas of LED and conventional lighting technology. In addition, the Zumtobel Group also makes specially directed investments in intelligent light management systems.

**Global organisational structure**

In order to optimally utilise the many attractive worldwide opportunities for growth, a global organisational structure is required. A new worldwide matrix organisation was installed in the Lighting Segment during May 2011 and now forms the basis for the global roll-out of the successful European business model. This new structure also offers sufficient flexibility to allow for the differentiated development of local markets.

**Focus on organic growth**

The current medium-term plan calls for the financing of growth investments from on-going cash flows. Activities will concentrate on organic growth, but may be supplemented by selective acquisitions. The Zumtobel Group has low gearing and a solid balance sheet structure, which provide sufficient financial flexibility to generate additional growth through selective acquisitions.

**Profitability negatively affected by growth investments and technology shift**

The above-mentioned substantial investments in growth through the expansion of the sales force and the strengthening of the product portfolio as well as the technology shift to LED have a negative influence on the profitability of the Zumtobel Group. This effect is contrasted by a sizeable potential for earnings improvement through the increased utilisation of production capacity, greater efficiency through economies of scale, rapid restructuring of the Lighting Segment business in Asia and the USA, successful product launches by the Components Segment and expectations of a sharp drop in the price of purchased LED products. Accordingly, the Management Board stands by its goal to increase the adjusted EBIT margin to over 10% in the future under stable economic conditions.

**Sustainability strategy**

**“Through light, we care”**

The global growth strategy is closely intertwined with the sustainability strategy of the Zumtobel Group “Through light, we care”. An energy-efficient product portfolio, the know-how and commitment of employees, efficient business processes that conserve resources and integrity represent the four main focal points of action in the sustainability strategy as well as the basic requirements and key success factors for global growth.

**Publication of third sustainability report**

In order to improve the management and transparent communication of sustainability issues, the Zumtobel Group approved a sustainability strategy at the end of 2009. The first sustainability report was published in July 2010 and was based on the requirements of the international “G3” guideline issued by the Global Reporting Initiative. The third sustainability report will be published at the same time as the annual financial report for 2011/12. It contains information on progress made during the past year as well as future goals and measures planned as part of the formal sustainability programme.

## 1.2 General Economic Environment

### Growing weakness in global economy during 2011/12

A first glance at the reporting year for the Zumtobel Group (1 May 2011 to 30 April 2012) shows a continuation of the recovery that began in 2010/11. The International Monetary Fund (IMF) estimated global economic growth for 2011 at 3.9%, compared with 5.3% in 2010<sup>1</sup>. However, the industrialised world was only able to generate a moderate plus of 1.6% due to the noticeable effects of the debt crisis in key industrial states, especially in Europe. The result was growing weakness, above all during the second half-year, with a number of European countries such as Spain and Italy sliding into recession. The euro zone recorded growth of 1.4% in 2011, whereby the D/A/CH region, a key market for the Zumtobel Group, profited from strong exports. IMF statics for that year indicate growth of 3.1% each for Germany and Austria, and 1.9% for Switzerland. The USA recorded a plus of 1.7%, but Japan declined 0.7% in the wake of the nuclear disaster and natural catastrophe in March 2011. In contrast, growth in the emerging and developing countries remained dynamic. Among the BRIC countries, China announced a 9.2% increase in its gross domestic product (GDP). Strong growth was also reported by India (plus 7.2%) and Russia (plus 4.3%), while momentum in Brazil was comparatively slower with a modest plus of 2.7%.

**Slowdown in momentum**

Against the backdrop of the still unresolved sovereign debt problems, the IMF sees only reserved growth for the first months and the full 2012 calendar year and points to the substantial risks and uncertainty connected with its forecasts. This applies, above all, to developments during the first half of 2012 due to the significant slowdown of the economy at year-end 2011. The economic outlook published by the IMF in mid-April 2012 placed global economic growth at 3.5% in 2012. Forecasts show a dynamic increase of 5.7% for the emerging and developing countries, while the industrialised nations should only generate a modest plus of 1.4%. The experts are particularly sceptical concerning developments in the euro zone, where they see a minus von 0.3%. Italy and Spain remain in a deep recession and even Germany, as an economic driver, can only expect a moderate GNP increase of 0.6%. The economies in Austria (plus 0.9%) and Switzerland (plus 0.8%) are unlikely to record more positive results. Estimates for the USA and Japan show greater stability with an increase of 2.1% and 2.0%, respectively. The BRIC nations should continue their dynamic economic performance, even if growth in China slows from the prior year level to 8.2%. India (plus 6.9%) and Russia (plus 4.0%) show a similar picture, while the Brazilian economy is expected to record somewhat stronger growth after the prior year weakness with a plus of 3.0% in 2012.

**Substantial uncertainty makes forecasts difficult**

<sup>1</sup> Source: IMF forecast, World Economic Outlook, 17 April 2012

## 1.3 The Zumtobel Share

### Economic uncertainty grips most international stock markets

**2011/12 financial year characterised by high volatility**

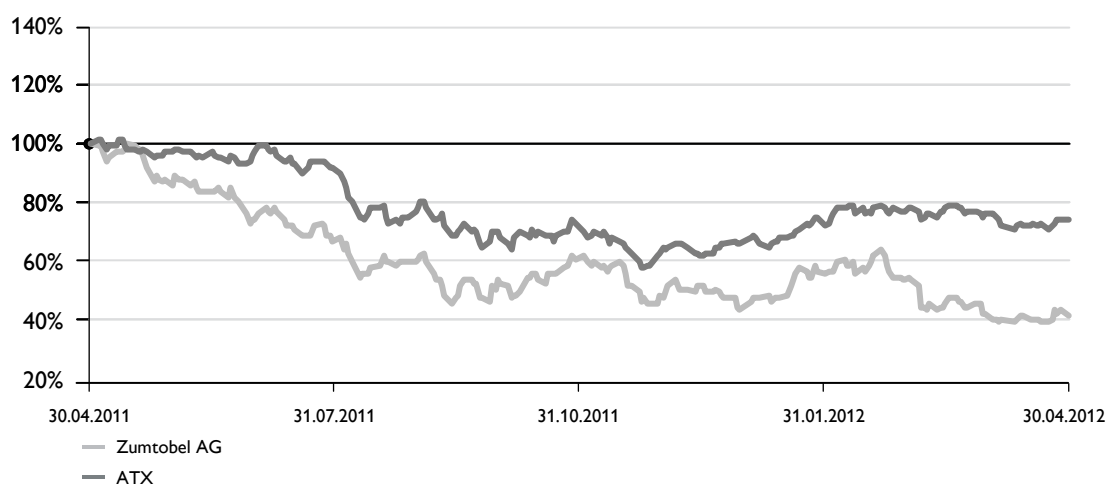
The 2011/12 financial year of Zumtobel AG (1 May 2011 to 30 April) was a turbulent period for the capital markets. Influenced by the sovereign debt crisis in the euro zone and the resulting uncertainty over the effects on the real economy, most global exchanges recorded weak performance for the year. Hopes for relative stability in the global economy and steady corporate profits prevailed almost through the middle of 2011. However, concerns over default in Greece, a substantial rise in interest rates for Spanish and Italian bonds and speculation that included the end of the euro triggered massive share price declines on the capital markets, above all in Europa, from July far into November 2011. For example, the leading Austrian ATX (Austrian Traded Index), which also includes the Zumtobel share, lost 42% from the end of April 2011 to the annual low on 23 November. Numerous stocks subsequently recovered, allowing the ATX to close at 2,119 on 30 April 2012. However, this still represents a loss of more than 25% over 12 months. The leading European Euro Stoxx 50 and the German DAX reported negative performance for the reporting period with minus 23% and minus 10%, respectively. Only the US Dow Jones index was positive with a plus of 3.7% for the year, which was supported by the recovering US economy.

### Disappointing performance by the Zumtobel share

**Stock market climate and weakness in components business lead to uncertainty**

Zumtobel shareholders enjoyed an increase of roughly 140%, respectively 50% in the price of their shares over the past two financial years, but 2011/12 was anything but positive. In addition to the generally weak performance of Austrian shares, Zumtobel was also negatively affected by a sharp decline in the Components Segment. The share fell 57.6% from 1 May 2011 to 30 April 2012. The annual high of EUR 24.50 was reached on 13 May 2011 soon after the start of the 2011/12 financial year. The increasingly unfavourable climate in the components business and general economic uncertainty caused a sharp drop in the share price below EUR 12 in the market downturn that took place from late summer to September. With the exception of two brief recovery phases at the end of October 2011 and in mid-February, when the share exceeded EUR 15, the price generally remained between EUR 10 and EUR 12. The annual low of EUR 9.80 was recorded on 10 April 2012. The Zumtobel share closed the 2011/12 financial year on 30 April 2012 at EUR 10.40.

Development of the Zumtobel Share



The market capitalisation of Zumtobel AG changed parallel to the share price in 2011/12. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 452 million as of 30 April 2012. In the ATX, the index of the largest listed companies in Austria, the Zumtobel share ranked 27th as of 30 April based on market capitalisation and 18th based on trading volume. The average daily turnover increases slightly over the previous year to 155,548 shares in 2011/12 (double-count, as published by the Vienna Stock Exchange).

**Market capitalisation  
falls below  
EUR 500 million**

#### Key Data on the Zumtobel Share for the FY 2011/12

Closing price at 30.04.12	EUR 10.40	Currency	EUR
Closing price at 29.04.11	EUR 24.50	ISIN	AT0000837307
Performance FY 2011/12	(57.6)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.12	EUR 452 mill.	Market segment	Prime Market
Share price - high at 13.05.11	EUR 24.50	Reuters symbol	ZUMV.VI
Share price - low at 10.04.12	EUR 9.80	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	155,548	Number of issued shares	43,500,000

#### Stable shareholder structure

There were no major changes in the shareholder structure of Zumtobel AG during the 2011/12 financial year. The Zumtobel family has remained a stable core shareholder of Zumtobel AG since the initial public offering, holding a stake of 35.4%. In addition, the institutional investors FMR LLC (Fidelity) and Delta Lloyd Asset Management each held over 5% of the shares in Zumtobel AG as of 30 April 2012. The remainder of the shares is held predominately by institutional investors. At the end of the 2011/12 financial year, the company held 393,390 treasury shares (2010/11: 678,553 shares).

**Zumtobel family  
continues to hold  
35.4%**

#### Dividend reduced to reflect results for the year

The Zumtobel Group follows an earnings-oriented dividend policy that calls for the distribution of roughly 30% to 50% of annual profit to shareholders. Based on the less favourable operating development during the reporting year, the Management Board will make a recommendation to the Supervisory Board, and subsequently to the annual general meeting of Zumtobel AG on 27 July 2012, to reduce the dividend from EUR 0.50 in 2010/11 to EUR 0.20 for the 2011/12 financial year. This represents a payout ratio of slightly more than 50%.

**Dividend  
recommendation of  
20 cents per share**

#### Investor relations activities focused on transparency and dialogue

Transparent and open communications with all capital market participants have top priority for the management of the Zumtobel Group. This is true, above all, during difficult capital market phases. Consequently, the Management Board and the investor relations department continued their in-depth dialogue with investors and analysts in Austria and other countries during the reporting year with participation in numerous road shows and one-on-one meetings. Discussions were held, among others, with institutional investors in London, New York, Boston, Zurich, Frankfurt, Paris, Edinburgh, Amsterdam, Vienna and Toronto. In 2011/12 ten well-known Austrian and international investment banks issued regular reports on the Zumtobel share with their estimates on the valuation of the company. Every two years at the Light + Building Trade Fair in Frankfurt, Zumtobel also holds a so-called Capital Markets Day for analysts and institutional investors. This year, on 17 and 18 April 2012, the Management Board and management presented the Group's operating development and strategy at visits to the company's exhibit and in speeches.

**Extensive contacts  
with investors**

In connection with quarterly reporting and the publication of the annual financial report, Zumtobel holds regular conference calls to provide detailed information on results. These opportunities are utilised by numerous investors and analysts. Private investors were also provided with information on the development and outlook for the Zumtobel Group at special events organised for this target group.

The Internet represents an important medium to ensure that investors and other interested stakeholders receive information at the same time. All publications and additional information on the Zumtobel Group can be reviewed on the corporate website under [www.zumtobelgroup.com](http://www.zumtobelgroup.com). The investor relations department is also available to answer specific questions and can be reached as follows:

Zumtobel AG/Investor Relations  
Höchster Strasse 8  
A-6850 Dornbirn  
Tel. +43 (5572) 509-1125  
[investorrelations@zumtobel.com](mailto:investorrelations@zumtobel.com)

## 1.4 Significant Events since 30 April 2011

### AGM approves dividend for 2010/11

The 35th annual general meeting on 22 July 2011 approved the distribution of a EUR 0.50 dividend per eligible share for the 2010/2011 financial year. The dividend was paid on 29 July 2011.

### Expansion of luminaire plant in Dornbirn

On 11 October 2011 the Zumtobel Group announced the planned extension of its luminaire plant in Dornbirn, Austria, as part of the medium-term strategy presented in April 2011. The investment will total approx. EUR 20 million and covers the expansion of production, the integration of the raw materials and semi-finished goods warehouse in the production process and the outsourcing of distribution logistics. Operations in the new building should start during the second half of 2013.

### New credit agreement up to 2016

In order to safeguard liquidity over the long-term, the Zumtobel Group voluntarily refinanced a credit agreement that would have been due in 2013 during November 2011. The new consortium credit agreement, which was concluded with a syndicate of seven banks, has a term of five years and a maximum line of EUR 500 million. These funds are available for general business purposes. As of 30 April 2012 the Zumtobel Group had drawn EUR 200 million of this credit line and had net debt of EUR 141.4 million.

### Shutdown of magnetics plant in Malaysia

The decline in the demand for magnetic ballasts has accelerated substantially in recent months due to the rapid shift to energy-efficient lighting components and rising prices for copper and steel. In order to adjust production capacity to reflect demand, the magnetic ballast plant in Ulu Tiram (Malaysia) was closed at the end of the 2011 calendar year. Forty-four employees were affected by this measure.

### Change in management at Tridonic components subsidiary

In January 2012 there was a change in the management of the Zumtobel Group's Components Segment. Tridonic CEO Walter Ziegler and COO Rüdiger Kofahl left the company. The CEO of Zumtobel AG, Harald Sommerer, took over the management of Tridonic on an interim basis in addition to his responsibilities as CEO for the Group. A personnel search to identify candidates for these two positions was started immediately, and led to the appointment of Gavin Brydon as Chief Operating Officer for Tridonic as of 1 June 2012.

No other significant events occurred during the reporting period.

## 1.5 Related Party Transactions

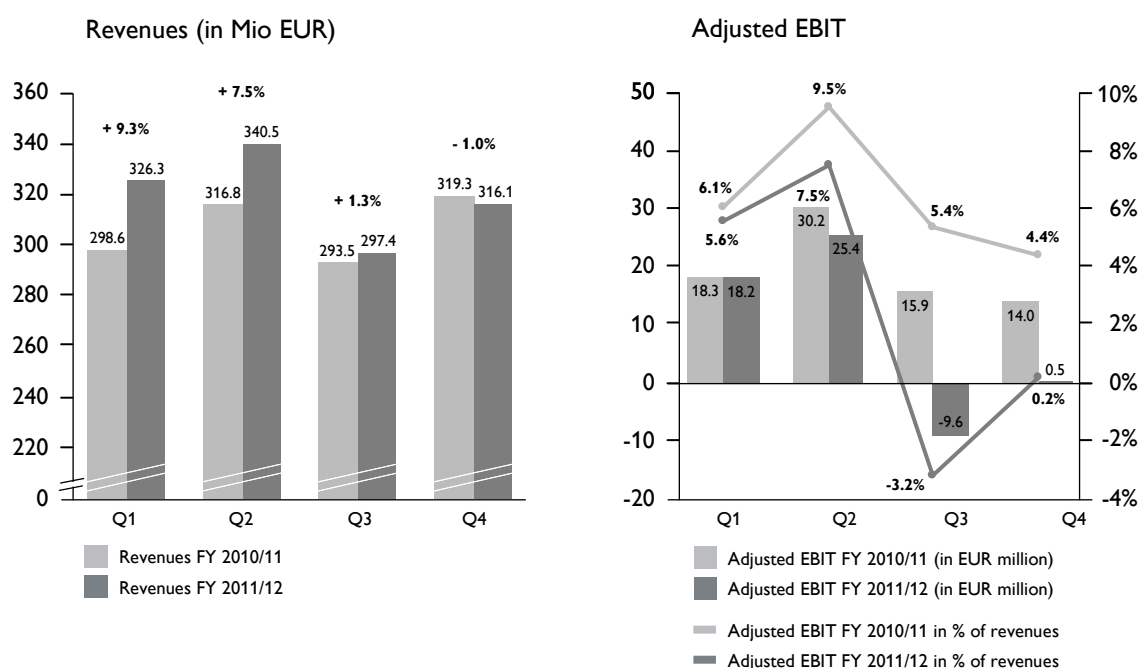
Related parties include the Management Board and Supervisory Board of Zumtobel AG. As of the balance sheet date on 30 April 2012, there were no business relations with related parties.

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 2011/12 financial year was characterised by significant weakness in the Components Segment. An analysis of revenue development by quarter shows a steady year-on-year decline in momentum. While demand in the Components Segment fell sharply beginning in late summer 2011, the Zumtobel Group's luminaire business missed the targeted revenue growth of 10% by only a small margin with an increase of 9.2%. In 2011/12 revenues recorded by the Zumtobel Group increased 4.2% to EUR 1,280.3 million.



Adjusted EBIT fell by EUR 43.8 million or 55.9% to EUR 34.6 million for the reporting year (2010/11: EUR 78.4 million), above all due to the massive weakness in the Components Segment and the substantial increase in expenditures for the planned expansion of selling and R&D activities. As a per cent of revenues, this represents an adjusted EBIT margin of 2.7% (2010/11: 6.4%). The second half-year, when revenues and earnings are typically lower, was disproportionately affected in 2011/12 by the weakness in the Components Segment and increased fixed costs arising from the technology shift and higher growth investments.

## 1.6.2 Revenues

- >> Group revenues increase 4.2% year-on-year
- >> Solid revenue growth in the Lighting Segment with plus 9.2%
- >> Components Segment substantially below prior year (minus 6.7%)
- >> Strong growth momentum with LED products (plus 82.6%)
- >> Disappointing revenue development in Asia and the USA

### Group revenues plus 4.2%

The Zumtobel Group recorded a 4.2% increase in revenues to EUR 1,280.3 million for the 2011/12 financial year, which covered the period from 1 May 2011 to 30 April 2012 (2010/11: EUR 1,228.2 million). Developments in the individual segments and regions differed substantially, but energy efficiency remained the central growth driver. In particular, the trend toward intelligently managed, energy-efficient lighting and LED technology continued to create strong impulses for growth.

### Solid revenue growth in the Lighting Segment

In the Lighting Segment, with the Zumtobel and Thorn brands, the sound prior year development (6.4%) continued. Revenues rose by 9.2% to EUR 949.2 million (2010/11: EUR 869.0 million), supported by the positive development of the renovation business, strong growth with LED products and the first positive effects from the expansion of sales as part of the global growth strategy. The revenue increase amounted to 7.4% for the second half-year, which is slightly lower than the 11.0% recorded for the first six months. This growth again placed the Lighting Segment well above the general stagnation in the commercial construction sector.

### Components Segment clearly below prior year

The Components Segment was unable to match the 19.3% growth recorded in the prior year, with revenues falling 6.7% to EUR 408.1 million in 2012/12 (2010/11: EUR 437.3 million). The second half-year decline in revenues was particularly strong at 14.8%. This disappointing development reflected the challenging market environment, but was also related to temporary weakness in the product portfolio. The result was a decrease in revenues from both electronic and magnetic ballasts. The decline of over 30% in the demand for magnetic ballasts was intensified, above all, by the high price of copper and related price increases. As a reaction to this operating environment, the Zumtobel Group adjusted its production capacity by closing a magnetic ballast plant in Ulu Tiram (Malaysia) with 44 employees at the end of the 2011 calendar year. Revenues from the sale of LED lighting components increased during the reporting year, but still remained below expectations.

Segment development in EUR million	2011/12	2010/11	Change in %
Lighting Segment	949.2	869.0	9.2
Components Segment	408.1	437.3	(6.7)
Reconciliation	(77.0)	(78.1)	(1.4)
Zumtobel Group	1,280.3	1,228.2	4.2

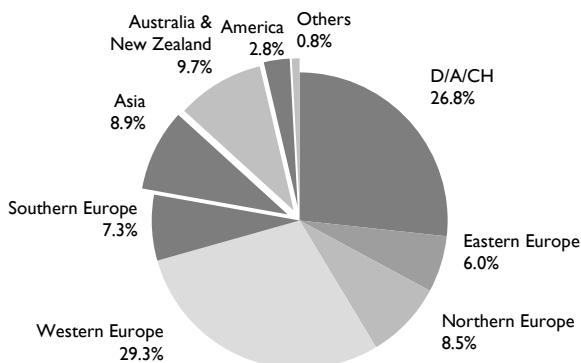
### Continued strong growth with LED products

The dynamic growth with LED products continued during the reporting year with an increase of 82.6% in revenues to EUR 183.2 million (2010/11: EUR 100.3 million). The LED share of Group revenues rose to 14.3%, compared with 8.2% in 2010/11. In particular the Lighting Segment, with its wide-ranging innovative LED luminaire portfolio, was able to benefit from the sharp rise in demand for LED lighting. LED segment revenues increased 116.6% to EUR 136.6 million. The LED product portfolio in the Components Segment comprises LED modules and converters for conventional lighting as well as LED modules for light advertising and cooling equipment and LED retrofit lamps. Revenues from these LED components rose by 31.4% to EUR 54.7 million and remained clearly below the growth in the Lighting Segment.

## Development of revenues by region

2011/12	Revenues in EUR million	Change in %
D/A/CH	343.3	11.5
Eastern Europe	76.5	7.9
Northern Europe	108.2	10.5
Western Europe	375.0	3.2
Southern Europe	93.0	(12.0)
<b>Europe</b>	<b>995.9</b>	<b>5.3</b>
Asia	114.3	1.0
Australia & New Zealand	123.6	1.5
America	35.7	1.0
Others	10.7	(14.0)
<b>Total</b>	<b>1,280.3</b>	<b>4.2</b>

Regional distribution of revenues



Developments in the individual regions varied widely during the reporting year. The Components Segment reported substantially lower revenues in nearly all regions, but the Lighting Segment continued its solid revenue growth in Europe. Revenues generated by the Zumtobel Group in Europe rose by 5.3% to EUR 995.9 million in 2011/12 (2010/11: EUR 945.4 million). Lower growth rates in the non-European regions led to a minor increase in the relative share of revenues recorded in Europe from 77.0% to 77.8%. The D/A/CH region (Germany, Austria, Switzerland) served as the regional growth driver with a revenue plus of 11.5%. In the growth market of Eastern Europe, revenues increased 7.9% to EUR 76.5 million. Demand in Northern Europe (Denmark, Finland, Norway, Sweden, Iceland) was sound with a plus of 10.5% for the reporting year. Dynamic growth was recorded, above all, in the luminaire business in Sweden and Norway. Western Europe (Great Britain, France, Benelux), which is the strongest sales region in the Zumtobel Group, recorded growth of 3.2%. Good development in the Lighting Segment was more than able to offset the declining demand in the Components Segment. Revenues in Southern Europa (Italy, Spain, Greece, Turkey) fell by 12.0% due to a sharp decline in the components business as well as increasing difficulties in the luminaire business toward the end of the year.

**Luminaire business in European core markets as central growth driver**

Business development in the regions outside Europe was generally disappointing in 2011/12. In both Asia (comprising mainly China, Hong Kong, Singapore, India and the Middle East) and the USA, revenues rose by only 1.0% year-on-year. The new management is actively pursuing a wide range of measures, both at the product and process level, to strengthen the basis for future growth in both regions. Australia & New Zealand recorded moderate growth of 1.5% in 2011/12, which was supported by positive foreign exchange effects.

**Disappointing development in Asia and the USA**



### 1.6.3 Earnings

- >> Adjusted EBIT falls from EUR 78.4 million to EUR 34.6 million
- >> Significantly lower gross profit margin at 31.1% (2010/11: 33.4%)
- >> Strong increase in selling expenses and development costs
- >> Net profit for the year declines to EUR 16.0 million (2010/11: EUR 51.3 million)

Income statement in EUR million	2011/12	2010/11	Change in %
Revenues	1,280.3	1,228.2	4.2
Cost of goods sold	(882.5)	(817.9)	7.9
Gross profit	397.8	410.3	(3.1)
as a % of revenues	31.1	33.4	
SG&A expenses adjusted for special effects	(363.2)	(331.9)	9.4
Adjusted EBIT	34.6	78.4	(55.9)
as a % of revenues	2.7	6.4	
Special effects	0.0	(2.4)	(100.0)
EBIT	34.6	76.0	(54.5)
as a % of revenues	2.7	6.2	
Financial results	(13.9)	(16.2)	14.5
Profit before tax	20.7	59.8	(65.3)
Income taxes	(4.0)	(7.0)	(42.6)
Net profit/loss from discontinued operations	(0.8)	(1.5)	49.5
Net profit for the period	16.0	51.3	(68.9)
Depreciation and amortisation	53.9	51.5	4.5
Earnings per share (in EUR)	0.37	1.19	(69.0)

Note: EBITDA amounted to EUR 88.5 million in 2011/12 (2010/11: EUR 127.6 million).

#### Adjusted EBIT falls to EUR 34.6 million

Adjusted EBIT fell from EUR 78.4 million in 2010/11 to EUR 34.6 million for the reporting year, or by a total of EUR 43.8 million. The adjusted EBIT margin declined from 6.4% to 2.7% and the gross profit margin from 33.4% to 31.1%. The sharp drop in gross profit is attributable to the additional costs resulting from the technology shift as well as weakness in the Components Segment. EBIT was also negatively affected by the high growth investments, above all for the expansion of sales structures.

#### Strong increase in development costs

In order to protect its good competitive position, the Zumtobel Group must invest in both LED and conventional lighting technology at the same time. These efforts are reflected in a larger range of products as well as substantially higher R&D expenditures and investments by both segments during the transition phase. Development costs included in the cost of goods sold rose by EUR 8.5 million to EUR 54.8 million in 2011/12. The Components Segment was also confronted with the significant negative effects of charges arising from the underutilisation of production capacity that was placed on line at the beginning of the financial year as well as the declining business with high-margin electronic ballasts and strong pressure on prices.

#### Selling expenses increase to EUR 26.1 million

With the aim of preparing for medium-term growth opportunities, the Zumtobel Group continued its substantial investments in the expansion of sales structures during the reporting year. Selling expenses consequently rose from EUR 305.2 million in 2010/11 to EUR 331.3 million in 2011/12, above all due to an increase in the sales force and higher marketing expenditures in the Lighting Segment. Nearly 120 additional salespersons were hired over the past 18 months. Administrative expenses amounted to EUR 38.0 million and were only slightly higher than the previous year (2010/11: EUR 36.5 million). Other operating result,

excluding special effects, consisted primarily of license income from the LED business and declined from 9.7 million to EUR 6.1 million. In this connection, it should be noted that non-recurring income of EUR 3.0 million was recognised during the third quarter of 2010/11 from an LED licensing agreement.

No special effects were recognised during the reporting year. The special effects recognised in 2010/11 totalled EUR 2.4 million. Additional information is provided in section 2.6.4.3 of the notes.

The following presentation of operating results includes the adjustment of EBIT in the prior year to reflect special effects:

Adjusted EBIT in EUR million	2011/12	2010/11	Change in %
Reported EBIT	34.6	76.0	(54.5)
thereof special effects	0.0	(2.4)	(100.0)
Adjusted EBIT	34.6	78.4	(55.9)
as a % of revenues	2.7	6.4	

Financial results improved by EUR 2.4 million to minus EUR 13.9 million in 2011/12, despite an increase of EUR 1.8 million in net financing costs. This increase reflected the additional utilisation of financing lines provided by the consortium credit agreement during the course of the year as well as a slight year-on-year rise in the credit margin. In contrast, the net total of other financial income and expenses was substantially less negative than the prior year at minus EUR 3.9 million (2010/11: minus EUR 8.8 million). This position consists primarily of results from the measurement of forward exchange contracts at fair value as of the balance sheet date as well as effects from the valuation of foreign currency receivables and liabilities. It also includes the interest component, less income on plan assets, in accordance with IAS 19. Additional information is provided in section 2.6.4.5 of the notes.

#### Slight improvement in financial results

Financial result in EUR million	2011/12	2010/11	Change in %
Interest expense	(11.3)	(9.8)	15.3
Interest income	2.1	2.4	(12.1)
Net financing costs	(9.2)	(7.5)	24.0
Other financial income and expenses	(3.9)	(8.8)	55.2
Profit/loss from companies accounted for at-equity	(0.7)	0.0	<(100)
Financial results	(13.9)	(16.2)	14.5

Profit before tax declined to EUR 20.7 million for the reporting year (2010/11: EUR 59.8 million). Income tax expense amounted to EUR 4.0 million (2010/11: EUR 7.0 million). The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 19.3% for 2011/12. The net change in deferred taxes had a positive effect of EUR 1.0 million on earnings (2010/11: EUR 1.5 million). Detailed information is presented in section 2.6.4.6 of the notes.

#### Profit before tax falls to EUR 20.7 million

Results from discontinued operations are related to the event lighting business (Space Cannon VH SRL), which was discontinued in the second quarter of the 2010/11 financial year. In 2011/12 the reorganisation process for Space Cannon resulted in subsequent expenditures of EUR 0.8 million. Net profit (including non-controlling interests) after tax fell by a substantial amount to EUR 16.0 million for the reporting year (2010/11: EUR 51.3 million). For the shareholders of Zumtobel AG, earnings per share (basic EPS on 43.1 million shares) equalled EUR 0.37 (2010/11: EUR 1.19 for 42.8 million shares).

#### Profit for the year totals EUR 16.0 million

#### 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, as such, provides corporate management and other services. These functions include, among others, controlling, human resources, corporate accounting, taxes and legal, internal audit, insurance, treasury (including 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 (2010/11: EUR 34.5 million) include IT services of EUR 19.7 million (2010/11: EUR 19.6 million), rental income of EUR 7.7 million (2010/11: EUR 7.6 million) and other services of EUR 7.2 million (2010/11: EUR 7.3 million).

Operating profit declined EUR 1.5 million to minus EUR 5.8 million. Income from subsidiaries amounted to EUR 50.4 million (2010/11: EUR 36.0 million). A total of EUR 40.0 million (2010/11: EUR 15.0 million) was withdrawn from Tridonic GmbH & Co KG (the parent company of the Components Segment) and EUR 0.4 million (2010/11: EUR 1.0 million) from Tridonic GmbH. The distribution from Zumtobel Lighting GmbH, the parent company of the Lighting Segment, equalled EUR 10.0 million (2010/11: EUR 20.0 million).

Net profit improved from EUR 28.3 million to EUR 31.3 million. The equity ratio of Zumtobel AG equalled 83.6% as of 30 April 2012 (2010/11: 82.0%).

##### Recommended dividend of 20 cents per share

Zumtobel AG had retained earnings of EUR 38.6 million as of 30 April 2012 (2010/11: EUR 28.9 million), which are available for distribution as dividends. In view of the less favourable operating development during the reporting year, the Management Board will make a recommendation to the Supervisory Board, and subsequently to the annual general meeting of Zumtobel AG on 27 July 2012, calling for a reduction in the dividend from EUR 0.50 to EUR 0.20 for the 2011/12 financial year.

As of 30 April 2012, the company held 393,390 treasury shares (2010/11: 678,553 shares).

#### 1.6.5 Seasonality, cash flow and asset position

- >> Positive development of working capital
- >> Operating cash flow rises by 17.7%
- >> Free cash flow totals EUR 22.3 million
- >> Continued secure liquidity position and solid balance sheet structure

##### Seasonality of business

The development of business in the Zumtobel Group follows a seasonal pattern: 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 industry. In the fourth quarter (1 February to 30 April), the pace of business begins to accelerate again. Earnings (based on adjusted EBIT) reflect the development of revenues and are also subject to seasonality, as is illustrated by the significantly lower results in the second half of the year. Additionally, earnings for the second half-year are negatively influenced by expenditures for lighting industry trade fairs.

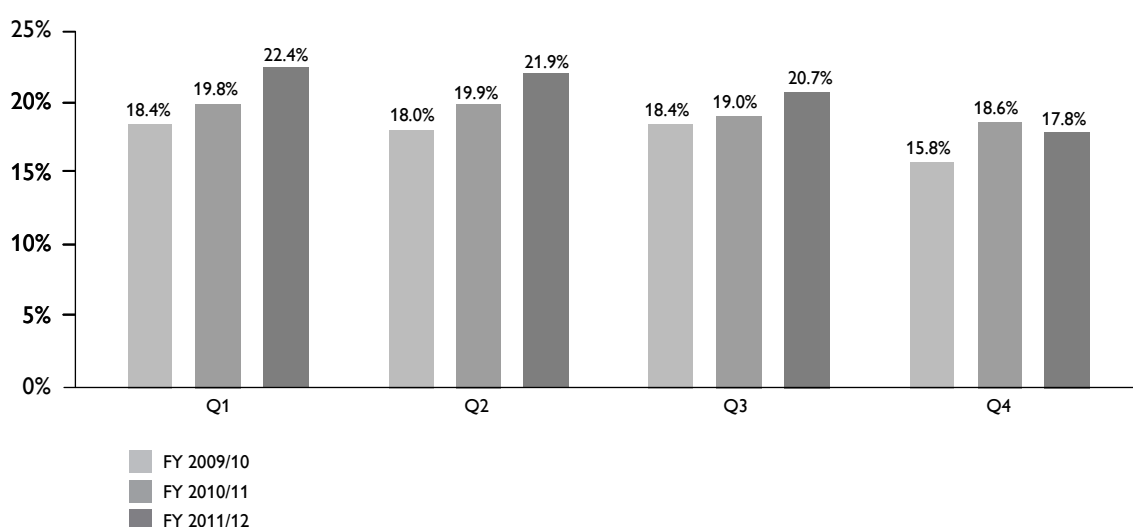
Cash flows are translated at the average monthly exchange rate and then aggregated, while balance sheet positions are translated at the exchange rate in effect on the balance sheet date. This can lead to significant

differences between individual positions on the balance sheet and cash flow statement, above all under cash flow from operating activities.

Working capital amounted to EUR 228.3 million as of 30 April 2012 and remained at the prior year level (2010/11: EUR 228.8 million) despite an increase in the volume of business. The high inventories, above all in the Components Segment, were steadily reduced by strict management controls during the reporting year. Expressed as a per cent of rolling 12-month revenues, working capital equalled 17.8% as of 30 April 2012 (2010/11: 18.6%), which represents the lower end of the Group's defined target corridor of 18% to 20%. In addition, factoring declined from EUR 50.0 million to EUR 41.8 million at the end of the reporting year.

**Positive development  
of working capital**

Working Capital as % of rolling 12-month revenues



Cash flow from operating activities rose by EUR 11.8 million to EUR 78.1 million on 30 April 2012 (2010/11: EUR 66.4 million). The year-on-year improvement resulted primarily from a reduction in working capital that was offset in part by significantly lower operating results and higher income tax payments.

**Operating cash flow  
rises 17.7%**

Capital expenditure in the Zumtobel Group amounted to EUR 57.2 million for the reporting year (2010/11: EUR 57.3 million). These expenditures covered investments in the manufacture of tools for new products, expansion and maintenance investments as well as capitalised R&D costs of EUR 11.1 million (2010/11: EUR 14.1 million). The expansion investments were related mainly to production equipment for the luminaire plants Dornbirn (Austria), Lemgo (Germany) and Les Andelys (France) as well as equipment for LED modules in Jennersdorf (Austria).

**Capital expenditure at  
prior year level**

The positive development of working capital supported a EUR 17.4 million increase in free cash flow to EUR 22.3 million for the reporting year. Cash flow of minus EUR 14.6 million from financing activities (2010/11: minus EUR 18.5 million) included, in particular, the dividend distributed to the shareholders of Zumtobel AG for the 2010/11 financial year; interest payments of EUR 9.5 million and an increase in funds drawn from credit lines.

**Free cash flow rises  
to EUR 22.3 million**

## Secure liquidity position

In order to ensure its ability to meet payment obligations at any time, the Zumtobel Group held unsecured lines of credit totalling EUR 100.6 million as of 30 April 2012 (2010/11: EUR 107.3 million) as well as a consortium credit agreement concluded in November 2011 with a term extending to 2016 and a maximum volume of EUR 500 million. Of this total, EUR 200 million had been drawn by 30 April 2012. The financing from the consortium credit agreement requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2012 with a debt coverage ratio of 1.60 and an equity ratio of 35.8%. Net liabilities totalled EUR 141.4 million at the end of the 2011/12 financial year and reflected the prior year level (2010/11: EUR 141.3 million).

Balance sheet data in EUR million	30 April 2012	30 April 2011
Total assets	1,036.3	1,020.5
Net debt	141.4	141.3
<i>Debt coverage ratio</i>	<i>1.60</i>	<i>1.11</i>
Equity	370.5	378.7
<i>Equity ratio in %</i>	<i>35.8</i>	<i>37.1</i>
<i>Gearing in %</i>	<i>38.2</i>	<i>37.3</i>
Investments	57.2	57.3
Working capital	228.3	228.8
<i>As a % of rolling 12 month revenues</i>	<i>17.8</i>	<i>18.6</i>

## Solid balance sheet structure

The quality of the balance sheet structure did not change significantly during the reporting year. The equity ratio decreased from 37.1% on 30 April 2011 to 35.8%, primarily due to the dividend payment and an increase in the provision for pensions in Great Britain. This latter change resulted from an increase in the present value of the defined benefit obligations following the application of lower interest rates. Gearing, the ratio of net debt to equity, deteriorated slightly from 37.3% to 38.2%.

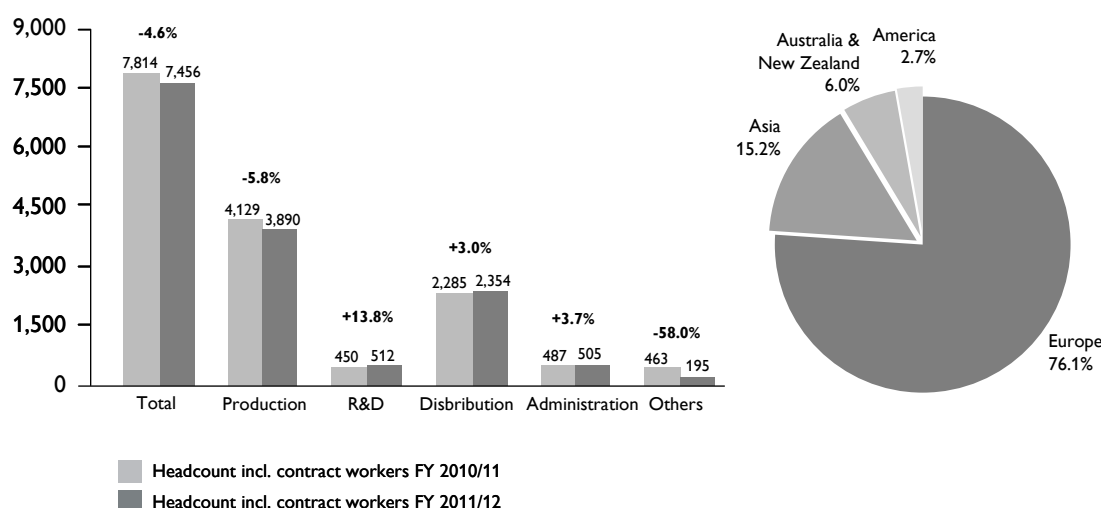
## 1.7 Human Resources

Committed and well-trained employees are the key to the success of the Zumtobel Group. With their technical expertise, personal competence and passion for light, they create demanding lighting solutions that set worldwide benchmarks. Key values for the Group include a continuous focus on the needs of customers, an innovative spirit and entrepreneurial actions.

The Zumtobel Group had 7,456 full-time employees (including contract workers) as of 30 April 2012. Substantial investments were made during the reporting year to expand the sales force and R&D teams in line with the global growth strategy. However, the difficult situation in the Components Segment, above all in production, led to adjustments in personnel capacity and costs. The Group's workforce (including contract workers) was reduced by 358 employees in 2011/12. The following graph shows the distribution and development of the workforce by activity and region:

**Reduction of 4.6% in the workforce**

Breakdown by activity and region



Adjusted EBIT as a per cent of personnel expenses (labour productivity) fell from 19.7% in the previous year to 8.2% in 2011/12 due to the substantial decline in operating results. Average revenues per employee (including contract workers) rose from EUR 161,200 to EUR 165,600.

**Decline in labour productivity**

### Current challenges and strategies

The technology shift is creating new challenges for human resources management. The Group must retain existing know-how and, at the same time, attract an increasing number of employees with specialised know-how in the areas of electronics and LED. This twofold objective is met by recruiting new employees and offering training courses and additional qualification opportunities for current employees. The global roll-out of the successful European business model in the Lighting Segment requires the hiring of additional international staff and a greater focus on the transfer of know-how within the Group. Internal job rotations and the longer-term relocation of managers to local companies support the development of a worldwide know-how network and offer interesting opportunities for personal development.

**Technology change and global growth strategy bring new challenges**

The difficult operating environment for the Components Segment led to a reduction in the number of employees, which allowed for the adjustment of staffing and personnel costs to reflect the market situation. These adjustments concentrated primarily on the shutdown of a magnetic plant in Malaysia, the Shenzhen plant in China and contract workers employed in Europe. The Zumtobel Group endeavours to retain its core workforce whenever possible, also in difficult economic times and despite declining capacity utilisation.

**Workforce reduction in components business**

In this connection, a number of measures were implemented during the reporting year, particularly at the components plant in Dornbirn, which included voluntary part-time work, a reduction in accumulated overtime and educational leave. Short-time work was also used to a certain extent at the components plant in Ennenda (Switzerland).

#### Employee training programmes and apprenticeships

##### Specialised brand academies

Light is a product that needs explanation. The sales function plays a key role for the Zumtobel Group, and good training is decisive for the quality of sales. The brand academies (Thorn Academy of Light, Zumtobel Academy of Light, Tridonic Academy) offer a wide range of specially designed training programmes, above all for sales and marketing staff. These courses focus, for example, on technologies, applications and customer requirements as well as energy efficiency and sustainable lighting solutions.

##### Lean Six Sigma for production employees

The Zumtobel Group also supports the improvement of its global workforce in other areas through continued training. Since the introduction of Lean Six Sigma, production employees have received regular training to ensure the continuous improvement of production processes. The training level is indicated by the colour of the so-called "belt". In 2011/12 7 employees were awarded the "Black Belt", 112 the "Yellow Belt" and 47 the "Green Belt".

##### Executive development

Corporate training supports the strengthening of management, methodology and social skills. The programmes offered by the Zumtobel Group cover general management, communications and moderation, trainer certification and project management. In 2011/12 employees and managers took part in 799 (2010/11: 835) training days. The Zumtobel Group provides special support for future talents with outstanding capabilities. During the reporting year, 73% (2010/11: 60%) of all upper level management functions were filled internally.

##### Apprenticeship training in 11 professions

The number of apprentices increased 150 in the previous year to 158 in 2011/12. Internal professional training is an important instrument to counter the lack of specialists caused by demographic shifts. The apprenticeship training programme is operated primarily in Austria and Germany, and includes the following eleven professions: electronics, electrical engineering, machine mechanics, plastics engineering, production engineering, plant electronics, tool mechanics, machining, mechatronics, industrial clerk and media expert.

#### Corporate values and social responsibility

##### Identification of employees with shared values

The Zumtobel Group is built on a strong corporate culture that has grown over many decades. In 2011/12 the corporate values were revised to reflect the global growth strategy and - with the assistance of the Management Board, specialist departments, managers and the Employees' Council - reduced to three strong core values: PASSION, PERFORMANCE and PARTNERSHIP. These three values form the basis for daily actions. They are designed to support the fulfilment of the corporate vision and the global growth strategy.

##### Measures to support the work-life balance

The compatibility of family and career are also important values for the Zumtobel Group. This orientation is underscored by the part-time and home office working models that are open to employees. In 2011/12, the number of part-time employees equalled 6% of the full-time equivalent workforce. Mothers and fathers who return to work after maternity or parental leave are actively supported in their reintegration.

The code of conduct of the Zumtobel Group includes a clear commitment to the employment and working conditions of the International Labour Organisation and prohibits all forms of discrimination. Accordingly, all personnel decisions are based on performance and qualifications. Similar to the corporate values, the code of conduct was also revised during the reporting year to include streamlined, clearer statements. High value is placed on internationality and a multicultural orientation, two factors that have become increasingly important in connection with the new global growth strategy.

## Equal opportunity and diversity

The Zumtobel Group supports the integration of young people and adults with special needs in the working world. For example, the luminaire plant in Dornbirn launched a project in 1989 to train young people with handicaps. A two-year vocational programme prepares young people with special needs for the working environment in a production facility and teaches them in special courses to work independently. Of the 78 young people who have completed this programme, 22 have found regular employment.

## Remuneration

A uniform remuneration scheme ensures transparency and performance-based compensation in the Zumtobel Group. Remuneration normally exceeds the level required by legal regulations or collective bargaining agreements. New rules governing variable remuneration for mid-level and upper management and the Management Board were introduced in May 2012. The base performance indicator is absolute EBIT, which is compared with the EBIT development of comparable companies (peer group). Part of the variable remuneration is paid out each year, with the remainder distributed in three equal tranches over the following three years. All tranches are valued with the target factor of the year in which the payment takes place. This scheme will strengthen the focus on long-term decisions.

## Performance-based remuneration schemes

The annual employee review forms an important instrument in the interaction between employees and their supervisors. In this structured discussion, a common understanding is developed for the values, corporate strategy and goals, mutual expectations are coordinated and development opportunities are systematically identified.

## Annual employee review

## Workplace safety

Workplace safety and health protection represent an important focal point of activities for the Zumtobel Group. In order to increase workplace safety, measures are implemented on a continuous basis and include employee training, improvements in protective clothing and the replacement of machinery. The TRI rate (Total Recorded Injuries = number of work accidents based on one million work hours) is monitored monthly at all plants. This statistic includes all incidents, independent of the resulting effects, whereby the most frequent injuries involve cuts. The TRI rate declined slightly to 18.0 in the luminaire plants during the reporting year (2010/11: 18.9) and by a significant amount to 5.4 in the components plants (2010/11: 10.6). The overall rate for the Group improved from 15.8 to 13.6, with the medium-term target calling for a TRI rate of 10.

## Focus on workplace safety

TRI-Rate	2011/12	2010/11	2009/10
Lighting Segment	18.0	18.9	22.0
Components Segment	5.5	10.6	8.3
Zumtobel Group	13.6	15.8	17.4



## 1.8 Suppliers

### Focus on quality, costs and supplier reliability

The cooperation between the member companies of the Zumtobel Group and their suppliers is based on long-term mutual trust and fairness. That protects the supply chain, while ensuring the best available quality at an advantageous cost. Current developments such as the technological shift in the lighting industry and the rising prices and shortages of raw materials as well as the global growth strategy of the Zumtobel Group create continuous challenges for the procurement specialists.

### Lead buyer concept and second-source strategy

In both segments, procurement is based on the “lead buyer” concept. The bundling of procurement for specific groups of materials through specialised buyers improves the negotiating position with suppliers who frequently also act on a global basis. Lead buyers are responsible for more than 80% of the total procurement volume. They define the strategy and supplier portfolio for the various material groups and support active risk management, which also includes the consistent application of the Group's second source strategy. The identification and development of alternative suppliers safeguards deliveries, even in the face of unexpected external events and fluctuations in demand. The importance of this strategy was demonstrated during the reporting year: the effects of the natural disasters in 2011, including the Fukushima reactor catastrophe in Japan and floods in Pakistan and Thailand, were minimal for the business activities of the Zumtobel Group.

### Increasing importance of Asia

The most important material groups are purchased in different countries. Both segments buy key raw materials, e.g. steel, copper, aluminium and plastic granulate, in Central Europe. In contrast, electronic and LED components are generally sourced in Asia, where the most competitive suppliers for these parts are located. The growth in the LED business led to a strong increase in procurement volumes on Asian markets during 2011/12. Of the total procurement volume, the Components Segment now sources roughly 80% and the Lighting Segment approx. 8% in this region.

### Long-term, reliable supplier management

The Components Segment has developed particularly long-standing relationships with its suppliers: business relationships with 53% of the roughly 350 suppliers have existed for more than 15 years; a further 34% started sales to the Group ten years ago, 7% five to ten years ago and only 6% less than five years ago. A high degree of standardisation shows that 44 suppliers (12% of the total) are responsible for approx. 80% of the procurement volume. The Lighting Segment's goal to reduce the number of suppliers was a focal point of activities in 2011/12 and led to a reduction of roughly 200 in the number of suppliers to 1,200. Approximately 70 suppliers are responsible for nearly four-fifths of the procurement volume in this segment.

### Systematic quality testing and supplier audits

The Zumtobel Group has established systematic processes for the regular evaluation and auditing of suppliers. In addition to the success factors of supplier reliability, quality and service, sustainability aspects are also evaluated (environmental management system, code of conduct). In 2011/12 the Lighting Segment carried out 27 global audits and the Components Segment 25 audits with major suppliers. These assessment systems facilitate the introduction of measures for the joint development of suppliers, which allow for the elimination of weak points and ensure long-term supplier quality. All new suppliers in both segments must, among others, demonstrate the availability of a verifiable environmental management system and confirm compliance with the Zumtobel Group's code of conduct in writing. As part of this process, the supplier agrees to observe the core standards of the International Labour Organisation (ILO) and to prevent corruption. The ILO's core standards include the right to collective bargaining as well as the prohibition of child labour and forced labour.

## 1.9 Quality

The Zumtobel Group is committed to providing the highest quality products. These products are essential in times of technology shifts to more complex electronic lighting systems and represent a key requirement for the Group's global growth strategy. Quality not only means faultless production, but also standardised process and service quality in all areas of the company throughout the world. The Group's claim is to deliver the desired product with all necessary functions and all related services to the customer at the right time. In the same way, the Zumtobel Group demands this same quality from its market partners.

**Highest quality demands**

The Zumtobel Group quality council was established in February 2011 to develop and coordinate a global quality policy for the Group. The primary goal of this cross-brand committee is to define and monitor Group-wide quality improvement measures. It will also support know-how transfer between the segments and the exchange of information and best practices. Issues addressed during the reporting year included, among others, the implementation of a new global risk management process, a project to improve the quality of dimmable electronic ballasts and the further development of a supplier quality management system.

**Global quality policy**

As part of its continuous improvement efforts, the Zumtobel Group aims to eliminate redundant processes, to reduce refuse and the waste caused by production errors, to avoid unnecessary transportation and - through these activities - to conserve resources. This minimises external and internal costs and, at the same time, reduces the negative impact on the environment. The Lighting and Components Segments use a wide variety of methods and control measures to continuously improve the quality of processes and products. Total Quality Management (TQM) and Lean Six Sigma form the core of these activities. TQM utilises various instruments to create an awareness of quality among all employees and at every workplace. The goal of Lean Six Sigma is to minimise errors and activities that do not create added value. With the exception of two smaller plants in the USA, all production facilities in the Zumtobel Group's worldwide network have been certified according to the ISO 9001 international standard for quality management systems.

**High-quality processes and products**

After the Zumtobel brand voluntarily extended the legally required warrantee period to five years in 2010, the Thorn brand also introduced a five-year warrantee in January 2012. This warrantee, which excludes working parts like conventional lights or emergency batteries, requires the customer to register with Thorn.

**Five-year warrantee**

The Zumtobel Group guarantees that the products in both segments meet all applicable standards and regulations. In particular, this applies to directives concerning light quality and energy efficiency as well as labelling requirements. The relevant legal regulations include, among others, CE labelling (agreement with EU directives), WEEE labelling (directive on the disposal of waste electrical and electronic equipment), REACH (EU directive on chemicals) and RoHS (EU directive on the use of hazardous substances).

**Standards and directives**

The Zumtobel Group is currently conducting a selection process for software to improve the monitoring and documentation of compliance with standards and regulations by suppliers. This software will be rolled out successively throughout the Group. It will be available for both segments and support the direct upload of material declarations by suppliers.

## 1.10 Environmental Protection

### Integral elements of sustainability strategy

Environmental protection and the responsible use of resources represent key focal points for the activities of the Zumtobel Group, not only with respect to the development of energy-efficient products but also in connection with efforts to make production more environmentally compatible. These goals are reflected in the sustainability strategy of the Zumtobel Group ("Through light, we care") and include the careful and efficient use of raw materials as well as the minimisation of emissions and waste over the entire product lifecycle.

### Environmental management: global guidelines, local implementation

Environmental management in the Zumtobel Group is based on three main supports: environmental management systems that are certified according to ISO 14001, the application of the Lean Six Sigma method and compliance with internal and external guidelines. The goal of environmental management is to continuously reduce the effects of production and products on the environment. Global coordinators have been designated for both the Lighting Segment and the Components Segment. They issue guidelines and define structures for measures to continuously improve environmental performance. Local responsibility lies with the respective environmental officers at the individual plants. These managers define individual focal points and goals, and are responsible for the implementation of measures and compliance with national laws.

### Environmental management certified under ISO 14001

The certification of an environmental management system under ISO 14001 requires, among others, processes to ensure the systematic and continuous improvement of a company's environmental performance. The risks and effects of operations on the environment are identified and followed by the implementation of appropriate control measures. High-potential opportunities for improvement are dealt with by the Group's management committee, the Zumtobel Group quality council. Six of twelve production facilities in the Lighting Segment and seven of nine in the Components Segment are now certified according to ISO 14001.

### Lean Six Sigma

Lean Six Sigma has been successfully used by the Components Segment since 2003 and by the Lighting Segment since 2008. This management philosophy comprises resource-efficient production, the reduction of negative effects on the environment and an increase in safety for employees. The careful use of resources is an important part of the Lean Six Sigma philosophy that is reflected in the regular analysis of indicators, the identification of opportunities for improvement and the implementation of necessary measures.

### Guidelines and laws

Environmental management is responsible for compliance with all relevant laws and directives. Within the Zumtobel Group, environmental protection is anchored in the code of conduct for employees and the environmental, health and workplace safety guideline as well as the quality policy of the Lighting Segment and the corporate policy of the Components Segment. The awareness of employees for the importance of environmental protection is also increased through training courses, which provide information on the avoidance of waste and waste separation as well as environmental consciousness in product development and the selection of materials.

Parallel to this 2011/12 annual report, the Zumtobel Group will publish its third sustainability report with extensive information, among others, on energy consumption, emissions, water consumption, waste & recycling, transportation & logistics etc.

## 1.11 Research and Development

### Key data on R&D

Through its role in the development and application of new technologies, research and development (R&D) is a decisive success factor for the global growth strategy of the Zumtobel Group. R&D expenditures include expenses recognised to the income statement as well as capitalised development costs. In accordance with the goal to further expand the outstanding technology position of the Zumtobel Group, R&D expenditures were increased by 11.3% to EUR 69.8 million during the reporting year and the R&D team was expanded to include 62 new employees (plus 13.8%). The significance of R&D and the Group's innovation culture is also reflected in the funds spent for these activities, which rose from 5.1 to 5.4% of revenues in 2011/12. The medium-term forecasts for the Zumtobel Group call for R&D expenditures to remain constant at approx. 5 to 5.5% of revenues up to 2014/15.

Expenditures for research and development in EUR million	2011/12	2010/11	Change in %
R&D through P&L	58.7	48.6	20.9
Capitalised R&D	11.1	14.1	(21.5)
R&D total	69.8	62.7	11.3
<i>as a % of revenues</i>	5.4	5.1	
Headcount (full-time equivalent) R&D	512	450	13.8

The focal points for R&D activities are derived from the "functional chain" of lighting: light source, optics, controls and light management. Accordingly, the individual projects address different areas: for light sources the concentration is on developments in LEDs, OLEDs and nanoscopic material structures (quantum dots); for optics on new optical methods, primarily for LEDs; for control gears on new converters to operate LEDs and OLEDs; and for light management on new approaches to operate lighting equipment. These focal points create opportunities for differentiation in lighting quality, energy-efficiency, added value and the intelligence of lighting controls. Therefore, the core of R&D activities is formed by innovative, future-oriented products and solutions that will set the brands apart in their respective markets.

The company's innovative power is closely linked to R&D, as is demonstrated by the share of revenues generated by new products. In 2011/12 the Lighting Segment recorded 28.9% (2010/11: 27.7%) and the Components Segment 36.0% (2010/11: 37.6) of revenues with products that are not older than three years. The number of patents also underscores the innovative power of the Zumtobel Group: the Lighting Segment registered 81 patents (2010/11: 60) and the Components Segment 91 patents (2010/11: 75) during the reporting year. This extensive patent portfolio safeguards growth, competitive advantages and access to strategic cooperation with companies from the electronics industry. The Zumtobel Group holds approx. 6,700 active international industrial property rights. According to a study published by the consultants at Booz & Company in October 2011, the Zumtobel Group ranked fourth in Austria for R&D expenditures (absolute).

### Technological shift

The technological shift from conventional lighting sources to LEDs and the growing complexity of intelligent lighting systems currently represent the greatest challenges for R&D. Research must be performed and new products must be developed not only for conventional lighting sources, but also for LEDs and OLEDs. Product development must be fast to meet the short lifecycles of LED products. This challenge to accelerate product development is met with the proactive monitoring of technological developments as well as the creation of a platform at the components level, both of which require even closer cooperation and better coordination between product development and product management. The technological shift has also led

**Further increase in R&D expenditures**

**Focus on energy-efficiency, light quality and intelligent controls**

**High innovation power**

**Technology shift to more electronics and LED**

to a change in the types of employees required for R&D: In addition to specialists in semi-conductor technology and electronics, an increasing number of "technology generalists" is needed. These men and women must be able to understand the complex technical interaction between the individual components and also develop and implement future-oriented concepts and platforms.

This process is supported by long-standing contacts with universities that involve joint research activities for independent R&D projects as well as the creation of sustainable innovation processes. The Zumtobel Group maintains contacts, among others, with the University for Applied Sciences in Karlsruhe, the Ilmenau University of Technology, the Technical University in Darmstadt and the University of Paderborn (all in Germany), the Technical Universities in Graz (Austria) and Lund (Sweden) as well as ETH in Zurich and the University of Applied Sciences in Rapperswil (both Switzerland).

#### Growing importance of strategic partnerships

A decisive factor for meeting the challenges created by the technological shift is the establishment of long-term, strategic partnerships with suppliers, research institutions and industrial partners such as the Competence Centre for Light, the semi-conductor producers Toyoda Gosei, Cree, LG Innotek, Sharp and the ASIC partner Dialog Semiconductor. In 2011/12 the partnership with LG Innotek led to the development and market launch of a large range of LED lines and surface modules by the Tridonic and Zumtobel brands. A strategic partnership between Tridonic and Schneider Electric was announced at the end of the reporting year. Within the framework of this partnership, the two companies will work together in the project business to offer their customers energy-efficient light management solutions.

#### Research projects

#### Numerous research projects

The Zumtobel Group and its partners are continuously working on a wide variety of research projects. These projects focus on the development of new technical solutions and, above all, on the effects of light on people in a wide variety of applications.

The Zumtobel Group was a co-founder of the Competence Centre for Light in 2003 (K-Licht, originally in Innsbruck, now in Dornbirn) and has remained an active member since that time. Through long-term projects the competence centre evaluates the effects of daylight-simulating lighting on dementia patients, the thermal management of LEDs, the impact of dynamic LED lighting and opportunities to better utilise daylight. Other research projects address the further development of optics for LEDs and OLEDs, the improvement of LED and OLED converters, radio-communication solutions as a substitute for wire-connected transmission technology, the use of new sensors for light management and the glare rating of LED luminaires.

### 1.12 Significant Events after the Balance Sheet Date

The remaining 30% of the shares in z-werkzeugbau GmbH were sold and transferred to the previous majority shareholders for TEUR 400 based on a purchase and assignment agreement dated 31 May 2012.

No other significant events occurred after the balance sheet date on 30 April 2012.

## 1.13 Risk Management

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 the risk management software that was installed throughout the Group in 2011/12 as well as standardised planning and controlling processes, Group guidelines, regular reporting and the system of internal controls (see section 1.14).

**Systematic approach  
for the early  
identification of  
opportunities and  
risks**

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 model<sup>2</sup> "Enterprise Risk Management – Integrated Framework" (COSO II, 2004), an internationally recognised guideline for risk management and internal control. Risks and opportunities are systematically identified and assessed at least three-times each year by the "risk owners" at the operating unit level. Standardised tools and processes are used for this evaluation. The conclusions and the potential effects 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 the respective 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 to all companies in the Zumtobel Group.

**Risk management  
based on recognised  
best practices and  
standards**

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.

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. 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 Supervisory Board is supplied with information on the major risks and opportunities to which the Group is exposed in the form of a quarterly report.

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.

<sup>2</sup> COSO = Committee of Sponsoring Organizations of the Treadway Commission ([www.coso.org](http://www.coso.org))

The opportunities for the Zumtobel Group are described extensively in section 1.1.5. The major risks and possible countermeasures are described in the following sections.

#### **1.13.1 Market and competitive risks in the lighting industry**

##### **Macroeconomic risks**

A major risk for the development of business in the Zumtobel Group is the economic uncertainty in key selling markets, above all in Europe. An economic crisis could significantly weaken incoming orders and lead to the postponement or cancellation of existing orders. Such events create risks for earnings growth, in particular through the underutilisation of production capacity, increased pressure on prices and negative shifts in the product mix. The higher structural costs incurred through the expansion of sales and R&D activities as part of the global growth strategy would have an added negative effect on profitability if revenues declined. Furthermore, increased cost-cutting in the public sector could have a negative impact on business development for the Thorn brand because roughly 40% of revenues are generated by the sale of exterior lighting for streets or public buildings.

##### **Technology shift through LED**

The speed of the technological transformation from conventional lighting to LED has clearly exceeded the expectations of the Zumtobel Group. It represents a major challenge for the entire lighting industry and, above all, for the components business. In order to safeguard its competitive position, the Zumtobel Group must invest in both LED and conventional lighting technology at the same time. These efforts are reflected in a larger range of products as well as substantially higher R&D expenditures during the transition phase. The shorter innovation cycles and rising complexity of digital lighting systems also require tighter inventory management and more restrictive procedures for the capitalisation of development costs.

##### **Competition from Asia**

New suppliers, above all the Asian LED chip producers, are entering the professional lighting market. These companies compete to a certain extent with the LED components business of the Zumtobel Group, especially in the areas of LED retrofit lamps, LED modules and LED converters. The result is increasing pressure on the prices of LED standard components. However, these companies currently lack specific application knowledge in the most important areas of indoor and outdoor lighting as well as the expertise to develop complete lighting solutions based on conventional and new LED lighting technology and an extensive direct sales network.

##### **Risks in personnel management**

A lack of specialised personnel, especially in R&D and sales, could endanger the successful pursuit of a company's strategy over the long-term and prevent the full realisation of growth opportunities. The Zumtobel Group ensures the availability of the necessary expertise through training and continuing education that take place in internal academies as well as external institutions. Other important elements of human resources work are performance-based remuneration, a positive working climate, international career opportunities and measures to support the work-life balance. However, it cannot be excluded that qualified employees may leave the company.

### 1.13.2 Business risks/sales/production

Access to a global network of opinion leaders and decision-makers is an important success factor for the project business of the Zumtobel and Thorn brands as well as the OEM business at Tridonic. A particular strength of Tridonic is the development and maintenance of long-term customer relations with a large number of luminaire producers. The Zumtobel Group optimally services this network with highly qualified sales and marketing teams that have been trained in internal academies. Extensive training courses for customers form an additional part of the customer loyalty process. An extensive technological network with research institutes and universities allows the Zumtobel Group to defend its leading technical position and to remain a technological and design-oriented trendsetter.

**Access to global decision-making networks**

Differentiation from the competition can strengthen a company's market position and ensure appropriate margins. In both the luminaire and components businesses, the Zumtobel Group must regularly defend its strong technology position in the branch and adapt new developments to meet the changing requirements of various applications. The Zumtobel Group meets this challenge with a steady focus on innovation and close cooperation between development and sales.

**Innovative product portfolio**

The Zumtobel Group operates in a global business environment, whereby Europe is the most important market with 77.8% of revenues. Other key strategic markets are Australia, the USA and China. Investments in property, plant and equipment are also concentrated in these core regions, where political risks such as the expropriation of assets, restrictions on the transfer of capital, war and the like are considered to be low. In other countries the Group operates primarily through local sales organisations or agency contracts. The analysis of new investment projects also includes an assessment of the political risk at the target location. The sovereign debt crisis in many of the EU states is threatening the stability of the euro zone and, consequently, also represents a central uncertainty factor for the Zumtobel Group. The political unrest in North Africa and the Middle East has resulted in further economic risk.

**Political risks**

The sharp rise in the global demand for raw materials during phases of economic recovery can lead to worldwide supply shortages. In some cases, uninterrupted supplies can only be guaranteed by long-term contracts. Global market prices for the most important materials used by the Zumtobel Group – e.g. plastic granulate, aluminium, steel and copper – rose steadily throughout the past two financial years. Energy sources such as electricity, gas and oil are less important for the Zumtobel Group, and the potential impact of higher energy prices on earnings is therefore immaterial. Fluctuations in copper prices are hedged on a rolling basis through futures or options. Increases in material prices are passed on to customers whenever possible. The current technology shift will lead to a significant increase in LED products (LED chips, LED modules and LED light engines) as a share of total raw material requirements, but the Zumtobel Group expects a sharp decline in the respective prices over the medium-term.

**Procurement risks**

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. Additional details are provided in section 1.8 Suppliers.

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 hacker attacks. IT systems are protected by a modern high-security computing centre as well as a back-up facility that operates with the latest technology in a so-called "hot stand-by" mode. In order to ensure that the Group's information technology always meets the demands of the business, IT management has developed a wide variety of procedures, guidelines and measures. These processes and

**IT risks**



**Regular maintenance  
and replacement  
investments**

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 data loss. Databases are scanned continuously by anti-virus software and stored on a regular basis.

**1.13.3 Asset risks**

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. The selection of suppliers is based on the criteria described in section 1.8.

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 major production locations (Dornbirn/Austria, Spennymoor/UK and Sydney/Australia) are currently qualified as HPR.

**Inventory valuation  
risks**

The balance sheet risks arising from inventories are reduced by the use of a prudent valuation approach that also includes turnover rates. The shorter innovation cycles and rising complexity of digital lighting systems require tighter inventory management and more restrictive procedures for the capitalisation of development costs. This reduces the risk of write-offs to inventories and capitalised development costs.

**1.13.4 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. Additional details on this subject are provided in the notes under section 2.6.6.11.

**1.13.5 Product liability risks**

These risks represent regress claims and the subsequent damage to the Group's image as a result of quality defects caused by errors in the internal and/or external supply chain. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. Additional details on this subject are provided in section 1.9 Quality. The Zumtobel Group also carries product liability insurance. The five-year warranty introduced by a number of Group companies could lead to higher warranty costs, and appropriate provisions will be created on a step-by-step basis.

### 1.13.6 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 environment in the core markets and evaluates all pending proceedings to ensure that appropriate actions are taken at the required time. The Group's intellectual property is considered a major competitive factor, and is therefore monitored and protected. Third party property rights are respected. There are no pending legal proceedings that could pose a substantial risk for the Zumtobel Group.

### 1.13.7 Financial risks

The Zumtobel Group is exposed to a variety of financial risks from its global operations. Market risk is understood to mean the risk arising from changes in market prices that are denominated in foreign currencies as well as changes in interest rates and raw material prices that could have a negative influence on earnings and the market value of financial instruments used by the Group. The goal of market risk management is to evaluate the existing risks and to minimise these risks as far as possible with suitable measures. Derivative financial instruments are used in some cases to hedge these risks, whereby the respective contracts are only concluded with system-relevant banks in order to limit the credit risk associated with these transactions. The Zumtobel Group has issued a hedging policy to regulate the use of derivative financial instruments. No derivatives are used for trading or speculative purposes. In general, hedges are concluded on a rolling basis for a period of two to three quarters to cover planned cash flows and the risks arising from fluctuations in exchange rates or raw material prices. This method leads to a relatively constant volume of hedges, but levels foreign exchange exposure.

#### Market risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet current and/or future payments 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 that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset seasonal liquidity fluctuations arising from business activities, both in specific months and during the course of the year. As of 30 April 2012 the Zumtobel Group had short-term, unsecured lines of credit totalling EUR 100.7 million (2010/11: EUR 107.3 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

#### Liquidity risk

On 8 November 2011 the Zumtobel Group concluded a key financing agreement with seven banks. The new agreement has a term ending in October 2016 and a maximum line of EUR 500 million. Of this total, EUR 200 million had been drawn by 30 April 2012. The remaining free credit line of EUR 300 million is available for growth and acquisition financing. This financing requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2012 with a debt coverage ratio of 1.60 and an equity ratio of 35.8%. Any deterioration in these financial indicators and subsequent downgrading of the Group's credit rating by lenders could lead to an increase in the credit margin for bank liabilities. Furthermore, failure to comply with the covenants could cause the lending banks to call existing loans.

In order to improve the efficiency and effectiveness of liquidity management, the Group uses a cash pooling system for the major European countries. This allows for the optimisation of interest income and expense on short-term cash surpluses and borrowings.

## Interest rate risk

The interest rates on existing bank liabilities are variable. In order to reduce the resulting interest rate risk, the Zumtobel Group has concluded interest rate swaps with various banks for a total nominal volume of approx. EUR 102 million. These transactions include approx. EUR 20 million in the form of a cross-currency swap with payment obligations in Swiss Francs which represents approx. 50% of the long-term credit volume currently outstanding as well as a nominal volume of EUR 40 million as a backup hedge on a forward-start basis. These instruments are structured over various terms (up to June 2017 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 on the fair value of the instruments used to hedge interest rates is provided in section 2.6.11.3 of the notes.

## Foreign exchange risk

The foreign exchange markets are still characterised by high uncertainty and volatility. The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when local companies buy and/or sell their products in a currency other than their local currency. Intragroup dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (euro) for consolidation – is of lesser importance for the Zumtobel Group and is not hedged. As of 30 April 2012 all foreign exchange hedges had a remaining term of less than one year. The Zumtobel Group generally uses forward exchange contracts with a term of up to one year, supplemented by options in selected cases. The Group's main currencies are the EUR, GBP, USD (as well as Asian currencies that are linked to the USD), AUD and CHF. Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met. Additional information is provided in section 2.6.11.3 of the notes.

### 1.13.8 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). 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. From the current point of view, the risk of default is not expected to increase during the coming year.

### 1.13.9 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 inventories, and the valuation of the pension fund in Great Britain. 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.

### 1.13.10 Other risks

In many countries the Zumtobel Group is faced with extensive and increasingly strict environmental, health and safety regulations. The production companies make regular investments to minimise the risks 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

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. The technological transformation process is connected with risk in the form of new competition, higher R&D expenditures and the rising complexity of products and systems, but also creates opportunities through the development of new market segments and applications. The technology shift to LED is shortening innovation cycles and, in this way, increases the risk of write-offs to inventories and capitalised development costs. In contrast, internal production processes are associated with substantially lower risk. Financial risks can be controlled through hedging activities (also see section 2.6.11 of the notes). 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.

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

## 1.14 System of Internal Controls

In designing its system of internal controls (and the risk management system), the Zumtobel Group relies on the COSO models. The system of internal controls covers all measures integrated into monitoring and management processes to protect the Group's assets, to guarantee the completeness and reliability of information and systems, to ensure the efficiency and effectiveness of processes and to support the fulfilment of legal, internal and contractual regulations (compliance).

**COSO models and recognised best practice as basis**

Internal controls are implemented and monitored at different management levels (corporate or local), whereby responsibility lies with the individual business process managers. 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 on-going monitoring and improvement of the internal control system.

**Responsibility for internal control system reflects business responsibility**

### 1.14.1 Principles of the internal control system

The system of internal controls in the Zumtobel Group is based, among others, on the following key controls:

**Recognised and accepted controls**

- >> A transparent organisation with 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
- >> IT process controls that include mandatory fields, check digits and logic queries
- >> Appropriate general IT controls.

#### 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.
- >> 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 wherever possible. In cases where this is not possible or reasonable, manual or organisational controls should be used.

#### Suitable written documentation

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.

#### 1.14.2 Internal control system in financial reporting

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

#### Internal environment

In the Zumtobel Group the corporate vision and values, the code of conduct as well as the organisational chart and role manuals (management functions and committees) are 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 comprises two main elements: a separate risk management process directed 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 1.13 (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 finance group manual and the closing checklist. The finance group 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.

#### Information & communications

Centralised SAP systems are generally used to collect and process data in the Zumtobel Group. Data input and output is managed with these systems or with the SAP Business Warehouse. The results subsequently flow into standardised monthly, quarterly and annual reports that assist the Management Board and management in exercising their monitoring and control functions.

Monitoring includes regular assessments of routine management activities as well as special evaluations by separate supervising functions. For example, management monitors the performance of the segments and subsidiaries based on monthly reviews. Corporate internal audit 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.

## Monitoring

In order to improve its effectiveness and efficiency, the Zumtobel Group's internal control system is continuously adapted to meet changes in the operating environment as well as newly identified risks and opportunities. Two major elements of the internal control system were revised during the reporting year, namely the corporate values and the code of conduct. Training sessions that will eventually cover all employees were started in March 2012 and will be completed in December 2012. Other focal points included the adaptation of various corporate policies and an improvement in the content of individual controls.

## Further development

The revisions to the corporate policies covered, among others, an update to the corporate authorisation framework, including the introduction of a global approval matrix, as well as the implementation of a uniform authorisation policy for the organisational units in Dornbirn. Other changes were related to the corporate insider policies (to reflect amendments to Austrian law) and to the corporate credit management and credit insurance policy (changes to guidelines and processes).

Additional control steps were implemented to improve the weak points identified in financial year 2010/11, including interim balance sheet and cash & bank reviews by corporate finance and corporate treasury, technical measures to permit a review of Group companies' bank accounts in the central treasury system and the development of a reconciliation bridge between financial accounting and the management accounts. A concept to optimise SAP authorisations is also in preparation, as is a training programme for managers on governance, legal and financial issues. In order to create an increased awareness of fraud risks, a separate information portal was installed in the Intranet and a questionnaire-based fraud awareness check was introduced.

This focus on the continuous improvement and further development of the system of internal controls will also be continued during the 2012/13 financial year.

## 1.15 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 2012 the company held 393,390 shares as treasury stock.

2. AUGMENTOR private foundation (4,215,752 shares), ASTERIX private foundation (4,157,002 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 (176,210 shares) and Jürg Zumtobel (144,248 shares) are parties to a syndicate contract.

This syndicate contract, which has not been disclosed to the Management Board, 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. This contract includes restrictions on the transfer of the shares held by the parties, which apply as long as the parties together hold at least 25% of the voting rights in share capital. The syndicate contract will expire on 31 December 2014.

3. As of 30 April 2012 investments of more than 5% were held by Delta Lloyd Asset Management NV and FMR LLC (Fidelity). 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. The Management Board was authorised, contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches – at a minimum issue price equalling 100% of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for three years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 22 July 2011, was recorded in the company register. Furthermore, the Management Board was empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital. The Supervisory Board was authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital.

7. 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 initial appointment or reappointment is 65 years. The maximum age for members of the Supervisory Board on the date of 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.

8. 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.

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 2009/10.

A total of 1,145,821 shares had been distributed to employees by 30 April 2012 as part of the employee stock participation programmes.

9. On 8 November 2011 Group companies voluntarily refinanced a credit agreement that would have been due in 2013. The new consortium credit agreement, which was concluded with a syndicate of seven banks, has a term of five years ending in October 2016 and a maximum line of EUR 500 million. These funds are available for general business purposes. As of 30 April 2012 the Zumtobel Group had drawn EUR 200 million of this credit line. The agreement includes a change-of-control clause, which is linked to a change in the absolute majority of voting rights.

10. 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" employee stock participation programme 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" employee stock participation programme 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. All claims from the MSP (with the exception of announced resignations) had been settled by the end of the reporting year. The final tranche was not allocated in May 2012. The Matching Stock Programme will be replaced by a cash-based long-term incentive programme in 2012/13.

11. 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.

12. The most important elements of the risk management system and the internal control system are described in sections 1.13 and 1.14 of the Group management report



## 1.16 Outlook and Goals

### Moderate growth for global economy in 2012 and 2013

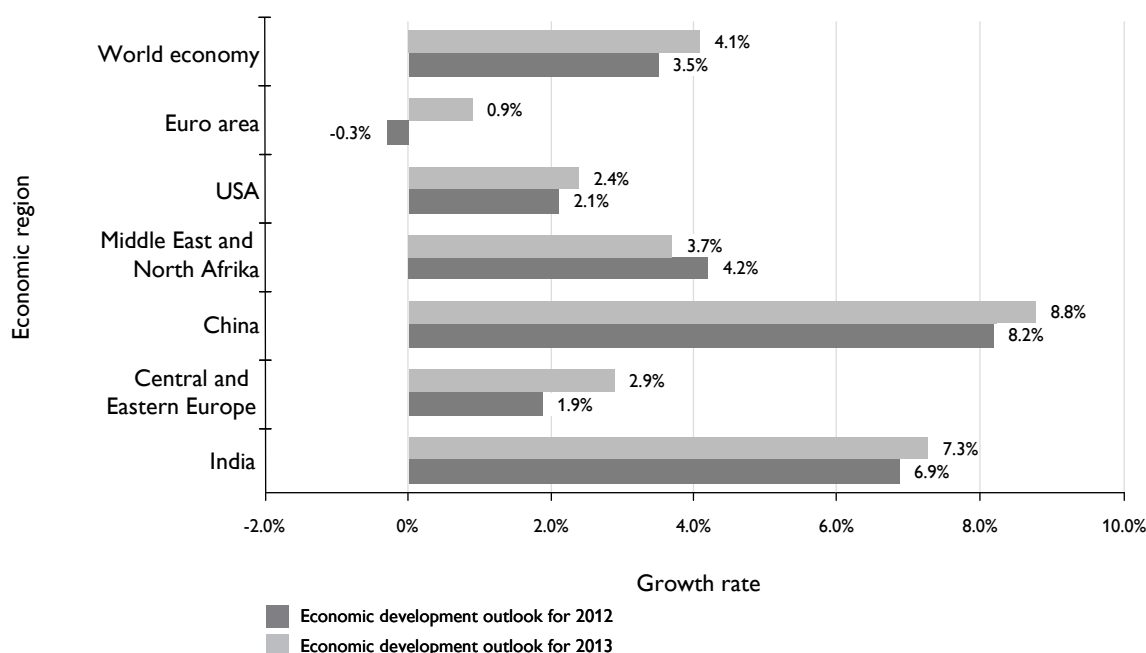
#### IMF forecasts recession for the euro zone in 2012

The International Monetary Fund (IMF)<sup>3</sup> is forecasting a moderate increase of only 3.5% for the global economy in the 2012 calendar year. Based on the assumption of an easing in Europe's sovereign debt crisis, the IMF experts are more optimistic for 2013 and estimate growth at 4.1%. The developing and emerging countries will again be the primary drivers for development, however at a somewhat slower pace in 2012. Growth in these countries is estimated at 5.7% for 2012 and 6.1% for 2013. Forecasts for the industrialised world show an increase of 1.4% in 2012 and 2.0% in 2013. The US economy can hope for a solid plus of 2.1% and 2.4%, respectively, for these two years. In the euro zone, the gross domestic product is expected to decline by 0.3% in 2012 and produce limited growth of 0.9% in 2013.

#### Global economic growth connected with high risks

However, global growth is associated with significant risks. The IMF also points to the high uncertainty connected with its forecasts for 2013 due to the heavy dependence on the successful implementation of the announced measures to regain control over government debt, above all in Europe. The IMF has warned of an accelerating debt spiral, especially in the euro zone. These problems are far from being resolved, and there still the risk of a major recessionary development with a potential massive negative effect on the global economy. Possible actions in the area of monetary policy will be limited in the future. The central banks have already cut key interest rates to historical lows to reduce the risks of the financial crisis on the real economy. Further risks may also arise from the possibility of an economic slowdown in China and the danger of military disputes in the Middle East.

Economic development outlook for 2012 and 2013



<sup>3</sup> Source – IMF Forecast, World Economic Outlook, 17 April 2012

## Major strategic challenges and opportunities

The Zumtobel Group is faced with a number of major strategic challenges and opportunities. The top priorities are to update the product line and to improve the competitive position of the components business. The necessary changes to the organisation as well as cost efficiency measures and the market launch of new innovative products in both the conventional and LED areas are now being implemented. At the same time, we are intensifying our efforts in the USA and Asia - at both the product and process level - to create the basis for profitable growth in these regions. We see substantial prospects for the Zumtobel Group, above all based on our strong brands and technology position, and believe our future-oriented investments will allow us to emerge from this dynamic technology shift as a stronger company. Accordingly, we are still basically committed to our global growth strategy because we are convinced that LED technology, the issue of energy efficiency and additional global market opportunities, for example in Asia and the USA, will create excellent growth impulses for the lighting industry. However, the Group must transform its substantial growth investments into an above-average increase in revenues and an improvement in profitability to justify the substantial rise in fixed selling and development costs.

In view of the increasingly negative economic outlook, our previous growth assumptions for the professional lighting industry - which called for an annual increase of 4% - no longer appear realistic. We must therefore reduce our medium-term revenue forecast (i.e. with an average increase of 10% per year in revenues) for the coming years and adjust our growth expectations to reflect the economic environment. However, the Management Board still believes the Group's business model has the potential to increase the adjusted EBIT margin for the Zumtobel Group to over 10% under stable economic conditions.

## Outlook on 2012/13 connected with substantial uncertainty

Concrete forecasts for the 2012/13 financial year are made more difficult by the strategic challenges we are facing as well as the uncertain development of the economies in our most important sales markets, especially in Europe, and, not least, by the uncertain effects of possible government austerity programmes. However, the Management Board expects a year-on-year improvement in revenues and the adjusted EBIT margin for the 2012/13 financial year of the Zumtobel Group based on the information currently available.

The strengths of the Zumtobel Group are a leading market and technology position, wide-ranging market and application know-how, strong customer relations in fragmented markets and close cooperation with leading technology partners as well as a sound balance sheet and financing structure. All these factors give the Zumtobel Group a solid foundation to decisively address the coming challenges, to implement the necessary improvement measures and to optimally utilise the available market opportunities.

Dornbirn, 11 June 2012

The Management Board

Harald Sommerer  
Chief Executive Officer

Mathias Dähn  
Chief Financial Officer

Martin Brandt  
Chief Operating Officer



## **2. Consolidated Financial Statements**

# Contents

2. Consolidated Financial Statements	
2.1 Income Statement	54
2.2 Statement of Comprehensive Income	55
2.3 Balance Sheet	56
2.4 Cash Flow Statement	57
2.5 Statement of Changes in Equity	58
2.6 Notes to the Consolidated Financial Statements	59
2.6.1 General Information	59
2.6.2 Consolidation Range and Methods	59
2.6.2.1 Consolidation range	59
2.6.2.2 Consolidation methods	60
2.6.3 Accounting and Valuation Methods	61
2.6.3.1 Effects of new and amended standards	61
2.6.3.2 Major accounting and valuation methods	62
2.6.4 Notes to the Income Statement	70
2.6.4.1 Revenues	70
2.6.4.2 Expenses	70
2.6.4.3 Other operating results	71
2.6.4.4 Interest income and expense	72
2.6.4.5 Other financial income and expenses	72
2.6.4.6 Income taxes	73
2.6.4.7 Results from discontinued operations	74
2.6.4.8 Earnings per share	74
2.6.5 Notes to the Statement of Comprehensive Income	74
2.6.5.1 Foreign exchange differences	74
2.6.5.2 Foreign exchange differences arising from loans	74
2.6.5.3 Actuarial gain/loss	75
2.6.5.4 Taxes	75
2.6.6 Notes to the Balance Sheet	75
2.6.6.1 Goodwill	75
2.6.6.2 Other intangible assets	76
2.6.6.3 Property, plant and equipment	78
2.6.6.4 Financial assets accounted for at equity	80
2.6.6.5 Financial assets	81
2.6.6.6 Other assets	82
2.6.6.7 Deferred taxes	82
2.6.6.8 Inventories	83
2.6.6.9 Trade receivables	84
2.6.6.10 Cash and cash equivalents	84
2.6.6.11 Employee benefits (IAS 19)	84
2.6.6.12 Defined contribution obligations	88
2.6.6.13 Other provisions	89
2.6.6.14 Financial liabilities	90
2.6.6.15 Finance leases	91
2.6.6.16 Operating leases	91
2.6.6.17 Other liabilities	92
2.6.7 Notes to the Cash Flow Statement	93
2.6.7.1 Reconciliation to cash and cash equivalents	94
2.6.8 Notes to the Statement of Changes in Equity	94
2.6.8.1 Share capital	94
2.6.8.2 Additional paid-in capital	94
2.6.8.3 Reserves	94
2.6.8.4 Stock option programmes	95
2.6.8.5 Dividend	97

2.6.9	Capital Management	97
2.6.10	Financial Instruments	98
2.6.10.1	Categories of financial instrument as defined in IAS 39	98
2.6.10.2	Income / expense on financial instruments (IAS 39 valuation categories)	101
2.6.11	Information on Risk Management	101
2.6.11.1	Credit risk	101
2.6.11.2	Liquidity risk	103
2.6.11.3	Market risk	104
2.6.12	Segment Reporting	107
2.6.12.1	Operating segments	107
2.6.12.2	Regional segments	109
2.6.13	Contingent Liabilities and Guarantees	109
2.6.14	Subsequent Events	109
2.6.15	Related Party Transactions	109
2.6.16	Information on Employees and Corporate Bodies	111
2.6.16.1	Personnel structure	111
2.6.16.2	Corporate bodies	111
2.7	Statement by the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act	112
2.8	Consolidation Range	113
	Unqualified Auditor's Report	116

## 2. Consolidated Financial Statements

### 2.1 Income Statement

in TEUR	Notes	2011/12	2010/11	Change in %
Revenues	2.6.4.1	1,280,312	1,228,204	4.2
Cost of goods sold	2.6.4.2	(882,527)	(817,866)	7.9
<b>Gross profit</b>		<b>397,785</b>	<b>410,338</b>	<b>(3.1)</b>
<i>as a % of revenues</i>		31.1	33.4	
Selling expenses	2.6.4.2	(331,312)	(305,168)	8.6
Administrative expenses	2.6.4.2	(38,031)	(36,502)	4.2
Other operating results	2.6.4.3	6,149	7,335	(16.2)
<i>thereof special effects</i>		0	(2,386)	(100.0)
<b>Operating profit</b>		<b>34,591</b>	<b>76,003</b>	<b>(54.5)</b>
<i>as a % of revenues</i>		2.7	6.2	
Interest expense	2.6.4.4	(11,315)	(9,810)	15.3
Interest income	2.6.4.4	2,073	2,358	(12.1)
Other financial income and expenses	2.6.4.5	(3,932)	(8,771)	55.2
Profit/loss from companies accounted for at-equity	2.6.6.4	(685)	12	<(100)
<b>Financial results</b>		<b>(13,859)</b>	<b>(16,211)</b>	<b>14.5</b>
<i>as a % of revenues</i>		(1.1)	(1.3)	
<b>Profit before tax</b>		<b>20,732</b>	<b>59,792</b>	<b>(65.3)</b>
Income taxes	2.6.4.6	(3,990)	(6,952)	(42.6)
<b>Net profit from continuing operations</b>		<b>16,742</b>	<b>52,840</b>	<b>(68.3)</b>
<b>Net profit/loss from discontinued operations</b>	2.6.4.7	<b>(764)</b>	<b>(1,512)</b>	<b>49.5</b>
<b>Net profit for the period</b>		<b>15,978</b>	<b>51,328</b>	<b>(68.9)</b>
<i>as a % of revenues</i>		1.2	4.2	
<i>thereof due to non-controlling interests</i>		23	303	(92.5)
<i>thereof due to shareholders of the parent company</i>		15,955	51,025	(68.7)
Average number of shares outstanding – basic (in 1,000 pcs.)		43,100	42,788	
Average diluting effect (stock options) (in 1,000 pcs.)		41	52	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,141	42,840	
<b>Earnings per share (in EUR)</b>	2.6.4.8			
Basic earnings per share		0.37	1.19	
Diluted earnings per share		0.37	1.19	
<b>Earnings per share from continuing operations (in EUR)</b>				
Basic earnings per share		0.39	1.23	
Diluted earnings per share		0.39	1.23	
<b>Earnings per share from discontinued operations (in EUR)</b>				
Basic earnings per share		(0.02)	(0.04)	
Diluted earnings per share		(0.02)	(0.04)	

## 2.2 Statement of Comprehensive Income

in TEUR		2011/12	2010/11	Change in %
<b>Net profit for the period</b>		<b>15,978</b>	<b>51,328</b>	<b>(68.9)</b>
Currency differences	2.6.5.1	19,941	(1,720)	>100
Currency differences arising from loans	2.6.5.2	4,198	(932)	>100
Hedge accounting		(2,936)	1,537	<(100)
Actuarial loss/gain	2.6.5.3	(26,472)	(4,825)	<(100)
Taxes	2.6.5.4	2,774	(652)	>100
<i>thereof IAS 19</i>		2,040	(268)	>100
<i>thereof Hedge Accounting</i>		734	(384)	>100
<b>Subtotal other comprehensive income</b>		<b>(2,495)</b>	<b>(6,592)</b>	<b>62.2</b>
<i>thereof due to non-controlling interests</i>		354	(293)	>100
<i>thereof due to shareholders of the parent company</i>		(2,848)	(6,299)	54.8
<b>Total comprehensive income</b>		<b>13,483</b>	<b>44,736</b>	<b>(69.9)</b>
<i>thereof due to non-controlling interests</i>		377	9	>100
<i>thereof due to shareholders of the parent company</i>		13,106	44,727	(70.7)



## 2.3 Balance Sheet

in TEUR	Notes	30 April 2012	in %	30 April 2011	in %
Goodwill	2.6.6.1	190,842	18.4	183,869	18.0
Other intangible assets	2.6.6.2	51,414	5.0	50,818	5.0
Property, plant and equipment	2.6.6.3	242,271	23.4	233,843	22.9
Financial assets accounted for at-equity	2.6.6.4	4,366	0.4	4,889	0.5
Financial assets	2.6.6.5	2,547	0.2	5,749	0.6
Other assets	2.6.6.6	4,005	0.4	4,137	0.4
Deferred taxes	2.6.6.7	36,337	3.5	34,151	3.3
<b>Non-current assets</b>		<b>531,782</b>	<b>51.3</b>	<b>517,456</b>	<b>50.7</b>
Inventories	2.6.6.8	172,748	16.7	190,341	18.7
Trade receivables	2.6.6.9	209,724	20.2	186,549	18.3
Financial assets	2.6.6.5	8,390	0.8	15,051	1.5
Other assets	2.6.6.6	25,936	2.5	24,834	2.4
Liquid funds	2.6.6.10	87,704	8.5	86,255	8.5
<b>Current assets</b>		<b>504,502</b>	<b>48.7</b>	<b>503,030</b>	<b>49.3</b>
<b>ASSETS</b>		<b>1,036,284</b>	<b>100.0</b>	<b>1,020,486</b>	<b>100.0</b>
Share capital		108,750	10.5	108,750	10.7
Additional paid-in capital		335,006	32.3	335,387	32.9
Reserves		(91,880)	(8.9)	(119,818)	(11.7)
Net profit for the period		15,955	1.5	51,025	5.0
Capital attributed to shareholders of the parent company		367,832	35.5	375,344	36.8
Capital attributed to non-controlling interests		2,714	0.3	3,308	0.3
<b>Equity</b>	<b>2.6.8</b>	<b>370,546</b>	<b>35.8</b>	<b>378,652</b>	<b>37.1</b>
Provisions for pensions	2.6.6.11	70,798	6.8	57,390	5.6
Provisions for severance compensation	2.6.6.11	38,658	3.7	33,297	3.3
Provisions for other defined benefit employee plans acc. to IAS19	2.6.6.11	14,753	1.4	12,332	1.2
Other provisions	2.6.6.13	668	0.1	719	0.1
Borrowings	2.6.6.14	227,342	21.9	212,507	20.8
Other liabilities	2.6.6.17	13	0.0	4	0.0
Deferred taxes	2.6.6.7	9,917	1.0	11,627	1.1
<b>Non-current liabilities</b>		<b>362,149</b>	<b>34.9</b>	<b>327,876</b>	<b>32.1</b>
Provisions for taxes		21,242	2.0	22,381	2.2
Other provisions	2.6.6.13	22,849	2.2	25,141	2.5
Borrowings	2.6.6.14	3,744	0.4	17,301	1.7
Trade payables		130,960	12.6	140,742	13.8
Other liabilities	2.6.6.17	124,794	12.0	108,393	10.6
<b>Current liabilities</b>		<b>303,589</b>	<b>29.3</b>	<b>313,958</b>	<b>30.8</b>
<b>EQUITY AND LIABILITIES</b>		<b>1,036,284</b>	<b>100.0</b>	<b>1,020,486</b>	<b>100.0</b>

## 2.4 Cash Flow Statement

in TEUR	Notes	2011/12	2010/11
Operating profit from continuing and discontinued operations	2.1	33,827	74,491
Depreciation and amortisation	2.6.4.2	53,883	51,550
Gain/loss from disposal of fixed assets		178	748
Results from discontinued operations		(220)	(3,609)
<b>Cash flow from operating results</b>		<b>87,668</b>	<b>123,180</b>
Inventories		24,812	(47,251)
Trade receivables		(23,104)	(11,252)
Trade payables		(8,004)	10,170
Prepayments received		15,631	(6,546)
<b>Change in working capital</b>		<b>9,335</b>	<b>(54,879)</b>
Non-current provisions		(5,970)	(7,591)
Current provisions		(3,175)	(4,978)
Other current and non-current assets and liabilities		(3,758)	14,204
<b>Change in other operating items</b>		<b>(12,903)</b>	<b>1,635</b>
<b>Taxes paid</b>		<b>(5,968)</b>	<b>(3,578)</b>
<b>Cash flow from operating activities</b>		<b>78,132</b>	<b>66,358</b>
Proceeds from the sale of non-current assets		1,068	684
Capital expenditures on non-current assets		(57,159)	(57,304)
Change in non-current and current financial assets		227	(3,314)
Change in liquid funds from acquisition of non-controlling interests		0	(1,600)
<b>Cash flow from investing activities</b>		<b>(55,864)</b>	<b>(61,534)</b>
<b>FREE CASH FLOW</b>		<b>22,268</b>	<b>4,824</b>
Change in net borrowings		15,654	(5,775)
<i>thereof restricted cash</i>		(122)	(269)
Dividends		(22,523)	(6,977)
Exercise of options		(381)	790
Interest paid		(9,540)	(7,961)
Interest received		2,170	1,456
<b>Cash flow from financing activities</b>		<b>(14,620)</b>	<b>(18,467)</b>
Effects of exchange rate changes on cash and cash equivalents		5,333	(298)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>12,981</b>	<b>(13,941)</b>
Cash and cash equivalents at the beginning of the period	2.6.7.1	70,757	84,698
Cash and cash equivalents at the end of the period	2.6.7.1	83,738	70,757
<b>Change absolute</b>		<b>12,981</b>	<b>(13,941)</b>

## 2.5 Statement of Changes in Equity

### 2011/12 Financial Year

in TEUR	Attributed to shareholders of the parent company								Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit for the period			
<b>30 April 2011</b>	<b>108,750</b>	<b>335,387</b>	<b>(25,749)</b>	<b>(51,096)</b>	<b>(1,441)</b>	<b>18,418</b>	<b>(59,950)</b>	<b>51,025</b>	<b>375,344</b>	<b>3,308</b>	<b>378,652</b>
+/- Additions to reserves	0	0	51,025	0	0	0	0	(51,025)	0	0	0
+/- Total comprehensive income	0	0	0	23,785	(2,202)	0	(24,432)	15,955	13,106	377	13,483
+/- Stock options – exercises	0	(381)	0	0	0	0	0	0	(381)	0	(381)
+/- Stock options – addition/reversal	0	0	0	0	0	1,314	0	0	1,314	0	1,314
+/- Dividends	0	0	(21,552)	0	0	0	0	0	(21,552)	(971)	(22,523)
<b>30 April 2012</b>	<b>108,750</b>	<b>335,006</b>	<b>3,724</b>	<b>(27,311)</b>	<b>(3,643)</b>	<b>19,732</b>	<b>(84,382)</b>	<b>15,955</b>	<b>367,831</b>	<b>2,714</b>	<b>370,545</b>

### 2010/11 Financial Year

in TEUR	Attributed to shareholders of the parent company								Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the period			
<b>30 April 2010</b>	<b>108,750</b>	<b>334,597</b>	<b>52,105</b>	<b>(48,737)</b>	<b>(2,594)</b>	<b>17,270</b>	<b>(54,858)</b>	<b>(69,945)</b>	<b>336,588</b>	<b>3,825</b>	<b>340,413</b>
+/- Additions to reserves	0	0	(69,945)	0	0	0	0	69,945	0	0	0
+/- Total comprehensive income	0	0	0	(2,359)	1,153	0	(5,092)	51,025	44,727	9	44,736
+/- Stock options – exercises	0	790	0	0	0	0	0	0	790	0	790
+/- Stock options – addition/reversal	0	0	0	0	0	1,148	0	0	1,148	0	1,148
+/- Dividends	0	0	(6,418)	0	0	0	0	0	(6,418)	(559)	(6,977)
+/- Capital increase minority interest	0	0	0	0	0	0	0	0	0	142	142
+/- Acquisition of non-controlling interests	0	0	(1,491)	0	0	0	0	0	(1,491)	(109)	(1,600)
<b>30 April 2011</b>	<b>108,750</b>	<b>335,387</b>	<b>(25,749)</b>	<b>(51,096)</b>	<b>(1,441)</b>	<b>18,418</b>	<b>(59,950)</b>	<b>51,025</b>	<b>375,344</b>	<b>3,308</b>	<b>378,652</b>

## 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 2011/12 financial year.

The Management Board of Zumtobel AG released the consolidated financial statements for distribution to the Supervisory Board on 11 June 2012. 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 26 June 2012 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 62309g. The balance sheet date is 30 April, and the reporting year covers the period from 1 May 2011 to 30 April 2012. The reporting currency is the euro. The business activities of the Group are carried out primarily through 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, LED lighting components, LED lamps and connection technology).

The annual financial statements of the companies included in the consolidated financial statements were prepared on the basis of 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 consolidated 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 2011/12 include 94 (2010/11: 94) 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 (2010/11: 6), and no companies were included using the proportional method. Sixteen companies (2010/11: 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		
	full	at equity	Total
<b>30 April 2011</b>	<b>94</b>	<b>6</b>	<b>100</b>
Included during reporting period for first time	1	0	1
<i>thereof newly founded</i>	1	0	1
Liquidated during reporting period	(1)	0	(1)
<b>30 April 2012</b>	<b>94</b>	<b>6</b>	<b>100</b>

Tridonic Iberia SL was founded and initially consolidated during April 2012.

Zumtobel Residential Lighting srl was liquidated during the first quarter of 2011/12.

The majority shareholders of z-werkzeugbau gmbh exercised their option to acquire the remaining 30% of the company during the third quarter of 2009/10. The shares were transferred on 31 May 2012 after the end of the reporting period.

#### 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 acquisition date. 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 over which the Zumtobel Group generally exercises significant influence – as a rule, based on a 20 – 50% share of voting rights. Companies valued at equity are consolidated in accordance with 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. The functional currency of the Zumtobel Group is the euro. 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 net difference is shown on the statement of comprehensive income.

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

1 EUR equals	Average exchange rate Income Statement		Closing rate Balance sheet	
	30 April 2012	30 April 2011	30 April 2012	30 April 2011
AUD	1.3116	1.3954	1.2684	1.3560
CHF	1.2057	1.3265	1.2018	1.2867
USD	1.3681	1.3309	1.3214	1.4860
SEK	9.0186	9.2168	8.9185	8.9140
GBP	0.8585	0.8501	0.8130	0.8917

## 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:

The revised IAS 24 "Related Party Disclosures" now includes an exemption for the disclosure of transactions with government-related entities that are classified as related controlling parties. As a result of this change, detailed disclosures are only required for selected material transactions. The other changes to IAS 24 include a clarified definition of related parties based on a symmetrical approach.

The changes to IAS 32 "Financial Instruments: Presentation – classification of issued rights" clarifies that subscription rights, options and warrants should also be classified as equity instruments when the price for the subscription right is denominated in another currency that the functional currency of the issuer if the issued instruments are offered to all existing holders of the same class on a pro rata basis at a fixed price.

The amendments to IFRIC 14 concerning "voluntary prepayments in connection with minimum funding requirements" regulate the accounting treatment of advance payments made within the context of a defined benefit pension plan in cases where the company is subject to minimum funding requirements. Companies are now entitled to recognise an economic benefit from the prepayment of minimum funding requirements when plan assets exceed pension liabilities.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" addresses accounting for the partial or full settlement of a financial liability through the issue of shares or other equity instruments. Under this interpretation, the issued equity instruments represent part of the "consideration paid". The respective instruments should principally be measured at fair value. The difference between the carrying amount of the financial liability to be derecognised and the initially recognised carrying amount of the issued equity instruments should be charged or credited to profit or loss.

The improvements to IFRS 2010 led to changes in six standards and one interpretation. These improvements clarified existing regulations, but also led to changes that have an influence on accounting.

The above-mentioned changes had no effect on the consolidated financial statements for 2011/12.

The following new or amended IAS / IFRIC interpretations were not applied prematurely and are therefore not relevant for the 2011/12 consolidated financial statements of the Zumtobel Group:

Revised standards and interpretations		Mandatory application in financial years beginning after
IAS 1	Presentation of individual components of other comprehensive income	01 July 2012*
IAS 12	Deferred taxes – recovery of underlying assets	01 January 2012*
IAS 19 (rev. 2011)	Employee Benefits	01 January 2013*
IAS 27	Separate Financial Statements	01 January 2013*
IAS 28	Investments in Associates and Joint Ventures	01 January 2013*
IAS 32	Net presentation of financial assets and liabilities	01 January 2014*
IFRS 1	Hyperinflation and removal of fixed transition dates for first-time IFRS adopters	01 July 2011*
IFRS 7	Disclosures on the transfer of financial assets	01 July 2011
IFRS 7	Disclosures – net presentation of financial assets and liabilities	01 January 2013*
IFRS 9	Financial Instruments	01 January 2015*
IFRS 10	Consolidated Financial Statements	01 January 2013*
IFRS 11	Joint Arrangements	01 January 2013*
IFRS 12	Disclosures of Interests in Other Entities	01 January 2013*
IFRS 13	Fair Value Measurement	01 January 2013*
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01 January 2013*

\* These standards have not yet been adopted by the European Union through its endorsement proceedings.

These new regulations are not expected to have a material impact on the consolidated financial statements for 2012/13.

#### 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 date 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 related 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 depreciation rates:

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

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

At the commencement of the lease term, assets held under finance leases are recognised on the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is reported on the balance sheet under current or non-current financial liabilities as an obligation arising from a finance lease. 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 realisable value. 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 normal capacity utilisation. 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/negative 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 through profit and loss in subsequent periods.

### >> Trade receivables

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

### >> Originated loans, other receivables (financial assets)

Originated loans and other receivables are carried at amortised cost.

### >> Loans, finance leases (financial liabilities)

Loans and finance lease liabilities are carried at their repayment amount or nominal value, including transaction costs (amortised cost). Non-current liabilities are carried 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 ineffective portion is recognised immediately through profit or loss. 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 present value discounted at the market interest rate. The market value of current financial instruments reflects the carrying amount due to their short term.

The fair value of derivative financial instruments can be reliably determined 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 classified under Level 2 represent the derivatives included under financial assets and financial liabilities (positive market value: TEUR 1,667, 2010/11: TEUR 5,817; negative market value: TEUR -12,340, 2010/11: TEUR -12,516; also see section 2.6.10).

### 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 value of the 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 to third parties 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 an 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. In addition, lump-sum provisions are created for unreported guarantee claims in accordance with Group guidelines. The calculation of provisions is based on percentage rates that reflect product group revenues as a share of the respective product revenues for the period.

A provision for onerous contracts is recognised when the unavoidable costs of meeting an obligation exceed the revenues expected from the respective agreement. 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 consist 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 – i.e. the amount by which the obligation has increased during a particular year because benefits have moved closer to settlement – from the service cost – i.e. the 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; they are 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 net of deferred taxes under other comprehensive income in the period incurred.

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 Group's obligations 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 if 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 in 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 under other comprehensive income 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 to profit or loss 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 represents the interest rate 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 under other comprehensive income.

### 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 does not develop 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 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, whereby the value in use is determined by discounting the estimated future cash flows from the asset. A standard weighted average cost of capital (WACC) of 7.9% (2009/10: 7.2%) was used in 2010/11 as the discount rate for the impairment testing of capitalised development costs. In 2011/12 the regional WACCs indicated below were used to discount the estimated future payment flows for impairment testing.

The reorganisation of the internal reporting structure in 2010/11 led to the reallocation of goodwill from the acquisition of the Thorn Lighting Group to smaller cash-generating units (CGU) for impairment testing purposes in accordance with the requirements of IAS 36.87. These units represent operating segments as defined in IFRS 8.5, which are aggregated under "Lighting Brands" for segment reporting. In 2010/11, goodwill was therefore allocated to the new regional operating segments based on the changed reporting structure (see section 2.6.6.1). Individual WACC rates were then used to calculate the respective values in use of these new regional operating segments.

In 2011/12 the following WACC rates were applied to the cash-generating units (CGUs) listed below:

CGU Lighting Brands – Europe: WACC 7.2% (2010/11: 7.9%)

CGU Lighting Brands – MENA & Asia: WACC 9.2% (2010/11: 10.2%)

CGU Lighting Brands – Australia & New Zealand: WACC 8.0% (2010/11: 8.4%)

CGU Lighting Brands – USA: WACC 7.0% (2010/11: 7.4%)

The regional interest rates were based, above all, on the inflationary trends of the individual countries in relation to the risk-free base interest rate, country risk premiums and the applicable national tax rates.

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 2012/13 and with minor simplifications for a further three years. A regional growth rate that reflects the different inflation trends 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.

If the regional growth rate and the WACC varied by more than 10%, the Zumtobel Group would not be required to recognise an impairment charge – with the exception of the goodwill allocated to cash-generating unit Lighting Brands USA. An impairment charge of TEUR 2,152 would be required for the goodwill in this subsidiary if the regional WACC rose by 10% and a forecast variance of minus 10% was recorded at the same time.

#### >> 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 is connected with estimates for workforce reductions and the resulting costs as well as the expenses connected with contract cancellations. The provisions for legal proceedings are based on management's estimates of the possible outcome of these proceedings. The provision for warranties is based on 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 2012, 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.

No material special effects as defined in IAS 1.98 were recognised or reported in 2011/12.

### 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 of TEUR 50,630 (2010/11: TEUR 48,954) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,330,942 (2010/11: TEUR 1,277,158).

### 2.6.4.2 Expenses

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

#### 2011/12 Financial Year

	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
<b>in TEUR</b>					
Cost of materials	(573,297)	(5,291)	(60)	0	(578,648)
Personnel expenses	(221,320)	(174,386)	(28,147)	(43)	(423,896)
Depreciation	(46,940)	(6,008)	(935)	0	(53,883)
Other expenses	(70,554)	(140,579)	(12,851)	(291)	(224,275)
Own work capitalised	11,961	148	9	0	12,118
Internal charges	8,012	(11,176)	3,164	0	0
<b>Total expenses</b>	<b>(892,138)</b>	<b>(337,292)</b>	<b>(38,820)</b>	<b>(334)</b>	<b>(1,268,584)</b>
<b>Other income</b>	<b>9,611</b>	<b>5,980</b>	<b>789</b>	<b>6,483</b>	<b>22,863</b>
<b>Total</b>	<b>(882,527)</b>	<b>(331,312)</b>	<b>(38,031)</b>	<b>6,149</b>	<b>(1,245,721)</b>

#### 2010/11 Financial Year

	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
<b>in TEUR</b>					
Cost of materials	(517,448)	(4,863)	(58)	0	(522,369)
Personnel expenses	(209,839)	(156,811)	(27,708)	(3,106)	(397,464)
Depreciation	(42,898)	(5,510)	(803)	(2,339)	(51,550)
Other expenses	(74,135)	(131,646)	(14,847)	3,015	(217,613)
Own work capitalised	15,263	489	17	0	15,769
Internal charges	6,610	(12,199)	5,608	(19)	0
<b>Total expenses</b>	<b>(822,447)</b>	<b>(310,540)</b>	<b>(37,791)</b>	<b>(2,449)</b>	<b>(1,173,227)</b>
<b>Other income</b>	<b>4,581</b>	<b>5,372</b>	<b>1,289</b>	<b>9,784</b>	<b>21,026</b>
<b>Total</b>	<b>(817,866)</b>	<b>(305,168)</b>	<b>(36,502)</b>	<b>7,335</b>	<b>(1,152,201)</b>

The cost of materials includes TEUR 21,951 (2010/11: TEUR 21,287) of third party services.

Other income includes government grants of TEUR 3,705 (2010/11: TEUR 4,493), which were provided primarily for research activities. Of this total, TEUR 2,446 (2010/11: 2,801) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 54,786 (2010/11: TEUR 46,322). Development costs capitalised during the reporting year amount to TEUR 11,053 (2010/11: 14,086), and the related amortisation totalled TEUR 11,024

(2010/11: TEUR 10,356). Capitalised development costs were reduced by impairment charges of TEUR 1,828 during the reporting year (2010/11: TEUR 1,552).

Research costs of TEUR 3,898 (2010/11: TEUR 2,258) are reported under selling expenses.

Administrative expenses include TEUR 1,275 (2010/11: TEUR 1,460) of auditing services performed by the KPMG network for the Zumtobel Group.

The year-on-year change in other operating results is related, above all, to special effects recognised in 2010/11 (also see section 2.6.4.3).

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

in TEUR	2011/12	2010/11
Wages	(79,440)	(78,227)
Salaries	(244,430)	(223,385)
Expenses for severance compensation	(4,404)	(3,268)
Expenses for pensions	(4,439)	(3,947)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(65,892)	(60,459)
Other employee benefits	(11,973)	(11,772)
Contract workers	(13,318)	(13,225)
Expenses from restructuring	0	(3,181)
<b>Personnel expenses</b>	<b>(423,896)</b>	<b>(397,464)</b>

#### 2.6.4.3 Other operating results

in TEUR	2011/12	2010/11
Government grants	2,446	2,801
License revenues	4,138	6,958
Special effects	0	(2,386)
<i>Impairment charges to non-current assets (including goodwill)</i>	0	(4,311)
<i>Write-up to non-current assets</i>	0	1,972
<i>Restructuring</i>	0	(3,351)
<i>Losses on sale</i>	0	(173)
<i>Litigation</i>	0	3,477
Miscellaneous	(435)	(38)
<b>Total</b>	<b>6,149</b>	<b>7,335</b>

As in the prior year, the government grants received in 2011/12 represent subsidies that were recognised to profit or loss.

License revenues for the reporting year were generated chiefly by the LED business, as was the case in 2010/11. The prior year license revenues include non-recurring income of TEUR 3,000 from a LED license agreement.



Special effects reported in 2010/11 as required by IAS 1 include the following major items:

The amount reported under "impairment charges to non-current assets" in the prior year consists primarily of a TEUR 2,759 write-down to plant and machinery used to manufacture magnetic ballasts for the Components Segment. In addition, impairment charges of TEUR 1,552 were recognised to capitalised development costs in 2010/11. "Write-ups to non-current assets" in the previous year include an increase of TEUR 1,972 in the value of a building. Restructuring expenses in 2010/11 are related chiefly to costs connected with the relocation of a sales office in Great Britain (TEUR 2,518) as well rationalisation measures in the luminaire production in Landskrona/Sweden (TEUR 816). An out of court settlement in 2010/11 led to the reversal of a TEUR 3,477 provision for legal proceedings.

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 consists mainly of interest and fees for the current credit agreement. Interest expense rose by TEUR 1,505 year-on-year to TEUR 11,315 in 2011/12, chiefly due to increased use of the credit lines provided by the consortium credit agreement during the reporting year and a higher interest margins compared with the previous year. This position also includes the interest component of the lease for the plant in England TEUR 1,856; (2010/11: TEUR 1,889).

#### 2.6.4.5 Other financial income and expenses

in TEUR	2011/12	2010/11
Interest component as per IAS 19 less income on plan assets	(4,689)	(3,450)
Foreign exchange gains and losses	395	(2,349)
Market valuation of financial instruments	362	(2,989)
Gains/losses on sale	0	17
<b>Total</b>	<b>(3,932)</b>	<b>(8,771)</b>

Foreign exchange gains and losses are composed mainly of realised gains on foreign currency receivables and liabilities.

The market valuation of financial instruments shows the results from the measurement of forward exchange contracts at their respective market values 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	2011/12	2010/11
Current taxes	(4,988)	(8,487)
<i>thereof current year</i>	(4,950)	(8,147)
<i>thereof prior years</i>	(38)	(340)
Deferred taxes	998	1,535
<b>Income taxes</b>	<b>(3,990)</b>	<b>(6,952)</b>

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 19% for the reporting year (2010/11: 12%).

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

in TEUR	2011/12	2010/11
<b>Profit before tax</b>	<b>20,732</b>	<b>59,792</b>
<b>Theoretical tax income (expense) resulting from application of 25% domestic tax rate</b>	<b>(5,183)</b>	<b>(14,948)</b>
<b>Difference between calculated/actual tax expense</b>	<b>(1,193)</b>	<b>(7,996)</b>
Non-deductible expenses	(9,466)	(5,333)
Foreign tax rates	(863)	667
Subsequent payments	(916)	(513)
Tax-free income	715	1,397
Other items	6,838	665
Valuation discounts for deferred taxes	4,885	11,113
<b>Total tax expense</b>	<b>(3,990)</b>	<b>(6,952)</b>

#### 2.6.4.7 Results from discontinued operations

Results from discontinued operations represent subsequent expenses in connection with the reorganisation process for Space Cannon VH SRL. This company was part of the event lighting business, which was discontinued during the second quarter of 2010/11. The net loss reported under this position in the prior year also reflects the discontinuation of the event lighting business.

#### 2.6.4.8 Earnings per share

The calculation of earnings per share was based on profit recorded for the reporting 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 38,601; 2010/11: TEUR 28,885, also see section 2.6.8.5).

Reconciliation of the number of Zumtobel shares outstanding (in 1,000):

#### 2011/12 Financial Year

in 1,000 pcs.	Balance Sheet Date	Average
<b>1 May 2011</b>	<b>42,821</b>	<b>42,821</b>
Stock options – exercised	285	279
<b>30 April 2012</b>	<b>43,106</b>	<b>43,100</b>

#### 2010/11 Financial Year

in 1,000 pcs.	Balance Sheet Date	Average
<b>1 May 2010</b>	<b>42,725</b>	<b>42,725</b>
Stock options – exercises	96	63
<b>30 April 2011</b>	<b>42,821</b>	<b>42,788</b>

### 2.6.5 Notes to the Statement of Comprehensive Income

#### 2.6.5.1 Foreign exchange differences

Foreign exchange differences occur when companies do not report in the euro and, in this connection, when the historical exchange rate applied on the date of initial consolidation differs from the rate in effect on the balance sheet date. In addition, foreign exchange differences result from the translation of income statement items at the average monthly exchange rate and the rate on the balance sheet date. This position also includes TEUR 6,972 (2010/11: TEUR 418) of currency-related adjustments to goodwill. The currency reserve under equity contains foreign exchange-related effects of TEUR 354 (2010/11: TEUR -293) from non-controlling interests.

#### 2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR 4,198 (2010/11: TEUR -932) on loans reflect long-term loans granted by the Group in SEK, GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21.

### 2.6.5.3 Actuarial gain/loss

The actuarial loss includes TEUR 18,518 related to the provision for pensions in Great Britain, which resulted primarily from an increase in the present value of the defined benefit obligation (DBO) following the application of a lower interest rate. Interest rate adjustments to the Austrian provisions for severance compensation led to an actuarial loss of TEUR 3,870. In 2010/11 the actuarial loss resulted primarily from a change in the interest rate and mortality tables applied to the pension provision in Great Britain.

### 2.6.5.4 Taxes

The year-on-year decrease of TEUR -652 to TEUR 2,774 is primarily the result of deferred taxes that were recorded under equity without recognition through profit or loss in accordance with IAS 19.

## 2.6.6 Notes to the Balance Sheet

### 2.6.6.1 Goodwill

in TEUR	CGU Lighting Brands – Europe	CGU Lighting Brands – MENA & Asia	CGU Lighting Brands – Australia & New Zealand	CGU Lighting Brands – USA	Tridonic Jennersdorf	Total
<b>30 April 2010</b>	<b>154,445</b>	<b>10,970</b>	<b>11,029</b>	<b>5,285</b>	<b>1,722</b>	<b>183,451</b>
FX effects	355	25	26	12	0	418
<b>30 April 2011</b>	<b>154,800</b>	<b>10,995</b>	<b>11,055</b>	<b>5,297</b>	<b>1,722</b>	<b>183,869</b>
FX effects	3,851	1,551	910	661	0	6,973
<b>30 April 2012</b>	<b>158,651</b>	<b>12,546</b>	<b>11,965</b>	<b>5,958</b>	<b>1,722</b>	<b>190,842</b>

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

- CGU Lighting Brands – Europe
- CGU Lighting Brands – MENA & Asia
- CGU Lighting Brands – Australia & New Zealand
- CGU Lighting Brands – USA
- Tridonic Jennersdorf

The allocation of goodwill in the Thorn Lighting Group to new CGUs was made necessary by a change in the reporting structure during 2010/11. In accordance with IAS 36.87, any change in the focus of monitoring to financial information that is classified by region also requires the reallocation of goodwill based on the relative fair value of the CGU.

The original goodwill in the Thorn Lighting Group had a historical cost of TEUR 543,661. The accumulated impairment charges recognised up to 30 April 2010 totalled TEUR 338,278 and the accumulated foreign exchange effects equalled TEUR 23,654. No impairment charges were required in 2011/12 or 2010/11.

## 2.6.6.2 Other intangible assets

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

### 2011/12 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
<b>Acquisition costs</b>			
<b>30 April 2011</b>	<b>36,741</b>	<b>80,780</b>	<b>117,521</b>
Foreign currency translation	6	1,408	1,414
Additions	4,012	10,918	14,930
Disposals	(291)	(1,322)	(1,613)
Transfers	91	135	226
<b>30 April 2012</b>	<b>40,559</b>	<b>91,919</b>	<b>132,478</b>
<b>Accumulated amortisation</b>			
<b>30 April 2011</b>	<b>(30,669)</b>	<b>(36,034)</b>	<b>(66,703)</b>
Foreign currency translation	(29)	(799)	(828)
Scheduled depreciation	(2,131)	(11,176)	(13,307)
Impairment	0	(1,828)	(1,828)
Disposals	280	1,322	1,602
<b>30 April 2012</b>	<b>(32,549)</b>	<b>(48,515)</b>	<b>(81,064)</b>
<b>Net carrying amount 30 April 2011</b>	<b>6,072</b>	<b>44,746</b>	<b>50,818</b>
<b>Net carrying amount 30 April 2012</b>	<b>8,010</b>	<b>43,404</b>	<b>51,414</b>

### Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38. The additions to acquisition costs, including transfers, consist almost entirely of capitalised development expenses (TEUR 11,053; 2010/11: TEUR 14,086). Most of these additions involve work on luminaires and controls, whereby TEUR 8,808 (2010/11: TEUR 12,124) were not yet available for use as of the balance sheet date.

Similar to the previous year, the impairment charges are related entirely to development costs.

## 2010/11 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
<b>Acquisition costs</b>			
<b>30 April 2010</b>	<b>39,641</b>	<b>67,744</b>	<b>107,385</b>
Foreign currency translation	(7)	433	426
Additions	1,453	14,651	16,104
Disposals	(4,432)	(2,048)	(6,480)
Transfers	86	0	86
<b>30 April 2011</b>	<b>36,741</b>	<b>80,780</b>	<b>117,521</b>
<b>Accumulated amortisation</b>			
<b>30 April 2010</b>	<b>(32,746)</b>	<b>(25,726)</b>	<b>(58,472)</b>
Foreign currency translation	(32)	(69)	(101)
Scheduled depreciation	(2,312)	(10,385)	(12,697)
Impairment	0	(1,552)	(1,552)
Disposals	4,421	1,698	6,119
<b>30 April 2011</b>	<b>(30,669)</b>	<b>(36,034)</b>	<b>(66,703)</b>
<b>Net carrying amount 30 April 2010</b>	<b>6,895</b>	<b>42,018</b>	<b>48,913</b>
<b>Net carrying amount 30 April 2011</b>	<b>6,072</b>	<b>44,746</b>	<b>50,818</b>

### 2.6.6.3 Property, plant and equipment

#### 2011/12 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
<b>Acquisition costs</b>					
<b>30 April 2011</b>	<b>206,567</b>	<b>390,071</b>	<b>111,355</b>	<b>11,189</b>	<b>719,182</b>
Foreign currency translation	4,869	8,594	2,245	228	15,936
Additions	6,389	9,652	6,298	19,890	42,229
Disposals	(1,229)	(10,825)	(6,766)	0	(18,820)
Transfers	3,423	15,689	1,926	(21,264)	(226)
<b>30 April 2012</b>	<b>220,019</b>	<b>413,181</b>	<b>115,058</b>	<b>10,043</b>	<b>758,301</b>
<b>Accumulated amortisation</b>					
<b>30 April 2011</b>	<b>(84,918)</b>	<b>(310,853)</b>	<b>(89,568)</b>	<b>0</b>	<b>(485,339)</b>
Foreign currency translation	(1,488)	(6,445)	(1,595)	0	(9,528)
Scheduled depreciation	(7,854)	(23,014)	(7,880)	0	(38,748)
Disposals	459	10,578	6,548	0	17,585
<b>30 April 2012</b>	<b>(93,801)</b>	<b>(329,734)</b>	<b>(92,495)</b>	<b>0</b>	<b>(516,030)</b>
<b>Net carrying amount 30 April 2011</b>	<b>121,649</b>	<b>79,218</b>	<b>21,787</b>	<b>11,189</b>	<b>233,843</b>
<b>Net carrying amount 30 April 2012</b>	<b>126,218</b>	<b>83,447</b>	<b>22,563</b>	<b>10,043</b>	<b>242,271</b>

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

No property, plant or equipment was pledged as security for loans under the consortium credit agreement.

Moreover, the Group has incurred obligations of TEUR 3,326 (2010/11: TEUR 6,115) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings TEUR 448 (2010/11: TEUR 1,436), plant and machinery TEUR 2,695 (2010/11: TEUR 3,643) and other non-current assets TEUR 183 (2010/11: TEUR 1,036).

Construction in progress and prepayments made are classified as follows: land and buildings TEUR 1,117 (2010/11: TEUR 527), plant and machinery TEUR 8,613 (2010/11: TEUR 10,276) and other non-current assets TEUR 313 (2010/11: TEUR 386).

## 2010/11 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
<b>Acquisition costs</b>					
<b>30 April 2010</b>	<b>203,465</b>	<b>370,176</b>	<b>107,755</b>	<b>14,058</b>	<b>695,454</b>
Foreign currency translation	689	827	1,144	(69)	2,591
Additions	4,822	6,881	6,776	22,721	41,200
Disposals	(3,269)	(6,167)	(7,579)	(2,962)	(19,977)
Transfers	860	18,354	3,259	(22,559)	(86)
<b>30 April 2011</b>	<b>206,567</b>	<b>390,071</b>	<b>111,355</b>	<b>11,189</b>	<b>719,182</b>
<b>Accumulated amortisation</b>					
<b>30 April 2010</b>	<b>(81,926)</b>	<b>(290,753)</b>	<b>(88,428)</b>	<b>(2,962)</b>	<b>(464,069)</b>
Foreign currency translation	(704)	(605)	(972)	0	(2,281)
Scheduled depreciation	(7,049)	(22,046)	(7,451)	0	(36,546)
Impairment	0	(2,759)	0	0	(2,759)
Write-up to non-current assets	2,004	0	0	0	2,004
Disposals	2,757	5,310	7,283	2,962	18,312
<b>30 April 2011</b>	<b>(84,918)</b>	<b>(310,853)</b>	<b>(89,568)</b>	<b>0</b>	<b>(485,339)</b>
<b>Net carrying amount 30 April 2010</b>	<b>121,539</b>	<b>79,423</b>	<b>19,327</b>	<b>11,096</b>	<b>231,385</b>
<b>Net carrying amount 30 April 2011</b>	<b>121,649</b>	<b>79,218</b>	<b>21,787</b>	<b>11,189</b>	<b>233,843</b>

The impairment charges of TEUR 2,759 recognised in 2010/11 are related to plant and machinery used for the production of magnetic ballasts in the Components Segment. These impairment charges reflected the declining demand for magnetic ballasts in combination with rising raw material prices, which also had a strong negative effect on the profitability of this product group.

The write-up to non-current assets in the prior year is related primarily to the increase in the value of a building. This adjustment reflects the fact that the reasons for the impairment charge recognised in 2008/09 (TEUR 1,972) had ceased to exist.



## 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, these companies are included in the consolidated financial statements at equity.

	Staff Iberica S.A.	Tridonic SA (Pty) Ltd.	LEDON OLED Lighting GmbH & Co. KG	LEDON OLED Lighting Verwaltungs GmbH	z-werkzeugbau gmbh	LEXEDIS Lighting GmbH	Total
in TEUR	50.00%	49.99%	51.00%	49.00%	30.00%	50.00%	
<b>30 April 2010</b>	<b>2,414</b>	<b>1,174</b>	<b>519</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>4,112</b>
Additions	0	0	1,403	0	0	0	1,403
Net profit/loss for the period	74	9	(505)	1	0	0	(421)
Dividends	0	(211)	0	0	0	0	(211)
Foreign currency translation	0	7	0	0	0	0	7
<b>30 April 2011</b>	<b>2,488</b>	<b>978</b>	<b>1,417</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>4,889</b>
Capital increases	0	0	701	0	0	0	701
Net profit/loss for the period	(106)	76	(660)	5	0	0	(685)
Dividends	(500)	0	0	0	0	0	(500)
Foreign currency translation	0	(39)	0	0	0	0	(39)
<b>30 April 2012</b>	<b>1,882</b>	<b>1,015</b>	<b>1,458</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>4,366</b>

The stake owned in LEDON OLED Lighting GmbH & Co. KG equals 51%, but the share of earnings amounts to 85%. However, the requirements for control are not met because this company is managed by LEDON OLED Lighting 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 LEDON OLED Lighting Verwaltungs GmbH or LEDON OLED Lighting GmbH & Co. KG.

The sale of the tool production segment ("Werkzeugbau") in 2005 generated an interim profit of TEUR 2,600, which was initially recorded as deferred income and was amortised in full during 2010/11 through financial results under profit/loss from financial assets accounted for at equity. 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. The shares were transferred on 31 May 2012, after the end of the reporting year (also see section 2.6.14 "Subsequent Events").

The valuation of Lexedis Lighting GmbH at equity was discontinued because of the losses accumulated to date. The profit generated in 2011/12 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 comprise the following:

in TEUR	2011/12	2010/11
Net profit/loss for the period	(685)	(421)
Interim profits on the sale of the tool production segment ("Werkzeugbau")	0	433
<b>Total</b>	<b>(685)</b>	<b>12</b>

Current trade receivables due from associated companies totalled TEUR 1,513 as of 30 April 2012 (2010/11: TEUR 2,356); no impairment charges were recognised to these assets. The respective parent companies have concluded agreements with companies included at equity for the provision of goods and services.

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

	Staff Iberica S.A.	Tridonic SA (Pty) Ltd.	LEDON OLED Lighting GmbH & Co. KG	LEDON OLED Lighting Verwaltungs GmbH	z-werkzeugbau gmbh	LEXEDIS Lighting GmbH
in TEUR	50.00%	49.99%	51.00%	49.00%	30.00%	50.00%
<b>30 April 2012</b>						
Assets	2,845	1,481	928	11	2,858	1,512
Liabilities	963	467	55	0	2,193	2,921
Equity	1,882	1,015	873	11	665	(1,409)
Revenues	2,940	2,349	123	0	5,792	9,406
Net profit/loss for the period	(106)	76	(660)	5	196	69

	Staff Iberica S.A.	Tridonic SA (Pty) Ltd.	LEDON OLED Lighting GmbH & Co. KG	LEDON OLED Lighting Verwaltungs GmbH	z-werkzeugbau gmbh	LEXEDIS Lighting GmbH
in TEUR	50.00%	49.99%	51.00%	49.00%	30.00%	50.00%
<b>30 April 2011</b>						
Assets	3,441	1,382	872	12	2,006	1,506
Liabilities	953	404	59	0	1,667	2,984
Equity	2,488	978	813	12	339	(1,478)
Revenues	3,389	2,419	57	0	4,192	7,492
Net profit/loss for the period	75	9	(505)	0	(171)	71

Deferred tax assets of TEUR 53 (2010/11: deferred tax liabilities of TEUR 245) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39.

#### 2.6.6.5 Financial assets

The year-on-year change in non-current financial assets is attributable chiefly to the payment of the fourth instalment from the sale of the former plant in Spennymoor. This payment equalled GBP 3.6 million and was made in March 2012.

Current financial assets consist primarily of the final instalment payment from the sale of the Spennymoor plant (TEUR 4,642; 2010/11: TEUR 4,232). This receivable is secured by a mortgage on the sold property.

Detailed information is presented in section 2.6.10.1.

## 2.6.6.6 Other assets

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

in TEUR	30 April 2012	30 April 2011
Coverage capital for Group life insurance	3,335	3,488
Other	670	649
<b>Other non-current assets</b>	<b>4,005</b>	<b>4,137</b>
Prepaid expenses and deferred charges	5,372	5,185
Amounts due from tax authorities	7,485	7,452
Prepayments made	1,758	1,185
Other	11,321	11,012
<b>Other current assets</b>	<b>25,936</b>	<b>24,834</b>

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 timing differences that resulted from the use of different amounts for the valuation of assets and liabilities for the Group financial statements and for tax purposes. The resulting deferred taxes are shown below:

in TEUR	30 April 2012		30 April 2011	
	Assets	Liabilities	Assets	Liabilities
Other intangible assets	64	9,339	5	9,131
Property, plant and equipment	1,498	6,605	3,979	5,166
Financial assets	1,478	0	479	254
Inventories	3,846	209	3,916	272
Trade receivables	1,133	691	1,342	714
Other receivables	638	6,731	822	432
Non-current provisions	15,194	1,104	2,598	2,637
Other provisions	1,699	3,276	2,035	595
Trade payables	5,204	12	13	6,667
Loss carryforwards	131,615		107,237	
<b>Deferred tax credits or liabilities</b>	<b>162,369</b>	<b>27,967</b>	<b>122,426</b>	<b>25,868</b>
Valuation discounts for deferred taxes	(107,982)		(74,034)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(18,050)	(18,050)	(14,241)	(14,241)
<b>Deferred taxes</b>	<b>36,337</b>	<b>9,917</b>	<b>34,151</b>	<b>11,627</b>

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 431,926 (2010/11: TEUR 295,264) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 14,463 (2010/11: TEUR 15,984) will expire within 10 years. In agreement with IAS 12.39, deferred tax liabilities are not recognised on timing differences related to shares in subsidiaries. The calculation of deferred taxes for Group companies is based on the applicable national tax rate. 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 2,774 (2010/11: TEUR -652) were recognised under other comprehensive income in 2011/12. This amount includes TEUR 2,040 related to actuarial losses on the provisions for pensions and severance compensation as required by IAS 19 as well as TEUR 734 for the hedging reserve.

#### 2.6.6.8 Inventories

The following table shows the various components of inventories classified by gross value and impairment charges:

in TEUR	30 April 2012	30 April 2011
Raw materials	61,369	66,063
<i>Gross value</i>	71,322	75,966
<i>Impairment charges</i>	(9,953)	(9,904)
Work in process	3,171	4,052
Semi-finished goods	12,062	13,220
<i>Gross value</i>	13,362	14,184
<i>Impairment charges</i>	(1,300)	(964)
Merchandise	17,420	20,042
<i>Gross value</i>	20,753	21,905
<i>Impairment charges</i>	(3,333)	(1,862)
Finished goods	78,726	86,964
<i>Gross value</i>	90,317	99,631
<i>Impairment charges</i>	(11,591)	(12,667)
<b>Inventories</b>	<b>172,748</b>	<b>190,341</b>

Changes in the valuation adjustments to inventories that led to a decrease in income totalled TEUR 780 (2010/11: TEUR 1,147).

The following obligations, which were disclosed in the 2010/11 annual financial report, were no longer in effect as of 30 April 2012: the pledge of inventories by the Australian Tridonic companies, which were designated as collateral for short-term borrowings of TEUR 9,007, and an off balance sheet commitment for the purchase of LED modules.

## 2.6.6.9 Trade receivables

in TEUR	30 April 2012	30 April 2011
Trade receivables gross	237,185	217,251
Valuation adjustments to receivables	(9,675)	(10,726)
Provision for customer bonuses and discounts	(17,786)	(19,976)
<b>Trade receivables</b>	<b>209,724</b>	<b>186,549</b>

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts amounted to TEUR 41,795 (2010/11: TEUR 49,980).

## 2.6.6.10 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of total bank deposits, TEUR 391 (2010/11: TEUR 269) 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:

Defined benefit plans as per IAS 19 in TEUR	Post-employment benefits					
	Pensions		Severance compensation		Other	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Beginning balance, net liability</b>	<b>57,390</b>	<b>57,268</b>	<b>33,297</b>	<b>32,639</b>	<b>12,332</b>	<b>11,513</b>
Foreign currency translation & reclassification	3,029	(493)	0	0	209	156
Change in consolidation range & reclassifications	0	0	0	(276)	(61)	73
Changes recognised through profit or loss	3,553	2,814	3,224	3,055	3,693	1,879
<i>thereof service cost</i>	1,422	1,295	1,526	1,543	1,602	1,328
<i>thereof past service cost</i>	0	0	0	0	1,048	172
<i>thereof plan reductions and settlements</i>	0	0	0	0	0	0
<i>thereof interest expense</i>	9,763	8,835	1,698	1,512	449	419
<i>thereof expected income from plan assets</i>	(7,632)	(7,316)	0	0	0	0
<i>thereof actuarial loss</i>	0	0	0	0	595	(40)
Payments	(9,867)	(9,268)	(2,009)	(1,094)	(1,420)	(1,289)
Actuarial loss/gain recognised to equity	16,693	7,068	4,146	(1,027)	0	0
<b>Ending balance, net liability</b>	<b>70,798</b>	<b>57,390</b>	<b>38,658</b>	<b>33,297</b>	<b>14,753</b>	<b>12,332</b>

The changes recognised through profit or loss are included in the income statement. Interest expense and the expected income from plan assets are reported under "Other financial income and expenses", while the remainder is accounted for under operating results as part of personnel expenses. The column "other" consists mainly of provisions for service anniversary bonuses and part-time work for older employees in Austria and Germany as well as provisions for long service leave in Australia.

Detailed information on the actuarial losses recorded under other comprehensive income 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)	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Germany	4.3%	5.1%	-	-	3.0%	3.0%	1.8%	1.8%	1)	1)
Great Britain	4.7%	5.5%	5.5%	6.5%	-	-	3.1%	3.4%	65/65	65/65
Switzerland	2.5%	2.8%	2.3%	2.5%	1.5%	1.5%	0.0%	0.1%	64/65	64/65
Norway	2.6%	4.1%	4.1%	5.0%	3.3%	3.8%	0.1%	1.0%	67/67	67/67
Sweden	3.5%	4.5%	-	-	-	-	2.0%	2.0%	65/65	65/65
Austria	4.3%	5.1%	-	-	3.3%	3.3%	-	-	2)	2)
France	4.3%	5.1%	-	-	2.5%	3.0%	-	-	3)	62/65
Italy	4.3%	5.1%	-	-	3.0%	3.0%	-	-	60/65	60/65
Australia	3.5%	4.7%	6.5%	6.6%	4.0%	4.0%	-	-	-	-

These calculations reflect the mortality and invalidity tables as well as employee turnover rates applicable to 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): Salaried employees 63/67, wage employees 62/65

### Pension obligations

The Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. 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 respective Group company and are only used to meet performance obligations. Any obligation remaining after the deduction of plan assets is recorded as a provision.

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value this defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 471 for the reporting year (2010/11: TEUR 418). The asset coverage calculated in accordance with Swedish law equalled 113% as of December 2011 (2010/11: 144%) for all plan participants. 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 2012	30 April 2011
Obligations not financed through funds	27,635	25,713
Obligations financed through funds	182,392	150,291
<b>Present value of defined benefit obligation (DBO)</b>	<b>210,027</b>	<b>176,004</b>
Fair value of plan assets	(139,229)	(118,614)
<b>Net liability as per balance sheet</b>	<b>70,798</b>	<b>57,390</b>

The provision for pensions is allocated to the following countries:

Net liability

in TEUR	30 April 2012	30 April 2011
Germany	24,512	22,737
Sweden	3,123	2,976
Great Britain	40,940	30,813
Other	2,223	864
<b>Net liability as per balance sheet</b>	<b>70,798</b>	<b>57,390</b>

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

in TEUR	2011/12		2010/11	
	DBO	Plan assets	DBO	Plan assets
<b>30 April 2011</b>	<b>176,004</b>	<b>118,614</b>	<b>166,727</b>	<b>109,459</b>
Foreign currency translation	14,068	11,039	(1,801)	(1,309)
Service cost	1,422	0	1,295	0
Interest expense / income	9,763	7,632	8,835	7,316
Actuarial loss/gain recognised to equity	17,219	526	6,869	(200)
Plan reductions and settlements	0	0	0	0
Payments	(8,449)	1,418	(5,921)	3,348
<b>30 April 2012</b>	<b>210,027</b>	<b>139,229</b>	<b>176,004</b>	<b>118,614</b>

As of 30 April 2012 the plan assets consisted of international stocks (26%), fixed-interest securities (51%), alternative investments (16%) and cash and cash equivalents / real estate (7%). The actual income on plan assets equals TEUR 8,158 (2010/11: TEUR 7,116).

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

in TEUR	30 April 2012	30 April 2011	30 April 2010	30 April 2009	30 April 2008
Present value	210,027	176,004	166,727	136,724	143,710
Plan assets	(139,229)	(118,614)	(109,459)	(89,354)	(107,948)
Deficit	70,798	57,390	57,268	47,370	35,762

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 2012	30 April 2011	30 April 2010	30 April 2009	30 April 2008
Decrease in present value of pension obligation	(37)	134	(180)	440	223

### Severance compensation obligations

These obligations are defined by law and require the company to make a lump-sum payment to employees on termination under certain circumstances.

The obligations relate to the following countries:

in TEUR	30 April 2012	30 April 2011
Austria	34,730	30,019
France	2,631	2,206
Italy	1,296	1,072
<b>Severance compensation obligation</b>	<b>38,658</b>	<b>33,297</b>

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	2011/12	2010/11
<b>30 April 2011</b>	<b>33,297</b>	<b>32,639</b>
Changes in the consolidation range	0	(276)
Service cost	1,526	1,543
Interest expense / income	1,698	1,512
Actuarial loss/gain recognised to equity	4,146	(1,027)
Payments	(2,009)	(1,094)
<b>30 April 2012</b>	<b>38,658</b>	<b>33,297</b>

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

in TEUR	30 April 2012	30 April 2011	30 April 2010	30 April 2009	30 April 2008
Present value	38,658	33,297	32,639	30,758	29,931

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 2012	30 April 2011	30 April 2010	30 April 2009	30 April 2008
Increase in present value of severance compensation obligations	394	520	208	490	469



## 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
<b>30 April 2010</b>	<b>52,801</b>	<b>2,057</b>	<b>54,858</b>
Actuarial loss/gain	7,068	(1,027)	6,041
Foreign currency translation	(1,217)	0	(1,217)
Deferred taxes	(1)	269	268
<b>30 April 2011</b>	<b>58,651</b>	<b>1,299</b>	<b>59,950</b>
Actuarial loss/gain	16,693	4,146	20,839
Foreign currency translation	5,633	0	5,633
Deferred taxes	(1,049)	(991)	(2,040)
<b>30 April 2012</b>	<b>79,928</b>	<b>4,454</b>	<b>84,382</b>

Deferred taxes of TEUR 2,040 were recorded directly in equity during the reporting year (2010/11: TEUR -268).

## Other long-term employee benefits

These obligations total TEUR 14,753 (2010/11: TEUR 12,332) 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.

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

The actuarial loss recorded in 2011/12 is attributable primarily to adjustments in interest rates applied to the Austrian provisions for service anniversary bonuses (TEUR 412). This expense is reported under financial results as part of "Other financial income and expenses, interest component as per IAS 19".

Experience-based adjustments during the reporting year led to an increase of TEUR 48 (2010/11: TEUR 67) in the obligation.

### 2.6.6.12 Defined contribution obligations

Payments of TEUR 6,591 were made during the reporting year in connection with various defined contribution plans (2010/11: TEUR 5,740). The effects of the new severance compensation directive in Austria are also included here.

## 2.6.6.13 Other provisions

### 2011/12 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
<b>30 April 2011</b>	<b>14,338</b>	<b>2,171</b>	<b>1,364</b>	<b>1,902</b>	<b>6,085</b>	<b>25,860</b>
Addition	7,066	0	125	0	6,412	13,603
Utilisation	(4,801)	(1,652)	(365)	(673)	(4,534)	(12,025)
Reversal	(3,953)	0	(42)	0	(528)	(4,523)
Changes in the consolidation range	0	0	0	0	0	0
Transfers	0	(92)	28	92	(28)	0
Foreign currency translation	334	8	30	145	84	601
<b>30 April 2012</b>	<b>12,984</b>	<b>436</b>	<b>1,140</b>	<b>1,466</b>	<b>7,491</b>	<b>23,517</b>
<i>thereof current</i>	12,984	436	1,140	1,466	6,823	22,849
<i>thereof non-current</i>	0	0	0	0	668	668

#### Provision for guarantees

The provisions for guarantees are classified into separate provisions of TEUR 8,735 (2010/11: TEUR 10,937) for individual items as well as experience-based provisions of TEUR 4,249 (2010/11: TEUR 3,401) for cases not recognised individually or not known. This provision is determined by applying separate percentage rates for the various product groups to product revenues for the respective period.

#### Provisions for restructuring

Most of the restructuring provision was used during 2011/12. The remaining amount is related, above all, to outstanding employee claims for restructuring measures in earlier years.

#### Provisions for legal proceedings

This item consists chiefly of a TEUR 288 claim by a social security carrier that is pending at court and a TEUR 429 provision for pending legal proceedings in Australia.

#### Onerous contracts

This position includes the provision for office space that is affected by the closing of a sales office in Great Britain.

**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.

## 2010/11 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
<b>30 April 2010</b>	<b>15,211</b>	<b>6,606</b>	<b>5,505</b>	<b>450</b>	<b>6,097</b>	<b>33,869</b>
Addition	6,744	1,770	78	978	5,164	14,734
Utilisation	(3,026)	(4,455)	(227)	(369)	(4,462)	(12,539)
Reversal	(1,567)	(952)	(4,016)	0	(716)	(7,251)
Changes in the consolidation range	(3,200)	0	0	0	0	(3,200)
Transfers	0	(920)	0	920	0	0
Foreign currency translation	175	122	24	(77)	2	246
<b>30 April 2011</b>	<b>14,338</b>	<b>2,171</b>	<b>1,364</b>	<b>1,902</b>	<b>6,085</b>	<b>25,860</b>
<i>thereof current</i>	14,338	2,171	1,364	1,902	5,366	25,141
<i>thereof non-current</i>	0	0	0	0	719	719

### 2.6.6.14 Financial liabilities

in TEUR	30 April 2012	30 April 2011
Loans from financial institutions	16	386
Finance leases	79	125
Loans from public authorities	75	1,521
Loans from other third parties	0	40
Working capital credits	3,574	15,229
<b>Current borrowings</b>	<b>3,744</b>	<b>17,301</b>
Loans from financial institutions	205,097	191,930
Finance leases	20,809	19,044
Loans from public authorities	1,099	1,099
Loans from other third parties	337	434
<b>Non-current borrowings</b>	<b>227,342</b>	<b>212,507</b>
<b>Borrowings</b>	<b>231,086</b>	<b>229,808</b>

The Group concluded a major financing agreement with a consortium of seven banks on 8 November 2011. In order to safeguard liquidity over the long-term, the Zumtobel Group voluntarily refinanced the existing consortium credit agreement in advance during November 2011. The new financing agreement has a five-year term and a maximum line of TEUR 500,000. Of this total, TEUR 200,000 had been utilised as of 30 April 2012. The remaining credit line of TEUR 300,000 is available for growth and acquisition financing as well as other purposes but has not been drawn to date.

The previous financing agreement had a maximum line of TEUR 480,000, whereby TEUR 186,000 had been drawn as of 30 April 2011.

## 2.6.6.15 Finance leases

in TEUR	Expenses 2011/12	Minimum lease payments			Total Liability	Net carrying amount assets
		Future payments				
		< 1 year	1 - 5 years	> 5 years		
Patents, licenses and similar items	70	70	0	0	70	275
Land & buildings	1,856	1,964	9,182	34,010	45,156	12,096
Plant & machinery	5	5	55	0	60	55
Other equipment	0	0	0	0	0	0
<b>Total minimum lease payments</b>	<b>1,931</b>	<b>2,039</b>	<b>9,237</b>	<b>34,010</b>	<b>45,286</b>	<b>12,426</b>
Less: finance charge = Interest expense	1,856	1,960	7,645	14,793	24,398	
<b>Present value of net minimum lease payments</b>	<b>75</b>	<b>79</b>	<b>1,592</b>	<b>19,217</b>	<b>20,888</b>	

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 20,764 as of 30 April 2012 (2010/11: TEUR 18,937). The year-on-year increase in the net present value of the minimum lease payments is the result of foreign exchange translation effects.

## 2.6.6.16 Operating leases

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 2011/12	Future payments to third parties			Total
		< 1 year	1 - 5 years	> 5 years	
Minimum lease payments based on non-cancellable leases	21,883	17,056	33,594	13,904	64,553
Less payments received from leases and sub-leases	484	378	344	0	722
<b>Net minimum lease payments</b>	<b>21,399</b>				

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from one month to 70 years, depending on the object and contract.

The Zumtobel Group signed an operating lease with an external lessee for the mothballed luminaire plant in Romania. This non-cancellable lease began on 1 May 2010 and has a term of five years and six months. The lessee has received an option to extend the contract. The lease payment is adjusted as of 1 May each year based on the development of the harmonised EU consumer price index.

in TEUR	Income 2011/12	Future payments from third parties			Total
		< 1 year	1 - 5 years	> 5 years	
Minimum lease payments based on non-cancellable leases	445	488	1,220	0	2,153

#### 2.6.6.17 Other liabilities

The major components of other current liabilities are as follows:

in TEUR	30 April 2012	30 April 2011
Vacations, comp. in free time, special payments to employees	42,333	42,965
Amounts due to employees	11,785	10,500
Miscellaneous taxes	16,713	15,315
Social security	5,995	5,620
Prepayments received	23,258	7,377
Accrued interest	64	17
Deferred income	976	1,050
Derivatives (hedge accounting)	8,854	4,493
Derivatives held for trading	3,486	8,023
Customs	1,907	2,218
Other liabilities	9,423	10,815
<b>Other current liabilities</b>	<b>124,794</b>	<b>108,393</b>

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

The increase in payments received is attributable primarily to the lower prior year amount, which reflects the invoicing of several projects shortly before 30 April 2011, as well as a number of larger projects that were started in 2011/12.

## 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 52,055) as well as impairment charges (TEUR 1,828).

The amounts recognised under other comprehensive income 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 rose by TEUR 11,774 over the prior year. This increase is attributable, above all, to a reduction in working capital, which was partly offset by the year-on-year drop in operating profit and subsequent decline in gross cash flow. The negative change in other current and non-current assets and liabilities resulted mainly from effects related to the translation of foreign currency items in the determination of cash flows for the period.

Cash flow from investing activities was TEUR 5,670 lower than 2010/11, whereby payments made for additions to non-current assets in 2011/12 nearly matched the prior year level. These payments consist mainly of capitalised research and development costs and also include investments in buildings and production equipment for the plants in Dornbirn, Lemgo, Les Andelys and Jennersdorf. No investments were made in financial assets during the reporting year or prior year. The change in cash and cash equivalents through the acquisition of non-controlling interests in 2010/11 is related chiefly to the purchase of the remaining shares in Tridonic Jennersdorf GmbH.

Cash flow from financing activities changed from TEUR -18,467 in 2010/11 to TEUR -14,620 in the reporting year. In particular, this development reflects the increased use of funds from the consortium credit agreement as well as a year-on-year increase in the dividend paid during 2011/12.

Liquid funds comprise 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 over three months. These items are not considered to be part of liquid funds.

#### 2.6.7.1 Reconciliation to cash and cash equivalents

in TEUR	30 April 2012	30 April 2011
Liquid funds	87,704	86,255
Not available for disposal	(391)	(269)
Overdrafts	(3,575)	(15,229)
<b>Cash and cash equivalents</b>	<b>83,738</b>	<b>70,757</b>

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

Share capital amounts to EUR 108,750,000 and is divided into 43,500,000 bearer shares with zero par value. 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 AT 0000837307. The company has no shares that carry special preferred rights or control rights.

The Management Board is authorised, contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches – at a minimum issue price equalling 100% of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for three years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 22 July 2011, was recorded in the company register. Furthermore, the Management Board is empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital. The Supervisory Board is also authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital.

A total of 43,106,610 shares were outstanding as of 30 April 2012 (2010/11: 42,821,447). Transactions carried out in 2011/12 as part of the employee stock participation programmes involved the exercise of 24,239 options (2010/11: 96,404) from the Stock Option Programme and the distribution of 260,924 shares from the Matching Stock Programme to employees without payment of return compensation. The company held 393,390 treasury shares as of 30 April 2012 (2010/11: 678,553).

#### 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 transactions 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, GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21 (also see sections 2.6.5.1 and 2.6.5.2), as well as the foreign exchange effects from an interest rate hedge. Foreign exchange-based adjustments to goodwill are also recorded under this position.

### Hedge accounting

The increases or decreases 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.

### Reserve for stock options

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

### IAS 19 reserve

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

#### 2.6.8.4 Stock option programmes

The Zumtobel Group has a share-based compensation programme for key managers, the Matching Stock Programme (MSP), up to 30 April 2012. In 2012/13 this programme will be replaced by a cash-based long-term incentive programme. A stock option programme (SOP) was also 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 under the SOP, but the exercise period is open until 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 programme 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 value of the 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 shares, 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.

All claims from the MSP (with the exception of claims by employees who will leave the company) were settled by the end of the 2011/12 financial year. The payments made for these settlements (TEUR 192) were recorded under personnel expenses. The final tranche was not allocated in May 2012. The Matching Stock Programme will be replaced by a cash-based long-term incentive programme in 2012/13.

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 24.30 (2010/11: EUR 14.13)
- >> Base price MSP: EUR 25.39 (2010/11: EUR 17.41)
- >> Expected volatility: 36.40% (2010/11: 54.06%) per year
- >> Risk-free interest rate: 2.359% per year (2010/11: 1.417% per year)
- >> Dividend yield: 0% p.a.
- >> 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.

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

in pcs.	Total
Share buyback (to 30 April 2011)	1,539,211
Exercised (to 30 April 2011)	(860,658)
<b>30 April 2011</b>	<b>678,553</b>
Exercised	(285,163)
<b>30 April 2012</b>	<b>393,390</b>

The exercise price payable by employees in 2011/12 was TEUR 182. A total of TEUR 6,901 was paid for the 884,897 shares previously exercised (average price of EUR 7.80 per share). This amount was credited to additional paid-in capital.

In 2011/12 24,239 options (2010/11: 96,404) were exercised from the Stock Option Programme and 260,924 shares from the Matching Stock Programme were distributed to employees without payment of return compensation.

### 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
<b>30 April 2011</b>	<b>15,985</b>	<b>2,433</b>	<b>18,418</b>
Addition through profit or loss	0	1,314	1,314
<b>30 April 2012</b>	<b>15,985</b>	<b>3,747</b>	<b>19,732</b>

The addition to the MSP through profit or loss is accrued over two years, whereby the accrual for 2011/12 equalled TEUR 1,314 (2010/11: TEUR 1,148). This accrual represents the final addition to the allocated tranches of the MSP due to the cancellation of the programme.

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	
	2011/12	2010/11	2011/12	2010/11
<b>Granted options – beginning balance</b>	<b>124,146</b>	<b>239,550</b>	<b>788,624</b>	<b>448,176</b>
New grants	0	0	241,808	497,312
Exercised	(24,239)	(96,404)	(367,520)	0
Cancelled	(22,656)	(19,000)	(592,000)	(156,864)
Forfeited	0	0	0	0
<b>Granted options – ending balance</b>	<b>77,251</b>	<b>124,146</b>	<b>70,912</b>	<b>788,624</b>
<i>Thereof eligible for exercise</i>	<i>77,251</i>	<i>124,146</i>	<i>0</i>	<i>0</i>

The ending balance of granted MSP options represents claims by employees who will leave the company, in cases where these claims had not been settled by 30 April 2012.

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	9,826	20,946	17,120	7,152	11,203	66,247
Exercise price 11.5	0	0	0	0	0	0
Exercise price 14.2	1,880	3,760	3,120	364	0	9,124
Exercise price 16.6	840	1,040	0	0	0	1,880
<b>Total options granted</b>	<b>12,546</b>	<b>25,746</b>	<b>20,240</b>	<b>7,516</b>	<b>11,203</b>	<b>77,251</b>

#### 2.6.8.5 Dividend

The annual general meeting on 22 July 2011 authorised the payment of a EUR 0.50 dividend per share for the 2010/11 financial year. The resulting distribution for the 43,104,418 shares outstanding as of 29 July 2011 (43,500,000 shares less 395,582 treasury shares) amounted to TEUR 21,552.

Based on the less favourable operating development during the reporting year, the Management Board will make a recommendation to the Supervisory Board, and subsequently to the annual general meeting of Zumtobel AG on 27 July 2012, to distribute a dividend of EUR 0.20 per share for the 2011/12 financial year.

#### 2.6.9 Capital Management

The goals of equity management in the Zumtobel Group are to protect the continued existence of the member companies of the Group and to optimise the return for shareholders by optimising the use of equity and debt. The capital structure is monitored continuously, including the cost and the risks connected with each type of capital. The procedures used to manage equity include an increase or decrease in financial liabilities and dividend payments as well as new issues and share buybacks. The Zumtobel Group follows a policy to pay dividends whenever possible based on a targeted payout ratio of 30 to 50% of Group profit.

The financial framework for the Group's actions is defined, above all, by a credit agreement concluded in November 2011 with seven banks. In order to safeguard liquidity over the medium-term, the Zumtobel Group refinanced the existing consortium credit agreement in advance during November 2011. The new financing agreement has a term extending to October 2016 and a maximum volume of TEUR 500,000, of which TEUR 200,000 had been drawn by 30 April 2012. This financing 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 2012 with a debt coverage ratio of 1.60 (2010/11: 1.11) and an equity ratio of 35.8% (2010/11: 37.1%).

## 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:

- >> Initially recognised at fair value through profit or loss (at fair value through P&L)
- >> HFT – held for trading
- >> HTM – held to maturity
- >> L&R – loans and receivables
- >> Hedge Accounting
- >> Cash – liquid funds
- >> at amortised cost – financial instruments measured 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. All loans from financial institutions carry variable interest rates; therefore, the carrying amount of non-current financial liabilities also reflects fair value.

## 2011/12 Financial Year

### Assets

in TEUR	Carrying amount	Fair Value	At fair value through P&L				Cash
			upon initial recognition	HFT	HTM	L&R	
Non-current financial assets	2,547	2,547	422	-	-	2,125	-
<i>Securities and similar rights</i>	422	-	422	-	-	-	-
<i>Loans originated and other receivables</i>	2,125	-	-	-	-	2,125	-
Current financial assets	8,390	8,390	9	1,667	-	6,714	-
<i>Securities and similar rights</i>	27	-	9	-	-	18	-
<i>Loans originated and other receivables</i>	4,693	-	-	-	-	4,693	-
<i>Positive market values of derivatives held for trading</i>	1,667	-	-	1,667	-	-	-
<i>Other</i>	2,003	-	-	-	-	2,003	-
Trade receivables	209,724	209,724	-	-	-	209,724	-
Liquid funds	87,704	87,704	-	-	-	-	87,704
<b>Total</b>	<b>308,365</b>	<b>308,365</b>	<b>431</b>	<b>1,667</b>	<b>-</b>	<b>218,563</b>	<b>87,704</b>

The position “other” under current financial assets includes a financial receivable of TEUR 2,003 (2010/11: TEUR 2,248) that is due from an associated company.

## Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	227,342	227,342	-	227,342	-	-
<i>Loans received</i>	206,533	-	-	206,533	-	-
<i>Finance leases</i>	20,809	-	-	20,809	-	-
Other non-current liabilities	14	14	-	-	-	14
Current borrowings	3,744	3,744	-	3,744	-	-
<i>Loans received</i>	3,665	-	-	3,665	-	-
<i>Finance leases</i>	79	-	-	79	-	-
Trade payables	130,960	130,960	-	130,960	-	-
Other current liabilities	124,794	124,794	3,486	1,464	8,854	110,990
<i>Negative market values of derivatives held for trading</i>	3,486	-	3,486	-	-	-
<i>Negative market values of derivatives (hedge accounting)</i>	8,854	-	-	-	8,854	-
<i>Other</i>	112,454	-	-	1,464	-	110,990
<b>Total</b>	<b>486,854</b>	<b>486,854</b>	<b>3,486</b>	<b>363,510</b>	<b>8,854</b>	<b>111,004</b>

The carrying value of non-current loans reflects fair value because most of these items (TEUR 200,000; 2010/11: TEUR 186,000) have a variable interest rate, i.e. the rate does not differ from the current market rate. Non-current fixed-interest loans include TEUR 1,099 (2010/11: TEUR 1,099) 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 and the current market interest rates are negligible.

Information on the other current liabilities is provided in section 2.6.6.17.

## 2010/11 Financial Year

### Assets

in TEUR	Carrying amount	Fair Value	At fair value through P&L				Cash
			upon initial recognition	HFT	HTM	L&R	
Non-current financial assets	5,749	5,749	415	-	3	5,331	-
<i>Securities and similar rights</i>	418	-	415	-	3	-	-
<i>Loans originated and other receivables</i>	5,331	-	-	-	-	5,331	-
Current financial assets	15,051	15,051	3	5,817	5	9,226	-
<i>Securities and similar rights</i>	26	-	3	-	5	18	-
<i>Loans originated and other receivables</i>	6,825	-	-	-	-	6,825	-
<i>Positive market values of derivatives held for trading</i>	5,817	-	-	5,817	-	-	-
<i>Other</i>	2,383	-	-	-	-	2,383	-
Trade receivables	186,549	186,549	-	-	-	186,549	-
Liquid funds	86,255	86,255	-	-	-	-	86,255
<b>Total</b>	<b>293,604</b>	<b>293,604</b>	<b>418</b>	<b>5,817</b>	<b>8</b>	<b>201,106</b>	<b>86,255</b>

### Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	212,507	212,507	-	212,507	-	-
<i>Loans received</i>	193,463	-	-	193,463	-	-
<i>Finance leases</i>	19,044	-	-	19,044	-	-
Current borrowings	17,301	17,301	-	17,301	-	-
<i>Loans received</i>	17,176	-	-	17,176	-	-
<i>Finance leases</i>	125	-	-	125	-	-
Trade payables	140,742	140,742	-	140,742	-	-
Other current liabilities	108,393	108,393	8,023	1,617	4,493	94,260
<i>Negative market values of derivatives held for trading</i>	8,023	-	8,023	-	-	-
<i>Negative market values of derivatives (hedge accounting)</i>	4,493	-	-	-	4,493	-
<i>Other</i>	95,877	-	-	1,617	-	94,260
<b>Total</b>	<b>478,943</b>	<b>478,943</b>	<b>8,023</b>	<b>372,167</b>	<b>4,493</b>	<b>94,260</b>

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

in TEUR	2011/12	2010/11
Net gains or net losses	757	(5,321)
<i>Financial instruments measured at amortised cost</i>	395	(2,349)
<i>Held for trading</i>	362	(2,989)
<i>At fair value through P&amp;L</i>	0	17
Interest expense	(11,315)	(9,810)
<i>Interest expense for financial assets measured at amortised cost</i>	(9,752)	(7,743)
<i>Interest expense hedge accounting</i>	(1,563)	(2,063)
<i>Interest expense held for trading</i>	0	(4)
Interest income	2,073	2,358
<i>Interest income at amortised cost</i>	1,668	1,772
<i>Interest income hedge accounting</i>	262	347
<i>Interest income held for trading</i>	143	239
Valuation adjustments to loans and receivables	807	(1,610)

Other financial income and expense (TEUR -3,932; 2010/11: TEUR -8,771) includes net income or expense (TEUR 757; 2010/11: TEUR -5,321) as well as the interest component as defined in IAS 19 less income on plan assets (TEUR -4,689; 2010/11: TEUR -3,450).

Net income / expense as well as the total interest expense and income are included under financial results, while impairment charges on loans and receivables are reported under operating earnings.

The positive valuation adjustments to loans and receivables result primarily from changes in receivables allowances (net of foreign currency effects) to reflect the balance as of 30 April 2012.

No additional impairment charges were 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 of appropriate guidelines and the 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 1.13 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 reported under assets therefore represent the maximum credit and default risk. However, this risk is considered to be low because it is distributed over a large number of customers and financial institutions. In 2011/12 losses on receivables, i.e. derecognised receivables, totalled 0.3% (2010/11: 0.1%) of Group revenues. The year-on-year increase is attributable, above all, to the derecognition of

uncollectible receivables from prior periods, which had been previously written off in full. The ten largest customers were responsible for 20% of Group revenues in 2011/12 (2010/11: 22%).

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. The deductible on this credit insurance amounted to 25% of the insured receivables as of 30 April 2012. 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 2012	30 April 2011
<b>Beginning balance</b>	<b>10,726</b>	<b>9,874</b>
Addition	3,549	2,910
Utilisation	(2,971)	(722)
Reversal	(1,629)	(1,336)
<b>Ending balance</b>	<b>9,675</b>	<b>10,726</b>

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 70% are recognised to non-doubtful receivables that are overdue more than 60 days (2010/11: between 20% and 50%). Doubtful receivables are generally written down by at least 60%. In 2010/11 an additional 1% valuation adjustment was recognised for the last time. The reversal to the valuation adjustments in 2011/12 includes the release of this 1% allowance (TEUR 956). Insured receivables are deducted from the basis for the calculation of impairment charges, whereby the deductible from the credit insurance is taken into account.

The age structure of trade receivables is shown below:

in TEUR	30 April 2012		30 April 2011	
	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	204,365	20	182,070	575
Overdue 1-60 days	17,691	23	17,990	479
Overdue 61-90 days	3,185	678	3,420	706
Overdue 91-180 days	2,300	862	2,423	896
Overdue > 180 days	9,644	8,092	11,348	8,070
<b>Total</b>	<b>237,185</b>	<b>9,675</b>	<b>217,251</b>	<b>10,726</b>

The nominal value of receivables includes TEUR 5,993 (2010/11: TEUR 7,487) that are classified as doubtful, which were adjusted by a total of TEUR 5,343 (2010/11: TEUR 6,305).

➤ 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

The maximum risk represents the carrying amount of financial instruments, and totalled TEUR 308,365 as of 30 April 2012 (2010/11: TEUR 293,604). 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 arising from business activities, 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 2012 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 100,653 (2010/11: TEUR 107,258). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective 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 that will result from financial liabilities recognised as of 30 April 2012:

30 April 2012

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Borrowings	231,086	271,806	10,678	227,118	34,010
Loans from financial institutions	205,113	221,314	4,943	216,371	0
Loans from public authorities	1,174	1,243	97	1,146	0
Loans from other third parties	337	389	25	364	0
Finance leases	20,888	45,286	2,039	9,237	34,010
Working capital credits	3,574	3,574	3,574	0	0
Trade payables	130,960	130,960	130,960	0	0
Other liabilities	124,808	121,978	114,675	7,281	22
Derivatives held for trading	3,486	1,035	230	805	0
Derivatives (hedge accounting)	8,854	8,475	1,977	6,476	22
Other financial instruments	1,464	1,464	1,464	0	0
Liabilities Non-FI	111,004	111,004	111,004	0	0
<b>Liquidity risk</b>	<b>486,854</b>	<b>524,744</b>	<b>256,313</b>	<b>234,399</b>	<b>34,032</b>



30 April 2011

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Borrowings	229,808	256,363	22,998	200,278	33,087
Loans from financial institutions	192,316	194,520	3,895	190,625	0
Loans from public authorities	2,619	2,939	1,921	1,018	0
Loans from other third parties	474	474	40	434	0
Finance leases	19,170	43,201	1,913	8,201	33,087
Working capital credits	15,229	15,229	15,229	0	0
Trade payables	140,742	140,742	140,742	0	0
Other liabilities	108,393	108,326	105,518	2,808	0
Derivatives held for trading	8,023	8,663	8,564	99	0
Derivatives (hedge accounting)	4,493	3,786	1,077	2,709	0
Other financial instruments	1,617	1,617	1,617	0	0
Liabilities Non-FI	94,260	94,260	94,260	0	0
<b>Liquidity risk</b>	<b>478,943</b>	<b>505,432</b>	<b>269,258</b>	<b>203,086</b>	<b>33,087</b>

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

30 April 2012

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Financial assets	1,667	1,348	1,348	0	0
Derivatives held for trading	1,667	1,348	1,348	0	0

30 April 2011

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 - 5 years	> 5 years
Financial assets	5,817	6,023	6,023	0	0
Derivatives held for trading	5,817	6,023	6,023	0	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 a Group hedging policy.

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 and 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 (TEUR 200,000) is considered long-term because of its maturity date on 28 October 2016. However, this credit also carries a variable interest rate (a EURIBOR-based money market interest rate).

In order to reduce the resulting interest rate risk, the Zumtobel Group concluded interest rate swaps with a total nominal volume of approx. TEUR 102,000 (including approx. TEUR 20,000 as a cross-currency swap with payment obligations in Swiss francs) that represent approx. 50% of the long-term credit volume currently outstanding. A further TEUR 40,000 were arranged as a backup hedge on a forward-start basis. These instruments are structured over various terms (up to June 2017 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% (cap). 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 2011/12	Fair value in TEUR 2010/11
EUR	62,000	(2,053)	(1,608)
EUR	20,000	(1,130)	(476)
CHF	28,728	(3,883)	(2,408)
EUR Forward Start 1	20,000	(775)	n/a
EUR Forward Start 2	20,000	(1,013)	n/a
<b>Negative market values of interest rate hedging instrument (hedge accounting)</b>		<b>(8,854)</b>	<b>(4,492)</b>
<b>Negative market values of foreign exchange hedging instrument (hedge accounting)</b>		<b>0</b>	<b>(1)</b>
<b>Negative market values of derivatives (hedge accounting)</b>		<b>(8,854)</b>	<b>(4,493)</b>

## &gt;&gt; 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 2012	30 April 2011
Borrowings	(31,086)	(43,808)
<b>Fixed rate instruments</b>	<b>(31,086)</b>	<b>(43,808)</b>
Financial assets	10,937	20,800
Liquid funds	87,704	86,255
Borrowings	(200,000)	(186,000)
<b>Variable rate instruments</b>	<b>(101,359)</b>	<b>(78,945)</b>
<b>Total</b>	<b>(132,445)</b>	<b>(122,753)</b>

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

## &gt;&gt; Sensitivity analysis

For variable interest instruments, a change of 100 basis points in the interest rate over a period of one year would result in a change of TEUR 1,141 (2010/11: TEUR 1,101) 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 over a period of one year would result in an opposite change of TEUR 1,209 (2010/11: TEUR 1,377) 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. The Zumtobel 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.

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.

## &gt;&gt; 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 2012 (including internal financial 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% increase or decrease in the value of the euro versus the relevant foreign currency as of 30 April 2012 would have had the following effect on profit after tax and equity based on the most important currency pairs. All other variables (above all interest rates) were held constant for the analysis. The effects on equity are related to long-term Group loans.

in TEUR	EUR increase of 10%		EUR decrease of 10%	
	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	7,828	6,888	(7,828)	(6,888)
EUR - SEK	4,376	4,093	(4,376)	(4,093)

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	(1,504)	(8,984)	6,916
EUR - CHF	18	(3,905)	3,162
EUR - AUD	99	(1,306)	1,187
EUR - USD	341	6,269	(7,686)
EUR - SEK	23	(659)	599

### 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 price purchases totalled 1,724 MT (metric tonnes) in 2011/12. A price increase of EUR 1,000/MT would represent an annual price risk of approx. TEUR 1,724.

## 2.6.12 Segment Reporting

### 2.6.12.1 Operating segments

Two operating segments represent 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.

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

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

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

Results from associated companies amount to TEUR -685 (2010/11: TEUR 12) and comprise TEUR 76 (2010/11: TEUR 9) from the Components Segment and TEUR -761 (2010/11: TEUR 3) from the Lighting Segment. Taxes and the remaining balance of financial results are not allocated to a specific segment of business.

Depreciation for the reporting year includes TEUR 1,828 (2010/11: 4,311) of impairment charges. Of this amount, TEUR 1,730 (2010/11: 2,759) is attributable to the Components Segment and TEUR 98 (2010/11: 1,552) to the Lighting Segment. Additionally, a write-up of TEUR 1,972 was recognised in the Lighting Segment during the prior year.

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

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10
Net revenues	949,191	868,966	816,707	408,093	437,338	366,590	(76,972)	(78,100)	(68,649)	1,280,312	1,228,204	1,114,648
<i>External revenues</i>	948,424	868,078	815,335	331,520	359,530	298,750	368	596	563	1,280,312	1,228,204	1,114,648
<i>Inter-company revenues</i>	767	888	1,372	76,573	77,808	67,840	(77,340)	(78,696)	(69,212)	0	0	0
Operating profit	25,627	28,250	(65,493)	19,539	54,750	45,353	(10,575)	(6,997)	(12,178)	34,591	76,003	(32,318)
Investments	33,638	26,942	33,348	19,932	26,841	12,771	3,589	3,520	2,572	57,159	57,304	48,691
Depreciation	(32,331)	(28,957)	(93,833)	(20,015)	(21,247)	(18,103)	(1,537)	(1,346)	(1,215)	(53,883)	(51,550)	(113,152)

in TEUR	30 April 2012	30 April 2011	30 April 2010	30 April 2012	30 April 2011	30 April 2010	30 April 2012	30 April 2011	30 April 2010	30 April 2012	30 April 2011	30 April 2010
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Assets	662,142	624,458	600,905	222,124	247,232	210,648	152,018	148,796	161,284	1,036,284	1,020,486	972,837

	30 April 2012	30 April 2011	30 April 2010	30 April 2012	30 April 2011	30 April 2010	30 April 2012	30 April 2011	30 April 2010	30 April 2012	30 April 2011	30 April 2010
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Headcount (full-time equivalent)	5,328	5,322	5,155	2,000	2,368	2,048	128	124	126	7,456	7,814	7,329

The transition column comprises the following:

in TEUR	2011/12	2010/11
Group parent companies	(10,779)	(7,653)
Group entries	204	656
<b>Operating profit</b>	<b>(10,575)</b>	<b>(6,997)</b>

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.

in TEUR	Transition	
	30 April 2012	30 April 2011
Assets used by more than one segment	157,997	159,887
Group parent companies	40,858	43,386
Group entries	(46,837)	(54,477)
<b>Assets</b>	<b>152,018</b>	<b>148,796</b>

Individual external customers are responsible for less than 10% each of total revenues.

## 2.6.12.2 Regional segments

The classification of business activities by region is based on Europe, Asia, Australia & New Zealand, America and Other:

in TEUR	External revenues			Assets		
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10
Europe	995,918	945,367	878,435	814,447	801,629	750,688
Asia	114,288	113,149	95,892	61,706	61,818	56,938
Australia & New Zealand	123,620	121,799	100,640	57,763	60,718	61,988
America	35,738	35,385	30,216	19,314	18,377	15,787
Others	10,748	12,504	9,466	0	0	0
Reconciliation	0	0	0	83,054	77,944	87,436
<b>Total</b>	<b>1,280,312</b>	<b>1,228,204</b>	<b>1,114,648</b>	<b>1,036,284</b>	<b>1,020,486</b>	<b>972,837</b>

The distribution of external revenues for 2010/11 to the regions shown in the above table was adjusted to correct for an immaterial allocation error:

The position "reconciliation" in the above table comprises the following:

in TEUR	Assets	
	2011/12	2010/11
Assets used by more than one segment	89,558	79,499
Group entries	(6,504)	(1,555)
<b>Assets</b>	<b>83,054</b>	<b>77,944</b>

## 2.6.13 Contingent Liabilities and Guarantees

The Group has provided bank guarantees of TEUR 7,274 (2010/11: TEUR 9,492) for various liabilities.

## 2.6.14 Subsequent Events

The remaining 30% of the shares in z-werkzeugbau gmbh were sold and transferred to the previous majority shareholders for TEUR 400 based on a purchase and assignment agreement dated 31 May 2012.

No other 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 2012 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions (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 2012.

## Remuneration for the corporate bodies of the Group

in TEUR	2011/12	2010/11
Total remuneration for the Management Board	1,989	1,927
thereof fixed component	1,468	1,329
thereof variable component	421	598
thereof other remuneration resulting from compensation of MSP	100	0

in TEUR	2011/12	2010/11
Harald Sommerer	882	952
thereof fixed component	625	603
thereof variable component	206	349
thereof other remuneration resulting from compensation of MSP	51	
Mathias Dähn	570	136
thereof fixed component	441	136
thereof variable component	117	
thereof other remuneration resulting from compensation of MSP	12	
Martin Brandt	537	568
thereof fixed component	402	402
thereof variable component	98	166
thereof other remuneration resulting from compensation of MSP	37	
Thomas Spitzenpfel		271
thereof fixed component		188
thereof variable component		83

The Matching Stock Program (MSP) was cancelled in April 2012 and claims arising from the programme were settled through a cash payment, which was included under personnel expenses. The settlement payments for the members of the Management Board are shown in the above table. As of 30 April 2012 the Management Board had no further claims from share-based remuneration programmes.

The first shares from the MSP were distributed to participating employees in May 2011. Management Board member Martin Brandt received 43,486 shares from this programme.

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

in TEUR	2011/12	2010/11
Total Supervisory Board remuneration	351	343
thereof annual remuneration	180	225
thereof attendance fees	168	114
thereof reimbursement for expenses	3	4

## 2.6.16 Information on Employees and Corporate Bodies

### 2.6.16.1 Personnel structure

	2011/12		2010/11	
	Average	Balance Sheet Date	Average	Balance Sheet Date
Production	4,053	3,890	4,067	4,129
R&D	503	512	421	450
Sales	2,340	2,354	2,232	2,285
Administration	494	505	490	487
Miscellaneous	342	195	410	463
<b>Total</b>	<b>7,732</b>	<b>7,456</b>	<b>7,620</b>	<b>7,814</b>

The above number of employees includes the contract workers employed by the Zumtobel Group.

### 2.6.16.2 Corporate bodies

#### Supervisory Board

Jürg Zumtobel (Chairman)  
Hero Brahms (Vice-Chairman)  
Johannes Burtscher (Vice-Chairman)  
Fritz Zumtobel (Member)  
Stephan Hutter (Member)  
Hans-Peter Metzler (Member)

Delegated by the Employees' Council:

Ludwig Auer  
Herbert Kaufmann  
Mario Wintschnig

#### Management Board

Harald Sommerer, appointed up to 30 April 2016  
Martin Brandt, appointed up to 30 April 2015  
Mathias Dähn, appointed up to 30 April 2014



## **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 as of 30 April 2012, which were prepared in accordance with International Financial Reporting Standards, provide a true and fair view of the Group's financial position and performance as required by stock exchange regulations. The Group management report describes the development of business, the results of operations and the position of the Group so as to provide a true and fair view of the Group's financial position and performance. Moreover, the Group management report describes the major risks and uncertainties to which the Group is exposed.

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

Dornbirn, 11 June 2012

The Management Board

Harald Sommerer  
Chief Executive Officer (CEO)

Mathias Dähn  
Chief Financial Officer (CFO)

Martin Brandt  
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	Tridonic Jennersdorf GmbH (formerly Ledon Lighting Jennersdorf GmbH)	Austria	100	full	30 April	EUR
13	LEXEDIS Lighting GmbH	Austria	50	equity	30 April	EUR
14	Thorn Licht Gesellschaft mbH	Austria	99.89	full	30 April	EUR
15	Tridonic connection technology GmbH	Austria	100	full	30 April	EUR
16	Tridonic connection technology GmbH & Co KG	Austria	100	full	30 April	EUR
17	Tridonic GmbH	Austria	100	full	30 April	EUR
18	Tridonic GmbH & Co KG	Austria	100	full	30 April	EUR
19	Tridonic Holding GmbH	Austria	100	full	30 April	EUR
20	Zumtobel AG	Austria	100	full	30 April	EUR
21	Zumtobel Holding GmbH	Austria	100	full	30 April	EUR
22	Zumtobel Insurance Management GmbH	Austria	100	full	30 April	EUR
23	Zumtobel LED GmbH	Austria	100	full	30 April	EUR
24	Zumtobel LED Holding GmbH	Austria	100	full	30 April	EUR
25	Zumtobel Licht GmbH	Austria	100	full	30 April	EUR
26	Zumtobel Lighting GmbH	Austria	100	full	30 April	EUR
27	Zumtobel Pool GmbH	Austria	100	full	30 April	EUR
28	z-werkzeugbau gmbh	Austria	30	equity	30 April	EUR
29	N.V. Zumtobel Lighting S.A.	Belgium	100	full	30 April	EUR
30	Thorn Lighting (Guangzhou) Ltd.	China	100	full	31 December	CNY
31	Thorn Lighting (Hong Kong) Ltd.	China	100	full	30 April	HKD
32	Thorn Lighting (Tianjin) Co. Ltd.	China	70	full	31 December	CNY
33	Tridonic (Shanghai) Co. Ltd.	China	100	full	31 December	CNY
34	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	31 December	CNY
35	TridonicAtco Hong Kong Ltd.	China	100	full	30 April	HKD
36	Zumtobel Licht d.o.o.	Croatia	100	full	30 April	HRK
37	Thorn Lighting CS Spol s.r.o.	Czech Republic	99.89	full	30 April	CZK
38	Zumtobel Lighting s.r.o.	Czech Republic	100	full	30 April	CZK
39	Lightmakers A/S	Denmark	51	full	30 April	DKK
40	Thorn Lighting AS	Denmark	100	full	30 April	DKK
41	Thorn Lighting OY	Finland	100	full	30 April	EUR

**Consolidated Financial Statements**

Zumtobel AG

1 May 2011 to 30 April 2012

42	Thorn Europhane S.A.	France	99.89	full	30 April	EUR
43	Tridonic France Sarl	France	100	full	30 April	EUR
44	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
45	Ledon Lighting Morbach GmbH	Germany	100	full	30 April	EUR
46	LEDON OLED Lighting Verwaltungs GmbH	Germany	49	equity	30 April	EUR
47	LEDON OLED Lighting GmbH & Co. KG	Germany	51	equity	30 April	EUR
48	Reiss Lighting GmbH	Germany	100	full	30 April	EUR
49	Tridonic Deutschland GmbH	Germany	100	full	30 April	EUR
50	Zumtobel Holding GmbH	Germany	100	full	30 April	EUR
51	Zumtobel Licht GmbH	Germany	100	full	30 April	EUR
52	Zumtobel Lighting GmbH	Germany	100	full	30 April	EUR
53	Luxmate Ltd.	Great Britain	100	full	30 April	GBP
54	Rewath Ltd.	Great Britain	100	full	30 April	GBP
55	Thorn Lighting Group	Great Britain	100	full	30 April	GBP
56	Thorn Lighting Holdings Ltd.	Great Britain	100	full	30 April	GBP
57	Thorn Lighting International Ltd.	Great Britain	100	full	30 April	GBP
58	Thorn Lighting Ltd.	Great Britain	100	full	30 April	GBP
59	Tridonic UK Ltd.	Great Britain	100	full	30 April	GBP
60	Wengen-Five Ltd.	Great Britain	100	full	30 April	GBP
61	Wengen-Four Ltd.	Great Britain	100	full	30 April	GBP
62	Wengen-One Ltd.	Great Britain	100	full	30 April	GBP
63	Wengen-Three Ltd.	Great Britain	100	full	30 April	GBP
64	Wengen-Two Ltd.	Great Britain	100	full	30 April	GBP
65	Zumtobel Lighting Limited	Great Britain	100	full	30 April	GBP
66	Zumtobel Lighting Kft	Hungary	100	full	30 April	HUF
67	Thorn Lighting India Private Limited	India	100	full	30 April	INR
68	Thorn Lighting (Ireland) Limited	Ireland	100	full	30 April	EUR
69	Thorn Europhane SPA	Italy	99.89	full	30 April	EUR
70	Tridonic Italia SRL	Italy	100	full	30 April	EUR
71	Zumtobel Illuminazione SRL	Italy	100	full	30 April	EUR
72	Zumtobel LED Illuminazione Holding srl	Italy	100	full	30 April	EUR
73	Tridonic (Malaysia) Sdn, Bhd.	Malaysia	100	full	30 April	MYR
74	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	30 April	USD
75	Thorn Lighting Asian Holdings BV	Netherlands	100	full	30 April	EUR
76	Thorn Lighting (NZ) Limited	New Zealand	100	full	30 April	NZD
77	Tridonic NZ Limited	New Zealand	100	full	30 April	NZD
78	Thorn Lighting AS	Norway	100	full	30 April	NOK
79	Thorn Lighting Polska SP ZOO	Poland	100	full	30 April	PLN
80	R Lux Immobilien Linie SRL	Romania	100	full	31 December	EUR
81	Zumtobel Lighting Romania SRL	Romania	100	full	31 December	RON
82	Thorn Lighting (Singapore) Pte Ltd.	Singapore	100	full	30 April	SGD
83	Tridonic (S.E.A.) Pte Ltd.	Singapore	100	full	30 April	SGD
84	ZUMTOBEL LICHT d.o.o.	Slovenia	100	full	30 April	EUR
85	Tridonic SA (Proprietary) Limited	South Africa	49.99	equity	28 February	ZAR
86	Luxmate S.L.	Spain	100	full	30 April	EUR

87	Staff Iberica S.A.	Spain	50	equity	30 April	EUR
88	Tridonic Iberia SL	Spain	100	voll	30 April	EUR
89	Hans-Agne Jakobsson AB	Sweden	100	full	30 April	SEK
90	Thorn Lighting AB	Sweden	100	full	30 April	SEK
91	Thorn Lighting Nordic AB	Sweden	100	full	30 April	SEK
92	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
93	Tridonic Schweiz AG	Switzerland	100	full	30 April	CHF
94	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
95	Zumtobel Pool AG	Switzerland	100	full	30 April	EUR
96	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
97	Thorn Gulf LCC	UAE	60	full	31 December	AED
98	Tridonic (ME) FZE	UAE	100	full	30 April	AED
99	Lemgo Realty Corp.	USA	100	full	30 April	USD
100	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Liquidation:

1	Zumtobel Residential Lighting srl	Italy	100	full	30 April	EUR
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Not included in the consolidation range (immaterial):

No.	Company name	Country
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 2011 to 30 April 2012**. These consolidated financial statements comprise the balance sheet as of 30 April 2012, 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 2012 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 2012 and of its financial performance and its cash flows for the year from 1 May 2011 to 30 April 2012 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, 11. June 2012

KPMG Austria AG

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Michael Schlenk  
Wirtschaftsprüfer

pp Mag. Renate Vala  
Wirtschaftsprüferin

(Austrian Chartered Accountants)



### **3. Corporate Governance Report 2011/12**



# Contents

3. Corporate Governance	
3.1 Corporate Governance in the Zumtobel Group	121
Further developments during the 2011/12 financial year	121
3.2 The Corporate Governance Code	121
3.2.1 Comply or Explain	121
3.2.2 Other disclosure requirements	122
3.3 Risk Management and the Internal Control System	123
Internal audit	123
3.4 The Corporate Bodies and Committees of Zumtobel AG	123
3.4.1 Shareholders and the annual general meeting	124
3.4.2 The Management Board	124
3.4.3 The Management Board   remuneration scheme and remuneration	126
3.4.4 The Supervisory Board	129
3.4.5 The Supervisory Board   activity report	130
3.4.6 The Supervisory Board   committees	131
3.4.7 The Supervisory Board   shareholder representatives	132
3.4.8 The Supervisory Board   employee representatives	134
3.4.9 The Supervisory Board   remuneration scheme	135

## 3. Corporate Governance

### 3.1 Corporate Governance in the Zumtobel Group

The Zumtobel Group views corporate governance as a comprehensive model for the 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.

Information on Corporate Governance also under [www.zumtobelgroup.com](http://www.zumtobelgroup.com)

The general framework for the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code. The major building blocks of this 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.

#### Further developments during the 2011/12 financial year

In keeping with the objective to continuously adapt the corporate governance system to reflect changes in the operating environment, the Zumtobel Group implemented a number of measures during 2011/12. These measures included the revision of two key elements of the system of internal controls, i.e. the corporate values and the code of conduct. Training programmes for the Group's employees were started in March 2012 and will be concluded in December 2012. Other focal points included the adaptation of various corporate policies to reflect changes in the general framework and legal requirements. The policy revisions covered, among others, an update to the corporate authorisation framework, the corporate insider policy and the corporate credit management/insurance policy.

### 3.2 The 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](http://www.corporate-governance.at)).

The January 2010 version of the code was applied to reporting for the 2011/12 financial year. Zumtobel AG has announced its intention to voluntarily comply with the Austrian Corporate Governance Code. The company will also comply with the code during the 2012/13 financial year based on the revised version issued in January 2012 and continue to pursue the best possible implementation of all rules. 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 corporation.

As in previous years, Zumtobel AG complied with nearly all provisions of the code in 2011/12, meeting not only the minimum requirements but also generally observing almost all R-Rules. The Group's actions deviated in part from only six C-Rules of the 83 Rules in the code. These differences are described below in accordance with the "comply or explain" principle.

#### 3.2.1 Comply or Explain

The Management Board of Zumtobel AG instructed the investor relations department to review compliance with the Austrian Corporate Governance Code during the 2011/12 financial year. Based on this compliance review, Zumtobel AG can confirm that it met all L-Rules of the Austrian Corporate Governance Code (January 2010 version) during the reporting year. The following C-Rules in the January 2010 version of the code were not or are not met in full:

- Rule 27a:** In cases where a Management Board contract is terminated prematurely by the Supervisory Board or as the result of a change in ownership (change of control clause), the involved Board member(s) is(are) entitled to payment for the remaining contract term. The maximum amount of this payment can exceed two-year's remuneration, since the Management Board contracts typically exceed two years.
- 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, this information is not disclosed.
- Rule 43:** The Committee for Management Board Matters represents the remuneration committee required by Rule 43. However, the chairman of the Supervisory Board, Jürg Zumtobel, is not the chairman but the vice-chairman of this committee.
- Rule 51:** The remuneration of the individual members of the Supervisory Board is not disclosed. The Zumtobel Group believes this data provides 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 follows a two-year cycle, whereby the next review is scheduled for the 2012/13 financial year.

### 3.2.2 Other disclosure requirements

#### 3.2.2.1 Auditor's fees

The annual general meeting on 22 July 2011 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and annual financial statements of Zumtobel AG for the 2011/12 financial year. KPMG also 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 2011/12:

In TEUR	2011/12	2010/11
<b>Total fees</b>	<b>177</b>	<b>186</b>
thereof audit and related activities	158	159
thereof audit-related consulting	19	27
thereof other services	0	0

The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including charges for external costs, totalled TEUR 1,275 for the reporting year (2010/11: TEUR 1,460).

#### 3.2.2.2 Measures to support the development of women in the Group

The code of conduct issued by the Zumtobel Group in 2004 and revised in 2012 prohibits any form of discrimination. Experience, qualifications and performance represent the basis for personnel decisions in all areas of the corporation and at all management levels. The Zumtobel Group is an equal opportunity

employer and, as such, helps working parents to create a positive work-life balance, e.g. through flexible working schedules or the use of a home office. The prerequisite for most of the key positions in the company is a technical education. In line with the current labour market for technical professions, the Zumtobel Group receives few applications from women for these positions. The company works to counteract this situation by providing strong support for the training of women in technical professions, for example as part of its apprenticeship programmes.

### **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 merges 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 1.13 (Risk Management) and 1.14 (System of Internal Controls).

#### **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 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 also responsible for monitoring the internal control system used in financial reporting.

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, exercises the required control functions. 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 and Supervisory Boards. The articles of association are published on the website of the Zumtobel Group ([www.zumtobelgroup.com](http://www.zumtobelgroup.com)).

### 3.4.1 Shareholders and the annual general meeting

Shareholders protect 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 in advance 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) of the Group Management Report.

The Zumtobel Group follows a comprehensive, timely information policy that is based on equal treatment for all shareholders. In addition to meeting all legal requirements (e.g. annual financial report, quarterly reports, ad-hoc announcements), information on the latest developments in the company is provided through press releases, telephone conferences and investor events. All reports, announcements and key presentations are published on the Zumtobel Group website under [www.zumtobelgroup.com](http://www.zumtobelgroup.com). A detailed financial calendar and other share-related information are provided under Investor Relations.

### 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
Harald Sommerer	CEO (Chief Executive Officer)	2010	2016	2 years
Martin Brandt	COO (Chief Operating Officer)	2009	2015	3 years
Mathias Dähn	CFO (Chief Financial Officer)	2011	2014	1 year

#### Harald Sommerer – CEO

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 2016. 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. Mr. Sommerer joined the Supervisory Board of Zumtobel AG in 2006, but resigned as of 25 March 2010 upon his appointment to the Management Board.

Additional functions or inter-company relations outside the Zumtobel Group: member of the Professional Association Committee of FEEL, Vienna (Austria), the Management Boards of the Vorarlberg Federation of Industry and the Federation of Austrian Industry, member of the Advisory Board of the illwerke vkw Professorship for Energy Efficiency at the Vorarlberg University of Applied Sciences (since 2 May 2012).

#### **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 2015. 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 Effeß 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.

#### **Mathias Dähn – CFO**

Mathias Dähn has been a member of the Management Board of Zumtobel AG and CFO since 1 February 2011. He was appointed for a three-year term of office ending on 30 April 2014. Mr. Dähn was born in Munich, Germany, in 1967. He studied at the University of Bamberg and began his professional career at Robert Bosch GmbH, where he worked, among others, as the Head of Controlling for Eastern Europe. After further key functions in the controlling area at debitel AG and as CFO of Loyalty Partner GmbH, he joined the MAN Group in 2005. There he first served as the Director of Corporate Controlling, most recently he was the Director of Group Purchasing for MAN Diesel & Turbo.

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

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 2011.

	Harald Sommerer CEO	Martin Brandt COO	Mathias Dähn CFO
<b>Operating segments</b>	Brand and plant coordination	Lighting Segment Coordination Brand and plant coordination	
<b>Lighting Segment Regional responsibility</b>	Lighting Segment Europe and USA	Lighting Segment Europe, Asia/MENA and Australia/New Zealand	
<b>Lighting Segment Matrix functions</b>	Research & development incl. product development, human resources marketing	Quality management, Lean Six Sigma, operations excellence, business process management, pricing systems, supply chain management/logistics/strategic procurement	Global finance functions, Controlling, internal audit, investor relations, corporate IT

The Components Segment is directed by executives who report to the Management Board. Harald Sommerer assumed management responsibility for the Components Segment on an interim basis following the resignation of the Tridonic executives in January 2012 and will continue in this function until a replacement is appointed. 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 weekly meetings to coordinate the control and management of the Group and the Lighting Segment, whereby minutes are recorded of the related discussions and results.

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 scheme and remuneration

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

Zumtobel AG has no separate incentive programme to cover the variable part of Management Board remuneration. The members of the Management Board participate in the Leadership Incentive Programme (LIP) together with other key managers. This incentive programme was last revised in 2010/11 (see bonus-index model below) so that, in combination with the Matching Stock Programme (MSP), it meets the requirements of C-Rule 27 in the January 2010 version of the code. 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

linkage of the MSP Programme to the share price ensures that variable remuneration is based on both financial and non-financial performance criteria.

The bonus targets for the 2011/12 financial year were based on an index model that measured the development of the Zumtobel Group in relation to a peer group. Specifically, the development of revenues and operating earnings (change in adjusted EBIT as a per cent of revenues) were compared with this peer group. Variable remuneration was limited to 100% of fixed remuneration for the members of the Management Board and to 140% for the CEO.

Remuneration recognised for the Management Board<sup>1</sup>

*Disclosures in accordance with Rules 29, 30 and 31:*

In TEUR	2011/12	2010/11
<b>Total remuneration for the Management Board</b>	<b>1.989</b>	<b>1.927</b>
thereof fixed remuneration	1.468	1.329
thereof variable remuneration	421	598
thereof expenses resulting from settlement of MSP	100	0
<b>In TEUR</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Harald Sommerer</b>	<b>882</b>	<b>952</b>
thereof fixed remuneration	625	603
thereof variable remuneration	206	349
thereof expenses resulting from settlement of MSP	51	0
<b>Mathias Dähn</b>	<b>570</b>	<b>136</b>
thereof fixed remuneration	441	136
thereof variable remuneration	117	0
thereof expenses resulting from settlement of MSP	12	0
<b>Martin Brandt</b>	<b>537</b>	<b>568</b>
thereof fixed remuneration	402	402
thereof variable remuneration	98	166
thereof expenses resulting from settlement of MSP	37	0
<b>Thomas Spitzenpfeil (resigned as of 30 Sept. 2010)</b>	<b>0</b>	<b>271</b>
thereof fixed remuneration	0	188
thereof variable remuneration	0	83

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 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.

<sup>1</sup> Note: in order to improve transparency and clarity, the above table shows the remuneration earned in 2011/12 irrespective of the payment date.



The share-based remuneration for the Management Board is based on the employee stock 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 and, accordingly, the current members of the Management do not participate in this programme. The options received, held and exercised by the members of the Management Board are as follows<sup>2</sup>:

#### Harald Sommerer

	<b>MSP</b>	
	2011/12	2010/11
<b>Available from prior period</b>	<b>88.000</b>	<b>0</b>
Granted	40.000	88.000
Executed	0	0
Cancelled	128.000	0
Expired	0	0
<b>Available</b>	<b>0</b>	<b>88.000</b>

#### Mathias Dähn

	<b>MSP</b>	
	2011/12	2010/11
<b>Available from prior period</b>	<b>0</b>	<b>0</b>
Granted	30.024	0
Executed	0	0
Cancelled	30.024	0
Expired	0	0
<b>Available</b>	<b>0</b>	<b>0</b>

#### Martin Brandt

	2011/12	2010/11
<b>Available from prior period</b>	<b>122.480</b>	<b>61.240</b>
Granted	30.024	61.240
Executed	61.240	0
Cancelled	91.264	0
Expired	0	0
<b>Available</b>	<b>0</b>	<b>122.480</b>

The first Zumtobel shares from the MSP were granted to the programme participants in May 2011. COO Martin Brandt received 43,486 shares from this programme.

In connection with the conversion of share-based remuneration under the MSP to a cash-based long-term incentive programme starting in 2012/13, all claims by the members of the Management Board arising from

<sup>2</sup> Note: in order to improve transparency and clarity, the allocation and exercise of options are assigned to the respective financial years based on the date of granting and exercise.

the MSP were settled at the end of the reporting year. The resulting settlement payments to the Management Board are shown in the above tables.

The Zumtobel Group website ([www.zumtobelgroup.com](http://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
Jürg Zumtobel	Chairman	2003	2015	9 years
Hero Brahms	First Vice Chairman	2008	2015	4 years
Johannes Burtscher	Second Vice Chairman	2010	2015	2 years
Fritz Zumtobel	Member	1996	2015	16 years
Stephan Hutter	Member	2010	2015	2 years
Hans-Peter Metzler	Member	2010	2015	2 years
Ludwig Auer	Delegated by the Employees' Council	2004		8 years
Herbert Kaufmann	Delegated by the Employees' Council	2004		8 years
Mario Wintschnig	Delegated by the Employees' Council	2007		5 years

The Supervisory Board initially defined the criteria for the independence of its members in accordance with Rule 53 at 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 of the 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](http://www.zumtobelgroup.com)).

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Four members of the Supervisory Board – Hero Brahms, Stephan Hutter, Hans-Peter Metzler and Johannes Burtscher – are independent and 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](http://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 five times during the 2011/12 financial year: four times at scheduled meetings and once in a closed conference. One, respectively two members were absent at two meetings.

The Supervisory Board meeting on 22 June 2011 focused on the 2010/11 annual financial statements and consolidated financial statements of Zumtobel AG. After an analysis of segment operating developments during the fourth quarter and the full 2010/11 financial year, the Supervisory Board agreed with the Audit Committee's recommendation to approve the consolidated financial statements, including the notes and group management report, and the use of retained earnings. The recommendation by the Management Board to distribute a dividend of EUR 0.50 per share was approved. In addition, the Supervisory Board discussed and endorsed its report on the 2010/11 financial year for release to the annual general meeting. The report by the compliance officer in accordance with the Austrian Issuer Compliance Guideline was also approved. At this meeting, the Supervisory Board approved a proposal to the annual general meeting for the election of an auditor: Based on a recommendation by the Audit Committee, a proposal was made to the annual general meeting in July 2011 calling for the election of KPMG Austria GmbH as auditor. After extensive discussion, a recommendation was prepared for the annual general meeting to request the approval of authorised capital at an amount equalling up to 10% of share capital with the possible exclusion of subscription rights. The Supervisory Board then discussed the efficiency of its activities as required by Rule 36 of the Corporate Governance Code. Based on the results of a self-evaluation questionnaire, opportunities for improving the organisation and work processes of the Supervisory Board were considered.

In a meeting on 23 September 2011 the Supervisory Board dealt with the report on the first quarter of 2011/12. Changes in internal reporting were also discussed on the basis of detailed reports. Transactions that required and received the approval of the Supervisory Board included the expansion of the luminaire plant in Dornbirn, which will increase production capacity starting in mid-2013, as well as the conclusion of refinancing for the consortium credit agreement in the near future.

The Supervisory Board and the Management Board met in a closed conference in Lemgo, Germany, on 14 December 2011 for an in-depth discussion of strategic issues. Strategic alternatives for action were explained by Management Board and, based on management's decisions, discussed with the Supervisory Board. The focal points included, among others, strategic measures to support the sustainable positive development of the Thorn brand and current challenges in the Components Segment.

The main topics of the Supervisory Board meeting on 13 January 2012 included the management report on the first six months of 2011/12 and the outlook for the full financial year. Special attention was given to the risks associated with developments in the Components Segment. The Supervisory Board approved a revised bonus system for managers, which was previously dealt with by the Committee for Management Board Matters and will take effect beginning with the 2012/13 financial year. Organisational changes in the Group (management changes at Tridonic and Zumtobel USA) as well as the extension of the Management Board contract with Martin Brandt were also approved.

The Supervisory Board meeting on 19 April 2012 was held at the Light+Building industry trade fair in Frankfurt, Germany. In addition to the presentation of the consolidated financial statements for the third quarter of 2011/12, the budget for 2012/13 and the related detailed medium-term planning for the following financial years were also discussed. The budget and medium-term planning were approved by the Supervisory Board. Personnel changes resulting from the reorganisation of individual processes in the Lighting Segment and the Components Segment were reviewed. The Supervisory Board then studied the

latest product developments and presentations by the Zumtobel Group brands during a tour of the trade fair.

### 3.4.6 The Supervisory Board | committees

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

#### Audit Committee

Members: Johannes Burtscher (Chairman and Finance Expert), Hero Brahms (Vice-Chairman and Finance Expert), 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 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 2011/12 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 each year with the head of corporate internal audit.

The Audit Committee met three times during 2011/12, whereby all members were present at these meetings.

The meetings on 21 and 22 June 2011 concentrated on the annual financial statements for 2010/11. Due to the scope of this topic, a preparatory conference call was held with the committee members on 17 June 2011. At the meetings, 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. Irregularities in the previous financial statements of an English subsidiary were also analysed; a general approach to solving the problem and various measures were then developed together with the auditor. This subject was addressed in detail in the annual financial report for 2010/11. The recommendation by the Management Board for the distribution of profit was accepted. Additionally, the reports on the internal control system, the risk management system and the activities of corporate internal audit were discussed and accepted. Risk management was put through an external review by the auditor; and the results were presented to the Audit Committee. 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.

In the meeting on 12 January 2012 the Audit Committee dealt with the six-month financial statements as of 31 October 2011 and accepted the related reports by the auditor and corporate staff. The accounting process and related steps were discussed in detail. Another point of discussion was a status report on the management letter for the 2010/11 financial year. In preparation for the 2011/12 financial statements, the audit approach and auditor's focal points were presented and the new and amended IFRS requirements were discussed. Status reports were provided 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. The Audit Committee was informed of the amendments to the Corporate Governance Code that took effect in January 2012 as well as the planned application of these amendments for the 2012/13 financial year.

#### Committee for Management Board Matters

Members: Stephan Hutter (Chairman), Jürg Zumtobel (Vice-Chairman), Hero Brahms.

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 Corporate Governance Code and also fulfils the duties required of a nominating committee under Rule 41. As one of the related duties, the committee developed and approved a job profile and nomination process for the Management Board in accordance with Rule 38.

In 2011/12 the Committee for Management Board Matters held six meetings as well as 11 preparatory sessions and telephone conferences at which at least one committee member prepared the discussion agenda. The most important issue for the reporting year involved the revision of the remuneration scheme for the Management Board and key managers. Together with Fehr Advice, Zurich, a modern incentive system was developed to measure the economic success of management and the sustainable success of the company. In connection with the development of this new system, the MSP programme was discontinued as of 30 April 2012 and a new long-term incentive plan (LTI) was introduced.

Under the LTI, bonuses will not be paid out in the next financial year. They will be tied to success factors over the following three years and paid out over this time period. The Supervisory Board firmly believes the LTI is the right incentive system for management and will represent an effective means of supporting the sustainable and profitable growth of the Zumtobel Group. During the reporting year, the Committee for Management Board Matters also extended the term of office for Martin A. Brandt up to 30 April 2015. To underscore management continuity and demonstrate the confidence of the Supervisory Board in the CEO of the Zumtobel Group, Harald Sommerer, his contract was extended in advance to 30 April 2016.

#### **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 2014/15 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: member of the supervisory board of KUGES Kulturhäuser Betriebsgesellschaft, Bregenz/Austria.

## Hero Brahms

Mr. Brahms has been a member of the Supervisory Board of Zumtobel AG since 29 July 2008 and has served as first vice-chairman since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 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: member of the supervisory board of Deutsche Post AG, member of the supervisory board of Wincor Nixdorf AG (up to 23 January 2012), vice-chairman of the supervisory board of Georgsmarienhütte Holding GmbH, chairman of the supervisory board of Live Holding AG, member of the supervisory board of Telefunken Holding AG (up to 1 April 2012), member of the supervisory board of Kraus-Maffei Wegmann GmbH & Co. KG.

## Hans-Peter Metzler

Hans-Peter Metzler has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Metzler was born in Bregenz, Austria, in 1959. After completing university studies in mathematics and theoretical physics, he joined the group research department of Siemens AG, Munich, in 1984. In 1992 he became managing director and head of research & development for Siemens Components, Asia Pacific and in 1996 general manager of the microcontroller business of Siemens AG in Munich. Mr. Metzler founded NewLogic Technologies in 1997, Photeon Technologies in 2000 and Interclick in 2008.

Additional functions or inter-company relations outside the Zumtobel Group: administrative board of Dacuda AG, Zurich/Switzerland, chairman of the advisory board of Heliatek GmbH, Dresden/Germany, president of the administrative board of CCS Group Holding AG, Lyss/Switzerland, member of the advisory board of Aquin GmbH, Germany, president of the Bregenzer Festspiele Privatstiftung, Bregenz/Austria, member of the management board of Eugen Russ Privatstiftung, Bregenz/Austria.

## Johannes Burtscher

Johannes Burtscher joined the Supervisory Board of Zumtobel AG as a member and Vice-Chairman on 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Burtscher was born in Egg, Austria, in 1969 and is a licentiate and doctor of economics at the University of St. Gallen (HSG). From 1996 to 2007 Johannes Burtscher held various positions in the Zumtobel Group, first as the assistant to Jürg Zumtobel on the headquarters staff for strategy and organisation. He then served as Group controller. Following the acquisition of Thorn Lighting, Mr. Burtscher was appointed CFO of the British subsidiary in London. He also managed the luminaire business in Asia from his base in Hong Kong. From 2007 to 2011 Johannes Burtscher was CFO of the Rodenstock Group in Munich, where he was responsible for finance, IT and personnel.

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

### **Stephan Hutter**

Stephan Hutter has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Hutter was born in Dornbirn, Austria, in 1961. Since 2012 he has been a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP in Frankfurt am Main. Mr. Hutter serves as an advisor; above all, on international capital markets law as well as international acquisitions and bank financing. Stephan Hutter began his legal career with Shearman & Sterling in New York in 1986 where he became a partner in 1995; he was admitted to the New York bar in 1987. From 2008 to 2012 he served as the managing partner for the European and Asian capital markets legal practice of Shearman & Sterling.

Additional functions or inter-company relations outside the Zumtobel Group/memberships: member of the supervisory board of Zürcher Kantonalbank Österreich AG, Salzburg/Austria, member of the management board of Städelschen Museums-Vereins, Frankfurt/Germany.

### **Fritz Zumtobel**

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel AG since 1996. He served as Chairman up to 1 September 2003, as Vice-Chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 2014/15 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: member of the foundation board of JHD Privatstiftung, member of the foundation board of Aurelio Privatstiftung.

## **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, Zumtobel Licht GmbH, Zumtobel Pool GmbH and Zumtobel Insurance Management GmbH.

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

### 3.4.9 The Supervisory Board | remuneration scheme

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 two or more meetings are held 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 only receive the EUR 3,000 attendance fee. 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<sup>3</sup> (disclosure in accordance with Rule 51):

In TEUR	2011/12	2010/11
<b>Total remuneration of the Supervisory Board</b>	<b>351</b>	<b>343</b>
thereof remuneration	180	225
thereof attendance fees	168	114
thereof reimbursement of expenses	3	4

<sup>3</sup> Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held in the respective financial year, irrespective of the date of payment.





## **4. Service**

# Contents

4. Service	
Financial Terms	139
Abbreviations and Technical Terms	140
Financial Calendar	142
Contact Information	142
Financial Reports	142
More Information	142
Imprint	142
Disclaimer	143

## 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
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 – current financial receivables from associated companies
WACC	Weighted average cost of capital (debt and equity)
Working capital	= Inventories + trade receivables – trade payables – prepayments received

## Abbreviations and Technical Terms

Ballast	Ballasts are electrical devices which are used with fluorescent or high intensity discharge (HID) lamps. They supply sufficient voltage to start and operate the lamp, but then limit the current during operation. Ballasts can be either magnetic or electronic.
COB	Chip on Board; a process to load a printed circuit board. The uncased 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.
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, igniters, converters or transformers.
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 the Zumtobel Group from external sources)
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 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).
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 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.
Lighting solution	At the Zumtobel Group, we understand a lighting solution to be the carefully planned use of a combination of luminaires, lighting management and emergency lighting that is specifically designed for a particular set of architectural conditions and a particular application with the

intention of creating one or more lighting moods or scenarios. A lighting solution is always a combination of products and services and can only be the result of a joint effort with the customer.

Luminaire	Luminaires are fittings in which the lamp is mounted, operated and protected. They control the distribution of light and heat, ensure the delivery of the correct power supply using special components and provide the optical assembly that houses the lamp. The entire lighting unit including all the components required for mounting, operating and protecting the lamp is known as the "luminaire". The luminaire protects the lamp, distributes and directs the light emitted by the lamp and prevents glare. Luminaires can be classified by the type of lamps used (incandescent lamps, fluorescent lamps, discharge lamps), the number of lamps (single-lamp, two-lamp, etc.), planned location (indoor; outdoor), protection class (for dry, damp or dusty environments), design (open, closed, reflector; mirror; louvre, diffuser, spotlights), mounting (wall, ceiling, pendant or hand-held) or intended use (technical, decor or effect).
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.
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.

## Service

Zumtobel AG

1 May 2011 to 30 April 2012

## Financial Calendar

36th Annual General Meeting	27 July 2012
Ex-Dividend Day	31 July 2012
Dividend Payout Day	03 August 2012
1 <sup>st</sup> Quarterly Report 2012/13 (1 May 2012 – 31 July 2012)	05 September 2012
Interim Financial Report 2012/13 (1 May 2012 – 31 October 2012)	05 December 2012
3 <sup>rd</sup> Quarterly Report 2012/13 (1 May 2012 - 31 January 2013)	05 March 2013

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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 2011/12 will be available at our 36th 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](http://www.zumtobelgroup.com)

[www.zumtobel.com](http://www.zumtobel.com)

[www.thornlighting.com](http://www.thornlighting.com)

[www.tridonic.com](http://www.tridonic.com)

[www.ledon-lamp.com](http://www.ledon-lamp.com)

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## Disclaimer

This annual financial report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. These statements on future developments are not to be understood as guarantees. On the contrary, future developments and results are dependent on a wide range of factors and connected with various risks and incalculable events. 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.



**Service**

Zumtobel AG

1 May 2011 to 30 April 2012

