

# Interim Financial Report of Zumtobel AG

1 May to 31 October 2007



zumtobel group

# Overview of the Second Quarter

## Significant improvement in the three most important performance indicators

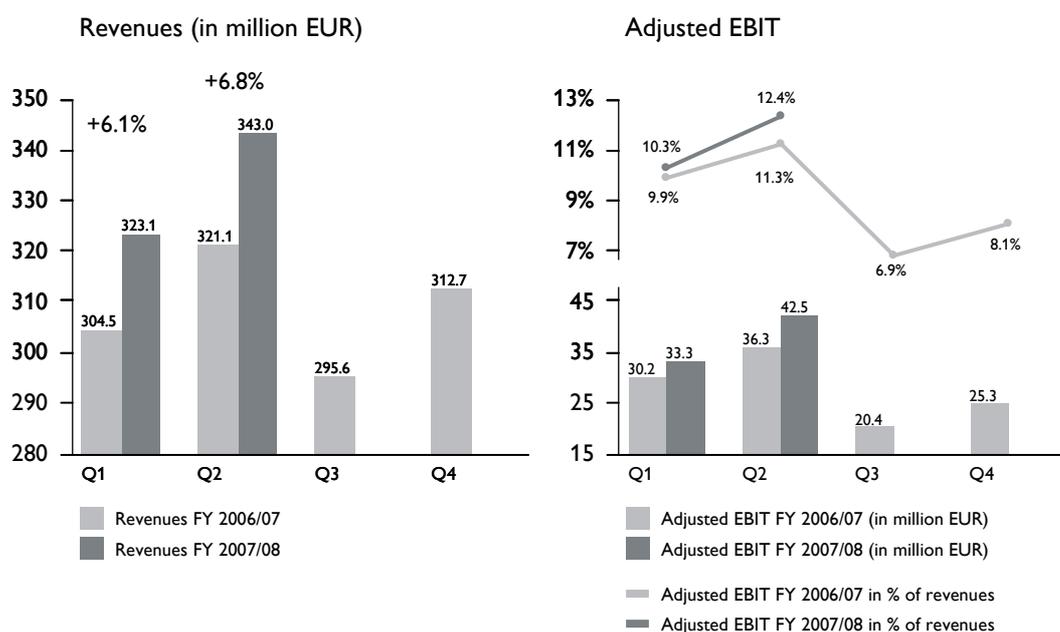
- >> 6.8% revenue growth to EUR 343.0 million during key second quarter (1 August to 31 October 2007)
- >> Sound development in Europe: +10.7% in revenues on largest market
- >> Adjusted EBIT rises 16.9% to EUR 42.5 million
- >> EBIT margin increases 110 basis points to 12.4%
- >> Strong improvement in working capital
- >> First half-year 2007/08 (1 May 2007 to 31 October 2007): revenues EUR 666.1 million, return on sales 11.4%

## Key Data

in EUR million

	2nd Quarter 2007/08	2nd Quarter 2006/07*	Change in %	1st Half- Year 2007/08	1st Half- Year 2006/07*	Change in %	Full Prior Year 2006/07
Revenues	343.0	321.1	6.8	666.1	625.6	6.5	1,234.0
Adjusted EBITDA	51.9	47.2	9.9	95.3	86.8	9.8	154.1
as a % of revenues	15.1	14.7		14.3	13.9		12.5
Adjusted EBIT	42.5	36.3	16.9	75.7	66.5	13.9	112.3
as a % of revenues	12.4	11.3		11.4	10.6		9.1
Net profit for the period	29.9	35.8	(16.4)	55.1	63.4	(13.2)	103.6
as a % of revenues	8.7	11.1		8.3	10.1		8.4
Total assets				1,160.8	1,121.0	3.6	1,145.4
Equity				475.5	433.6	9.7	441.6
Equity ratio in %				41.0	38.7		38.6
Net debt				183.3	242.3	(24.4)	185.7
Cash flow from operating results				95.2	93.9	1.5	173.8
ROCE in %				18.7	16.3		17.3
Investments	12.3	13.1	(5.7)	22.5	23.7	(5.2)	54.3
as a % of revenues	3.6	4.1		3.4	3.8		4.4
Headcount (full-time equivalent)				7,353.9	7,358.0	(0.1)	7,480.0

## The Seasonal Development of Business



Definitions:

Adjusted EBITDA

Adjusted EBIT

ROCE (return on capital employed)

\*Note

Earnings before interest, taxes, depreciation and amortisation adjusted for special effects

Earnings before interest and taxes adjusted for special effects

Total return based on adjusted EBIT as a percentage of average capital employed (= Goodwill + intangible assets + tangible assets + inventories + trade receivables – trade payables – provisions for income taxes – other provisions – other liabilities) over a period of four quarters

The comparable prior year figures were adjusted to reflect changes in accounting and valuation methods (see the notes to the consolidated interim financial statements).

# Letter to Shareholders

Dear Shareholders,

The Zumtobel Group followed a promising start in the first three months with a further improvement in growth and profitability during the second quarter of the 2007/08 financial year: revenues increased 6.8% and adjusted EBIT rose by a sound 17%.

Group revenues for the first half-year totalled EUR 666.1 million (+6.5%) and adjusted EBIT increased 14% over the comparable prior year figure to EUR 75.7 million. Profitability improved by a significant 80 basis points, reaching 11.4% of revenues.

This development was supported by strong growth on our established European core markets, above all in Germany, France and Great Britain.

Our two divisions met expectations with growth rates converging for the second quarter. The Zumtobel Lighting Division with the Zumtobel and Thorn brands recorded an increase of 6.2% in revenues to EUR 256.8 million. In the components business, the TridonicAtco Division generated revenue growth of 7.1% to EUR 104.0 million. Sales of LED and LED-based lighting solutions also rose by more than 80% during the second quarter, leading to revenues of EUR 17.5 million for the first half of 2007/08.



Andreas Ludwig



Thomas Spitzenpfeil

## Energy efficiency as a growth driver

The current discussions on energy efficiency are proving to be an increasingly important growth driver for the Zumtobel Group. In the lighting area, the greatest potential for energy savings can be found in professional lighting applications for commercial, industrial and outdoor lighting. The products, lighting solutions and services of the Zumtobel brands help to realise this potential for savings by applying innovative technologies such as LED and intelligent light management systems. In addition to energy savings, the quality of lighting is also of major importance. Our goal is to create a balance between the efficient use of resources and optimal lighting quality, in order to create truly sustainable lighting solutions. In addition, the introduction of the Zumtobel Group Award has created a public platform that underscores our commitment to sustainability. The award, which carries a total purse of EUR 140,000, was presented for the first time in September 2007 at a high-profile event attended by customers and partners.

## Target: EBIT margin of 10%

We are optimistic concerning the development of business during the remainder of this financial year, and confirm our target for growth of at least 6% in 2007/08. The Christmas and winter break in the construction industry should result in lower revenues during the third quarter compared with the first two quarters of the year. The EBIT margin is also expected to be lower for seasonal reasons, but is still forecasted to exceed the comparable prior year level. Our goal to realise an EBIT margin of 10% in 2007/08 remains intact.

The long-term effects of the present capital market turmoil on the development of the economy are still uncertain. However, the operating climate for our business in the European non-residential construction sector should remain positive due to the increasing demand for energy-efficient lighting solutions.

Andreas J. Ludwig  
Chief Executive Officer

Thomas Spitzenpfeil  
Chief Financial Officer

## The Zumtobel Share

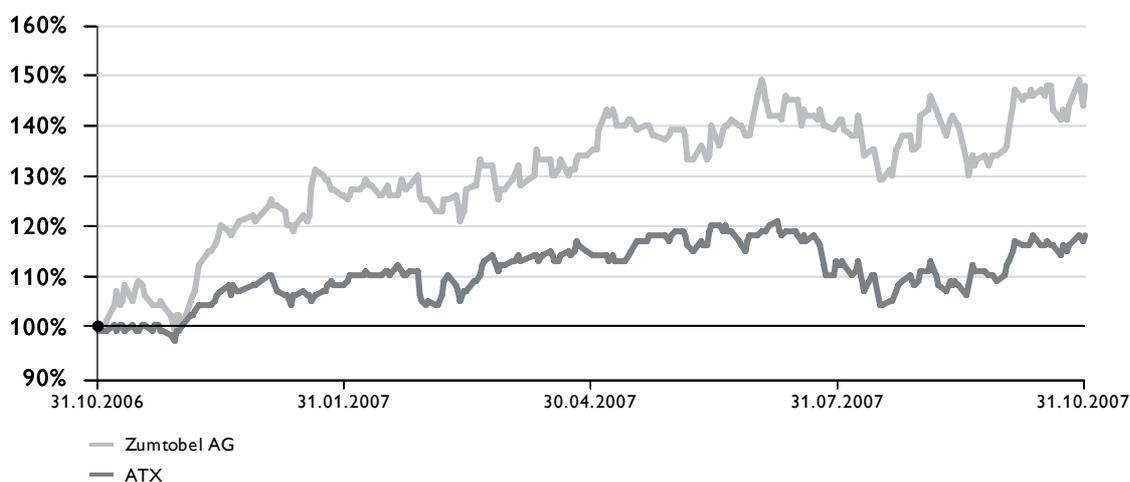
During the reporting period from 1 August to 31 October 2007, most of the major international stock indexes were able to regain part of the substantial declines that were triggered by the financial market crisis in July. The leading Austrian Traded Index (ATX) reported an increase of nearly 4% for these three months.

The Zumtobel share remained virtually untouched by these developments at first, and clearly outperformed the ATX with a plus of roughly 6% for the reporting period. Following a slight decline to a low of EUR 25.7 on 16 August and a subsequent increase, the share missed the EUR 30-mark by only a slight amount with a price of EUR 29.75 shortly before the end of October. On 2 August 2007 Zumtobel AG paid its first dividend – EUR 0.50 per share – since the initial public offering. Including this distribution, the 12-month performance of the share exceeded 50%. In comparison: the ATX recorded a considerably lower increase of 18% since the end of October 2006.

At the beginning of November, the capital markets were again influenced by uncertainty over the effects of the financial market crisis. In particular, the shares of small and mid-sized companies came under increasing pressure throughout the world. The ATX registered a sharp interim drop of 15%, but was able to recover slightly by the copy date for this report in early December 2007. November was also a volatile month for the Zumtobel share: after passing the EUR 30-mark to an all-time high of EUR 32.51, the price fell to EUR 23.80 in less than two weeks. Since that time the share price has risen roughly 12% to EUR 26.59 (closing price on 5 December).

The shareholder structure did not change materially during the reporting period; 66% of the shares are held in free float and the Zumtobel family continues to hold a stake of 34%.

Development of the Zumtobel Share



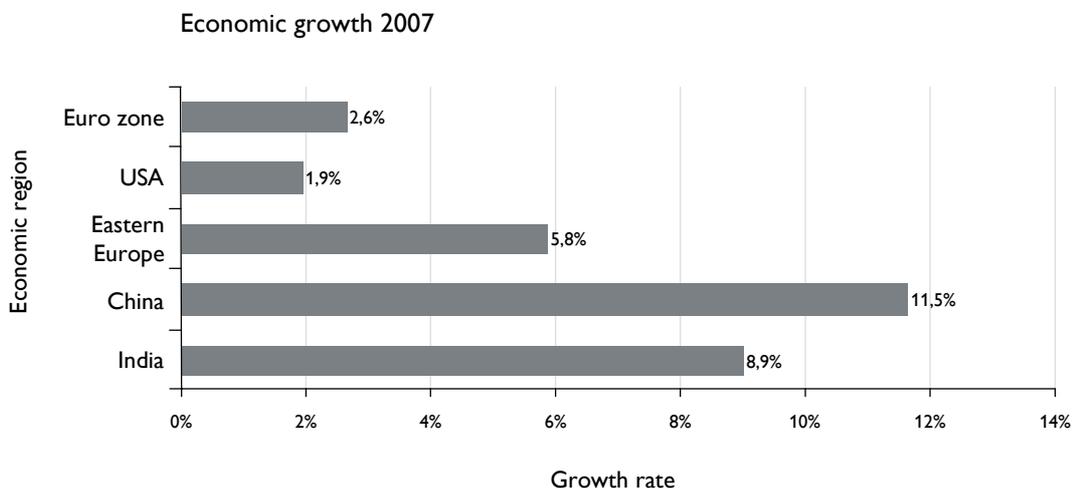
### Key Data on the Zumtobel Share for the 1st half year

Closing price at 30.04.07	€ 26.80	Currency	EUR
Closing price at 31.10.07	€ 29.50	ISIN	AT0000837307
Performance 1st half year	10.1%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Performance since IPO	43.9%	Market segment	Prime Market
Market capitalisation at 31.10.07	€ 1.32 bill.	Reuters symbol	ZUMV.VI
Share price - high at 03.07.07	€ 30.28	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	124,191	Datastream	O:ZAG
Free float	66%	Number of issued shares	44,704,344

# Group Management Report

## Worldwide growth continues to slow, commercial construction sector in Europe remains robust

According to the two most renowned international economic research institutes, the latest turbulence on financial markets will have a subduing effect on global economic growth. The International Monetary Fund (IMF) continues to support its estimate of a 5.2% increase for 2007, but has made a significant downward correction to its forecast for 2008. The positive development in 2007 will be driven by strong momentum in the emerging countries, with steady high growth expected in China (+11.5%) and India (+8.9%) as well as the countries of Central and Eastern Europe (+5.8%). However, modest downward adjustments were made to the 2007 forecasts for the traditional industrial nations. The Organisation for Economic Cooperation and Development (OECD) predicts economic growth of 2.6% for the Euro zone. The leading German economic research institutes have also predicted growth of 2.6% for Germany. On the contrary, the impact of the capital market crisis appears to be stronger in the USA: the OECD has reduced its estimate for the US gross national product to 1.9% as a consequence of the ongoing real estate crisis.



Euroconstruct has taken a different view concerning developments in the European non-residential construction sector. In contrast to its clear downgrading of residential construction, the November report includes forecasts for increased growth rates in the seven most important European markets for the Zumtobel Group (Austria, Switzerland, Germany, France, Great Britain, Italy and Scandinavia) during 2007 (+0.6 percentage points to 3.6%) and 2008 (+0.5 percentage points to 3.0%). The estimate only reflects a more cautious outlook on 2009 (-0.4 percentage points to 2.1%).

**Euroconstruct remains optimistic for the non-residential sector**

### Significant events since 30 April 2007

The new lighting plant in the west of Sydney started operations at the end of May 2007, and the closing for the sale of the former plant site in Smithfield took place during the second quarter of 2007/08. The merger of these two previously separated lighting production facilities represents a major milestone in the restructuring project for the Zumtobel Lighting Division in Australia.

**Restructuring project in Australia concluded**

Following the start of construction in July 2007 and a four-week postponement of the cornerstone ceremony to September 2007 as a result of bad weather, construction is now proceeding on the building shell for the new plant in Spennymoor (Great Britain). The relocation of production to the new facility is scheduled to begin during the second half of 2008. Rationalisation measures connected with this project led to the recognition of provisions for severance payments totalling EUR 0.9 million as special effects during the first half-year. In addition, plans call for the sale of the former plant site during 2008.

**“LITE” property project: new plant in Spennymoor under construction**

### Expansion in growth markets

In order to participate in the above-average growth in India, the eleventh largest lighting market in the world, the Group raised its investment in Thom India Pvt. Ltd. from 10% to 70% during May 2007. This sales organisation with over 40 employees generated revenues of approx. EUR 3.5 million during the first six months of 2007/08.

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

In order to further expand the regional sales network, an investment in Lightmakers A/S, the former Zumtobel sales partner in Denmark, was acquired as of 5 December 2007.

### Related Party Transactions

Related parties include the Managing Board and Supervisory Board of Zumtobel AG. As of the closing date for the interim financial statements on 31 October 2007, the Company had no business relationships with related parties.

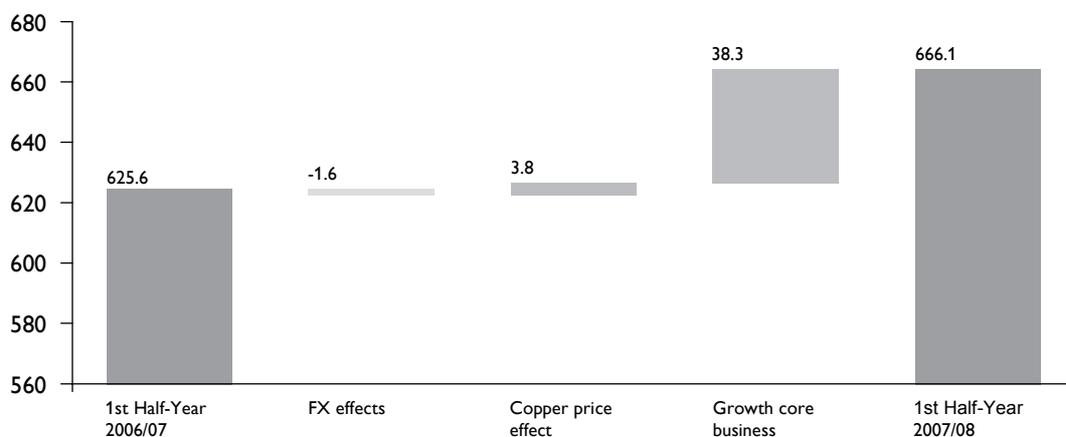
Supply and delivery transactions are conducted with associated companies and joint ventures at normal market conditions.

### Revenues

Group revenues for the first half of the 2007/08 financial year (1 May 2007 to 31 October 2007) rose by 6.5% to EUR 666.1 million (previous year: EUR 625.6 mill.), while revenues for the second quarter (1 August 2007 to 31 October 2007) increased 6.8% to EUR 343.0 million. This growth was negatively influenced by currency translation effects from the strong upward movement of the Euro, above all in relation to the US Dollar (USD), Swiss Franc (CHF) and British Pound (GBP). However, these results were more than offset by positive price effects from magnetic products, which correlate with the development of the copper price.

### Revenues +6.5% in first half-year

Development of Revenues



### Growth in the divisions

The Zumtobel Lighting Division recorded an increase of 6.3% in revenues for the second quarter, and total revenues of EUR 492.7 million (+5.2%) for the first half of 2007/08. In the TridonicAtco Division, the technological substitution trend from magnetic to electronic ballasts provided additional support for the

development of business. However, growth in this division declined as expected with the weakening copper effect and equalled 7.1%.

in EUR million	2nd Quarter 2007/08	2nd Quarter 2006/07*	Change in %	1st Half-Year 2007/08	1st Half-Year 2006/07*	Change in %
Zumtobel Lighting Division	256.8	241.6	6.3	492.7	468.4	5.2
TridonicAtco Division	104.0	97.1	7.1	209.0	192.5	8.6
Other and Consolidation	(17.7)	(17.6)	0.2	(35.6)	(35.2)	1.0
Zumtobel Group	343.0	321.1	6.8	666.1	625.6	6.5

The growing importance of LED technology for professional lighting solutions was confirmed: the Stadioncenter in Vienna, the largest LED project by the Zumtobel Group to-date, was completed during the first quarter and a number of well-known architectural projects were realised in Europe during the second quarter. These projects also led to year-on-year growth of over 80% in revenues from the LED business in the second quarter, and total revenues of EUR 17.5 million for the first half year (prior year: EUR 9.6 mill.).

**LED technology on growth course**

The first half-year was characterised by strong development in Europe, which is the most important economic region for Zumtobel and generates 81% of Group revenues.

**Over 10% growth in Europe during Q2**

Distribution of Regional Turnover	2nd Quarter 2007/08	1st Half-Year 2007/08		
	Growth +- in %	Growth +- in %	Revenues in EUR million	in % of Group
D/A/CH	11.7	7.0	162.4	24.4
Eastern Europe	12.0	6.7	35.6	5.3
Northern Europe	14.5	6.5	52.1	7.8
Western Europe	7.1	11.4	223.6	33.6
Southern Europe	16.7	15.1	68.3	10.3
<b>Europe</b>	<b>10.7</b>	<b>9.7</b>	<b>542.1</b>	<b>81.4</b>
Asia	(14.5)	(9.3)	43.0	6.4
Australia and New Zealand	6.3	2.8	57.2	8.6
America	(22.4)	(14.8)	18.4	2.8
Others	(16.3)	(20.3)	5.5	0.8
<b>Total</b>	<b>6.8</b>	<b>6.5</b>	<b>666.1</b>	<b>100.0</b>

D/A/CH = Germany, Austria, Switzerland

In the German-speaking D/A/CH region, Germany recorded above-average growth during the second quarter, while in Austria the realisation of projects postponed from the earlier part of this year also supported strong development. Switzerland was able to close the second quarter with good results, in spite of negative foreign exchange effects from the Swiss Franc (approx. minus 5% in the first half-year).

Northern Europe reported two-digit growth for the second quarter, with the turnaround in Norway playing a major role as expected.

The strong growth in Western Europe resulted above all from the recovery of the Thorn brand in Great Britain/Ireland. Under new management, this region was able to recover from the decline recorded in the

past year. Two-digit growth was also reported by France, in particular on public orders for street lighting projects.

The development of business in Southern Europe remained sound, above all due to higher sales in Italy and Turkey by the TridonicAtco Division.

The postponement of several major projects in Eastern Europe during the first quarter led to an initial decline in this region. However, these projects were realised during the second quarter and triggered a substantial increase in revenues.

The prior year revenue growth that resulted from the completion of major projects in Asia has not yet been duplicated. However, project forecasts and order backlog at the end of the second quarter lead to expectations of a strong recovery during the remainder of this financial year.

The development of revenues in America is negatively influenced not only by the current market weakness but also by the devaluation of the US Dollar (USD), which declined more than 7% year-on-year during the reporting period. In addition, the completion of two large office projects in New York during the first six months of 2006/07 set the basis for comparison at a fairly high level. The relatively small US business is not expected to show significant signs of recovery during the remaining months of this year.

## Earnings

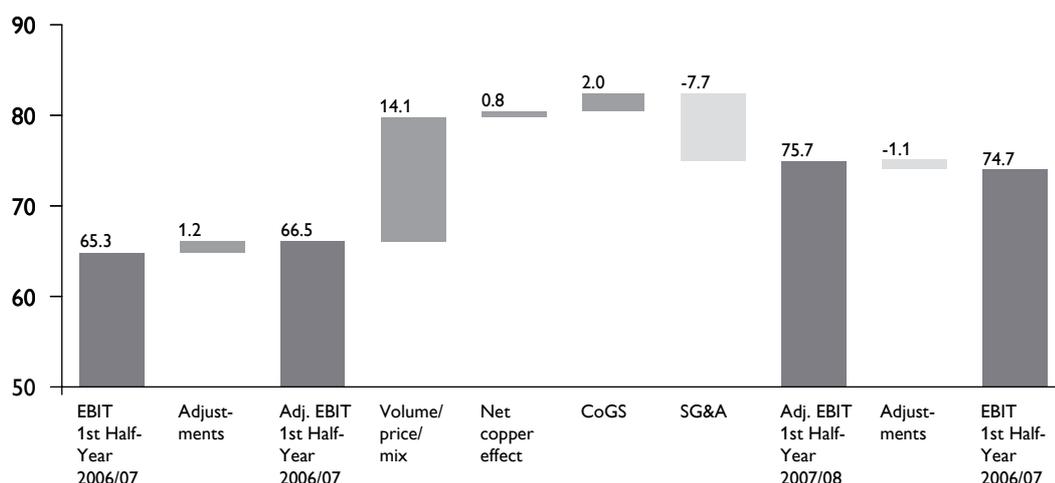
- >> Adjusted EBIT margin reaches 11.4%
- >> Gross profit margin rises to 38.6%
- >> Personnel cost ratio down by 30 basis points
- >> Improvement in financial results
- >> Comparable net profit for the period rises by 30%

Income Statement in EUR million	2nd Quarter 2007/08	2nd Quarter 2006/07*	Change in %	1st Half- Year 2007/08	1st Half- Year 2006/07*	Change in %
Revenues	343.0	321.1	6.8	666.1	625.6	6.5
Cost of goods sold	(208.8)	(197.6)	5.6	(409.3)	(385.7)	6.1
Gross profit	134.3	123.5	8.7	256.8	240.0	7.0
as a % of revenues	39.1	38.5		38.6	38.4	
SG&A expenses adjusted from special effects	(91.8)	(87.2)	5.3	(181.1)	(173.4)	4.4
Adjusted EBIT	42.5	36.3	16.9	75.7	66.5	13.9
as a % of revenues	12.4	11.3		11.4	10.6	
Special effects	(0.5)	(1.3)	(65.6)	(1.1)	(1.2)	(10.8)
EBIT	42.0	35.0	20.1	74.7	65.3	14.3
Financial results	(7.6)	(2.9)	<(100)	(12.3)	(14.1)	(13.3)
Profit before tax	34.4	32.0	7.4	62.4	51.2	21.9
Income taxes	(4.3)	(5.0)	(13.6)	(7.2)	2.8	<(100)
Net profit for the period from discontinued operations	(0.2)	8.7	<(100)	(0.2)	9.4	<(100)
Net profit for the period	29.9	35.8	(16.4)	55.1	63.4	(13.2)
thereof due to shareholders of the parent company	29.8	35.6	(16.2)	54.7	63.2	(13.4)
Basic earnings per share (in EUR)	0.67	0.80	(16.3)	1.23	1.44	(14.5)

Adjusted EBIT totalled EUR 75.7 million for the first half of 2007/08, which represents an increase of 13.9% over the EUR 66.5 million recorded in the comparable prior year period and a return of 11.4% on sales (plus 80 basis points). During the second quarter the return on sales improved 110 basis points to 12.4% and adjusted EBIT rose by 16.9% to EUR 42.5 million (prior year: EUR 36.3 mill.).

**Adjusted EBIT margin reaches 11.4%**

**Development Adjusted EBIT (in million EUR)**



The improvement in gross profit resulted above all from an increase in revenues. The net copper effect provided a slight positive contribution (EUR 0.8 mill. from the above-mentioned price increases on magnetic products less higher prices paid for copper), which weakened as expected during the second quarter.

After an adjustment for the copper effect, the cost of goods sold improved by EUR 2 million. The favourable development of the cost of goods sold is also attributable to a decrease of 30 basis points in personnel expenses to 14.7% of revenues. The increases in wages and salaries mandated by collective bargaining agreements were more than offset by successful programmes to improve efficiency and reduce costs.

**Personnel cost ratio down by 30 basis points**

The cost of materials as a percentage of revenues rose during the first half-year due to the above-mentioned copper price effect and, above all, as a result of higher prices for aluminium and steel. A decline in depreciation and positive foreign exchange effects more than offset these negative effects.

The gross profit margin fell slightly during the first three months but rose substantially during the second quarter, and equalled 38.6% of revenues for the first half of 2007/08 (previous year: 38.4%).

**Gross profit margin rises to 38.6%**

The primary reasons for the increase in selling and administrative expenses were a rise of roughly 3% in wages and salaries in accordance with collective bargaining agreements as well as higher transportation costs and the expansion of the sales staff to support further growth.

**Higher fixed costs due to collective bargaining agreements**

During the first half of the 2007/08 financial year, net expenses of EUR 1.1 million were recognised as special effects. These costs resulted from restructuring expenses in connection with the "Lite" property project (planned transfer of production to Spennymoor and additional relocation costs in Australia) as well as proceeds on the sale of real estate in Germany and Australia. Other impairment charges of EUR 2.5 million were recognised, which represent subsequent adjustments to the debit balances of suppliers to the Chinese subsidiary of the Zumtobel Lighting Division. The special effects of EUR 1.2 million in the comparable prior year period primarily represent costs associated with the "Lite" property project.

**Operating profit includes special effects**

The following table shows the Group's operating performance after an adjustment for the above-mentioned special effects:

Adjusted EBIT in EUR million	2nd Quarter 2007/08	2nd Quarter 2006/07	Change in %	1st Half- Year 2007/08	1st Half- Year 2006/07*	Change in %
Reported EBIT	42.0	35.0	20.1	74.7	65.3	14.3
thereof special effects	(0.5)	(1.3)	(65.6)	(1.1)	(1.2)	(10.8)
Adjusted EBIT	42.5	36.3	16.9	75.7	66.5	13.9
as a % of revenues	12.4	11.3		11.4	10.6	

### Improvement in financial results

During the first half of 2007/08, financial results improved by EUR 1.8 million over the comparable period of the previous year. Additional costs of EUR 0.1 million for the premature repayment of a loan had a negative effect on finance costs (prior year: EUR 2.3 mill.). Other financial income and expenses were negatively affected by the strong fluctuations on foreign exchange markets through negative changes in the fair value of foreign currency financial instruments, despite a further decline in interest costs for pensions and severance payment obligations (IAS 19).

Financial result in EUR million	2nd Quarter 2007/08	2nd Quarter 2006/07,	Change in %	1st Half- Year 2007/08	1st Half- Year 2006/07*	Change in %
Interest income	1.1	0.6	81.1	1.9	1.1	78.1
Interest expense	(5.7)	(5.3)	8.5	(11.3)	(13.6)	(16.9)
Other financial income and expenses	(3.9)	1.1	<(100)	(4.8)	(2.8)	74.7
Profit/(loss) from associated companies	0.9	0.7	37.6	2.0	1.1	71.7
<b>Financial results</b>	<b>(7.6)</b>	<b>(2.9)</b>	<b>&lt;(100)</b>	<b>(12.3)</b>	<b>(14.1)</b>	<b>(13.3)</b>

Tax expense for the first half of the reporting year totalled EUR 7.2 million. In contrast, the Group reported tax income of EUR 2.8 million for the first two quarters of 2006/07 following the recognition of EUR 11.7 million in special effects from the revaluation of deferred taxes in connection with the initial public offering.

### Comparable net et profit for the period rises by 30%

A comparison of net profit for the first half of 2007/08 (EUR 55.1 mill.) with the relevant prior year figure (EUR 43.0 mill.) shows an improvement of roughly 30% in earnings after an adjustment for discontinued operations (sale of the airfield business) and the above-mentioned tax effect.

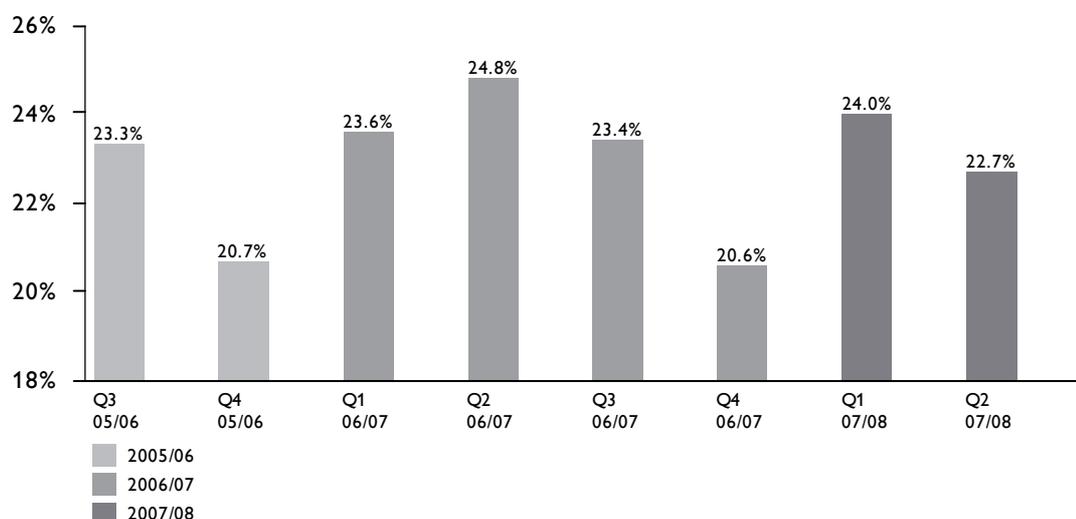
### Cash flow and asset position

#### Positive development of working capital

Working capital rose during the first quarter in keeping with the normal seasonal pattern, but – in contrast to the previous year – declined slightly during the second quarter as the result of specially directed measures to further reduce inventories and increase trade payables. In comparison with the first half of the previous year, cash outflows were EUR 17.3 million lower during the first six months of the year.

Working capital as a percentage of revenues (based on rolling 12-month revenues) declined significantly to 22.7% as of 31 October 2007 (previous year: 24.8%).

### Working capital as a % of rolling twelve-months revenues



Cash flow from operating activities rose to EUR 53.2 million for the first half of 2007/08 (prior year: EUR 20.0 mill.). This improvement was also supported by an absence of payments from provisions (prior year EUR 12.9 mill.).

Cash outflows of EUR 23.0 million for investments matched the comparable prior year period, while property transactions and financial assets generated liquidity totalling EUR 11.9 million (previous year: EUR -1.1 mill.).

Free cash flow increased EUR 50.2 million to EUR 42.6 million. These funds were used for the dividend payment (EUR 22.5 mill.) as well as for an early repayment (EUR 14.0 mill.) on non-current financial liabilities, and led to a slight reduction in net debt to EUR 183.3 million compared with the level on 30 April 2007.

### Balance Sheet Data

in EUR million	31 October 2007	31 October 2006*	30 April 2007
Total assets	1,160.8	1,121.0	1,145.4
Net debt	183.3	242.3	185.7
Equity	475.5	433.6	441.6
Equity ratio in %	41.0	38.7	38.6
Gearing in %	38.5	55.9	42.1
Average capital employed	650.1	631.8	647.4
Investments	22.5	23.7	54.3
Working capital	289.9	299.6	253.7
As a % of rolling 12 month revenues	22.7	24.8	20.6

Definitions:

Gearing Net debt as a % of equity

Capital Employed Goodwill + intangible assets + tangible assets + inventories + trade receivables – trade payables – provisions for income taxes – other provisions – other liabilities

Working Capital Inventories + trade receivables – trade payables – prepayments received

In spite of the dividend payment, the equity ratio again reached 41.0% and gearing declined to 38.5% as of 31 October 2007.

**Improved financing structure**

**6% growth target for  
2007/08**

**Outlook: continued optimism**

The outlook for the remainder of 2007/08 remains optimistic in spite of the current turbulence on the capital market, with growth of at least 6% expected for the full year. The upward adjustment of Euroconstruct forecasts for the non-residential construction market in 2007 and 2008 confirm management's estimates for a continuation of the favourable operating climate in Europe. The level of project inquiries is still high and, as expected, the subject of energy-efficient lighting is becoming a more important factor for architects, designers and lighting planners. LED technology is strengthening its position in the Group's portfolio of professional applications, and leads to expectations of steady high growth during the second half-year.

**Target:  
10%EBIT margin**

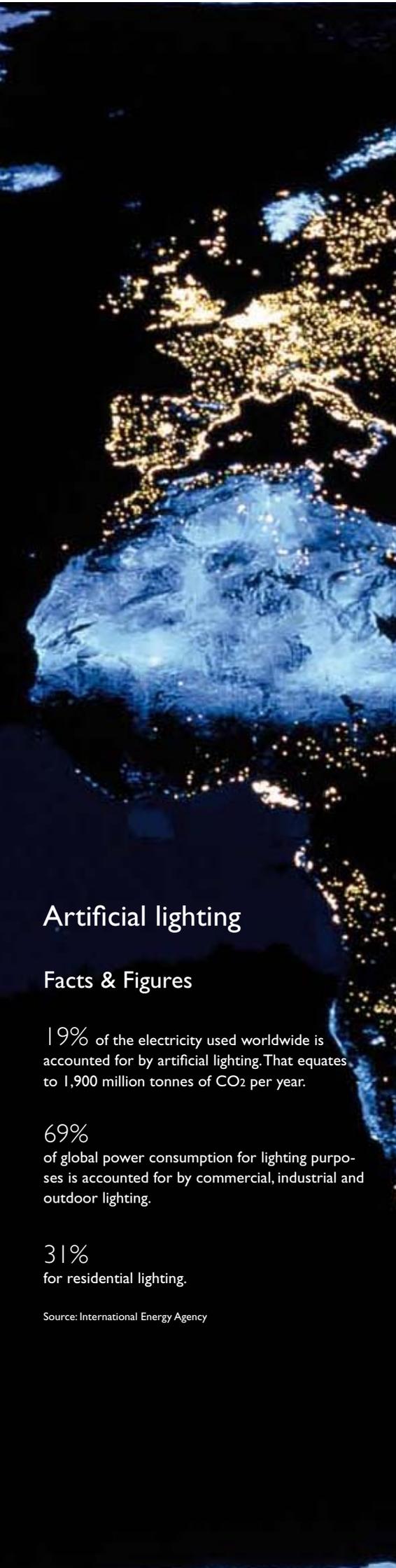
Although the EBIT margin will be lower during the second half-year due to the normal seasonal decline in third quarter revenues, it will clearly exceed the prior year level. Therefore, the Group's forecasts for the full year still show a target of 10% for the EBIT margin.

The impact of the current capital market turbulence on the economy in general and the non-residential construction sector in particular are still uncertain. However, the development of business in the lighting industry is not only driven by the construction branch but also by the subjects of energy efficiency and LED – which leads to expectations of growth at a rate of 2-3 percentage points above the non-residential construction sector in 2008/09.

Dornbirn, December 2007

Andreas Ludwig  
Chief Executive Officer

Thomas Spitzenpfel  
Chief Financial Officer



## Artificial lighting

### Facts & Figures

19% of the electricity used worldwide is accounted for by artificial lighting. That equates to 1,900 million tonnes of CO<sub>2</sub> per year.

69% of global power consumption for lighting purposes is accounted for by commercial, industrial and outdoor lighting.

31% for residential lighting.

Source: International Energy Agency

## ENERGY EFFICIENCY – An opportunity for growth for the Zumtobel Group

The ongoing public debate over energy efficiency and the need to cut carbon dioxide emissions is proving an important growth driver for the Zumtobel Group, because in the professional lighting sector enormous potential for energy savings is just waiting to be accessed. All of the Group's brands are exceptionally well placed to exploit this potential – all eminently capable of offering the innovative technologies, intelligent products and systems and optimum planning and consulting that provide the key to energy-efficient lighting solutions. At the same time, demand is also being driven up by more stringent legislation.

The strategic goal of the Zumtobel Group brands is to strike a balance between energy efficiency on the one hand and the human need for effective lighting on the other. Because the focal point of all our lighting solutions is invariably the user.

>> It is only by attaining a balance between the efficient use of resources and optimum lighting quality that we can attain truly sustainable lighting solutions. Alongside innovation leadership, this is one of the distinctive hallmarks of our brands and thus one of the main pillars of our future success. <<

Andreas Ludwig, CEO Zumtobel Group

## Modernisation offers potential

60% of artificial lighting systems in Europe are inefficient.

75% of office and industrial lighting systems in Europe are inefficient.

30% of all road lighting systems in Europe are over 20 years old and based on technology dating from the 1960s.

Source: CELMA, ZVEI

# WHAT DO WE NEED LIGHT FOR?



## Visual functions

The human eye needs a specific minimum amount of light in order to see clearly. Light adds security, provides orientation and enables us to work at our best.



## Emotional perceptions

Light can be used to deliberately boost people's concentration and motivation. The brightness, colour, distribution and dynamics of lighting all influence our mood.



## Biological functions

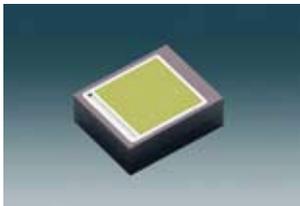
Good light has a sustainable effect on human health. Light controls our body clocks and governs our rhythms of sleeping and waking.

# ENERGY EFFICIENCY OVER THE ENTIRE VALUE CHAIN

## LEDs

Today, LEDs already generate five times as much light as a conventional incandescent lamp for the same energy input. According to the U.S. Energy Agency, the widespread use of LEDs could cut the amount of energy consumed for lighting by 50% by 2025.

## XEDs



The hallmarks of high-performance LEDs by LEXEDIS include high energy efficiency and durability. They currently feature the smallest dimensions on the market. powerXEDs have been used to great effect at the BMW Museum in Munich. A new highlight in the XED family is nanoXED, which already delivers an output of 60 lm/W.

## TALEXX



Nearly 1,200km of TALEXXchains by TRIDONIC.ATCO have been installed since January 2003. These LED modules are mainly used in illuminated signs in place of conventional fluorescent luminaires. The energy-saving effect stands at 75%. The „CO<sub>2</sub> Counter“ on TRIDONIC.ATCO's home page adds up the benefits of the TALEXXchains installed to date: more than 85,000 tonnes of CO<sub>2</sub> have already been saved.

## Ballasts

Electronic ballasts are noted for their minimised power consumption. With their individual addressability and dimmability, they are essential components in lighting management systems.

## CorridorFUNCTION



In multi-storey car parks and corridors in particular, safety standards prescribe a certain level of lighting at all times. In the CorridorFUNCTION by TRIDONIC.ATCO, digitally dimmable control gear is used in tandem with a presence detector. As soon as a presence is detected a high level of illuminance is immediately restored. As a result, energy consumption can be cut by 30%.

## XITEC



The new Xitec processor of TRIDONIC.ATCO is the technical basis for a new generation of innovative ballasts. Xitec is the precondition for an intelligent lamp- and lighting management. Innovative features like the „SMART heating concept“ assure an energy efficient operation.



## Luminaires

Luminaires with a high operating efficiency are also particularly energy efficient because the light is directed to where it is needed. The efficiency of a luminaire depends not least on its design and the light-directing materials. Energy consumption can also be reduced by equipping a luminaire with light sensors and presence detectors.

### MELLOW LIGHT IV



In its MELLOW LIGHT IV luminaire, ZUMTOBEL uses an innovative micro-prismatic optic. Compared to a conventional slotted sheet steel controller optic, this leads to a 20% increase in efficiency to 80%, which equates to a 16% drop in power consumption and at the same time improves the lighting quality.

## Intelligent lighting management

The use of intelligent lighting management can cut energy consumption by as much as 80%. The savings are achieved by the ideal blend of daylight-based control, light-directing blinds, presence detectors, time management and maintenance control. As a result, a room or building can be illuminated flexibly and to a high standard of lighting

### German Historical Museum, Berlin, D



The German Historical Museum now features the most complex LUXMATE professional lighting management system installed to date in the museum sector, with almost 5,900 individually controllable addresses. Optimum illumination is created by SLOT-LIGHT lighting channels and SPIRIT project spotlights by ZUMTOBEL. Without lighting management the lighting solution would consume approximately 30% more energy.

### CINQUELINE



before

after

Gateshead Civic Centre in the UK has exchanged its old luminaires dating from 1980 for new, energy-efficient custom-designed CINQUELINE luminaires by THORN – equipped with light sensors and presence detectors. The result: energy savings of 68% and a significant improvement in lighting quality for the office workers.

### Royal Museum of Fine Arts, Antwerp, BE

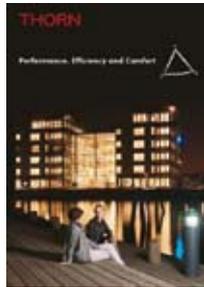


The museum's façade lighting has been replaced by a LED lighting solution by THORN. Individual areas of the façade are precisely illuminated. The entire façade lighting is controlled by a LUXMATE lighting management system. Compared to the former lighting system, this has led to an overall drop of 50% in energy consumption.



## THE RESPONSE OF OUR BRANDS

### Performance, Efficiency, Comfort



In parallel with a period of rapid social change, lighting installation design is being influenced by changing working conditions and tasks on the one hand, and a general demand for improved health, safety and environmental standards on the other. THORN has devised a lighting concept that responds to these different criteria and is based on three factors: performance, efficiency and comfort. Performance stands for providing the best visual effectiveness; Efficiency for minimising the use of energy, CO<sub>2</sub> emissions and waste; and Comfort for giving people satisfaction and stimulation. The „PEC“ programme aims to improve the quality of life, indoors and out, by putting the right light in the right place at the right time. The „PEC“ methodology can be applied in every field of application, from small offices to giant stadiums or road lighting.

### Humanergy Balance



ZUMTOBEL's specific approach to arrive at the ideal balance between providing high lighting quality for users and achieving energy-efficient lighting solutions is „Humanergy Balance“. The requirements of the optimum lighting solution are extremely diverse. The function of light goes beyond the purely visual. The brightness, colour and dynamics of lighting can shape people's moods and influence human health. Another central requirement of any innovative and economical lighting solution is optimum energy efficiency. Through the efficient use of resources, ZUMTOBEL demonstrates a responsible approach to the environment and helps to cut CO<sub>2</sub> emissions. The Humanergy Balance concept is underpinned by the VIVALDI software package. This enables various light moods to be visualised and computes the relevant energy requirements and CO<sub>2</sub> emissions.

### Ecolution

**ecolution**  
An initiative of TRIDONIC.ATCO

For TRIDONIC.ATCO, protecting the environment has become an important competitive factor with vast potential. In „Ecolution“ TRIDONIC.ATCO has a heading for an integral approach to resource conservation and sustainability that embraces all parts of the company. Today, every product group presents a number of sustainability benefits. By combining dimmable ballasts with sensors and control elements, for example, energy savings of up to 80% are possible. The LED sector, too, makes a valuable contribution to resource conservation thanks to the outstanding overall energy-efficiency of LED-based products. In addition, the eco-friendly principle of locating production operations in the vicinity of the customer means that there is no need to transport products over long distances. Three of TRIDONIC.ATCO's production plants are certified to ISO 14001.

## Income Statement

in TEUR	2nd Quarter 2007/08	2nd Quarter 2006/07*	Change in %	1st Half-Year 2007/08	1st Half-Year 2006/07*	Change in %
Revenues	343,039	321,083	6.8	666,100	625,621	6.5
Cost of goods sold	(208,757)	(197,594)	5.6	(409,253)	(385,653)	6.1
<b>Gross profit</b>	<b>134,282</b>	<b>123,489</b>	<b>8.7</b>	<b>256,847</b>	<b>239,968</b>	<b>7.0</b>
<i>as a % of revenues</i>	39.1	38.5		38.6	38.4	
Selling expenses	(72,768)	(67,852)	7.2	(145,734)	(137,801)	5.8
Administrative expenses	(19,520)	(20,016)	(2.5)	(37,300)	(38,941)	(4.2)
Other operating results	11	(643)	<100	875	2,113	(58.6)
<i>thereof special effects</i>	(460)	(1,338)	(65.6)	(1,056)	(1,184)	(10.8)
<b>Operating profit</b>	<b>42,005</b>	<b>34,978</b>	<b>20.1</b>	<b>74,688</b>	<b>65,339</b>	<b>14.3</b>
<i>as a % of revenues</i>	12.2	10.9		11.2	10.4	
Interest expense	(5,716)	(5,269)	8.5	(11,277)	(13,575)	(16.9)
Interest income	1,083	598	81.1	1,886	1,059	78.1
Other financial income and expenses	(3,881)	1,070	<100	(4,830)	(2,765)	74.7
Profit/(loss) from associated companies	919	668	37.6	1,951	1,136	71.7
<b>Financial results</b>	<b>(7,595)</b>	<b>(2,933)</b>	<b>&gt;100</b>	<b>(12,270)</b>	<b>(14,145)</b>	<b>(13.3)</b>
<i>as a % of revenues</i>	(2.2)	(0.9)		(1.8)	(2.3)	
<b>Profit before tax</b>	<b>34,410</b>	<b>32,045</b>	<b>7.4</b>	<b>62,418</b>	<b>51,194</b>	<b>21.9</b>
Income taxes	(4,308)	(4,988)	(13.6)	(7,172)	2,831	<100
<b>Profit from continuing operations</b>	<b>30,102</b>	<b>27,057</b>	<b>11.3</b>	<b>55,246</b>	<b>54,025</b>	<b>2.3</b>
<b>Profit from discontinued operations</b>	<b>(195)</b>	<b>8,708</b>	<b>&lt;100</b>	<b>(195)</b>	<b>9,363</b>	<b>&lt;100</b>
<b>Net profit for the period</b>	<b>29,907</b>	<b>35,765</b>	<b>(16.4)</b>	<b>55,051</b>	<b>63,388</b>	<b>(13.2)</b>
<i>as a % of revenues</i>	8.7	11.1		8.3	10.1	
<i>thereof due to minority shareholders</i>	107	194	(44.8)	302	168	79.8
<i>thereof due to shareholders of the parent company</i>	29,800	35,571	(16.2)	54,749	63,219	(13.4)
Average number of shares outstanding - basic (in 1000 pcs.)	44,486	44,210		44,486	43,963	
Average diluting effect (stock options) (in 1000 pcs.)	247	290		247	290	
Average number of shares outstanding - diluted (in 1000 pcs.)	44,733	44,500		44,733	44,253	
<b>Earnings per share (in EUR)</b>						
Basic earnings per share	0.67	0.80		1.23	1.44	
Diluted earnings per share	0.67	0.80		1.22	1.43	
<b>Earnings per share from continuing operations (in EUR)</b>						
Basic earnings per share	0.67	0.61		1.24	1.23	
Diluted earnings per share	0.67	0.60		1.23	1.22	

\* The comparable figures from the prior period were adjusted to reflect changes in accounting methods and are designated with an asterisk "\*" in the following text. Further information is provided in the notes under "accounting and valuation methods".

## Balance Sheet

in TEUR	31 October 2007	in %	30 April 2007	in %
Goodwill	278,967	24.0	278,468	24.3
Intangible assets	34,265	3.0	30,884	2.7
Property, plant and equipment	201,666	17.4	196,451	17.2
Investments in associated companies	8,488	0.7	7,164	0.6
Financial assets	23,012	2.0	26,828	2.3
Other receivables & assets	6,937	0.6	7,179	0.6
Deferred taxes	34,190	2.9	35,157	3.1
<b>Non-current assets</b>	<b>587,525</b>	<b>50.6</b>	<b>582,131</b>	<b>50.8</b>
Inventories	178,555	15.4	174,908	15.3
Trade receivables	246,623	21.3	228,766	20.0
Other receivables & assets	22,430	1.9	29,169	2.5
Securities	1,449	0.1	644	0.1
Liquid funds	124,206	10.7	126,486	11.0
Available for sale assets	0	0.0	3,275	0.3
<b>Current assets</b>	<b>573,263</b>	<b>49.4</b>	<b>563,248</b>	<b>49.2</b>
<b>ASSETS</b>	<b>1,160,788</b>	<b>100.0</b>	<b>1,145,379</b>	<b>100.0</b>
Share capital	111,761	9.6	111,761	9.8
Additional paid-in capital	355,673	30.6	354,143	30.9
Reserves	(48,403)	(4.1)	(129,074)	(11.3)
Net profit for the period	54,749	4.7	103,193	9.0
Capital attributed to shareholders of the parent company	473,780	40.8	440,023	38.4
Capital attributed to minority shareholders	1,757	0.2	1,567	0.1
<b>Equity</b>	<b>475,537</b>	<b>41.0</b>	<b>441,590</b>	<b>38.5</b>
Provisions for pensions	54,368	4.7	55,317	4.8
Provisions for severance compensation	29,664	2.6	28,962	2.5
Other provisions	11,331	1.0	11,679	1.1
Borrowings	296,139	25.5	303,287	26.5
Other liabilities	1,005	0.1	1,036	0.1
Deferred taxes	9,347	0.7	9,632	0.8
<b>Non-current liabilities</b>	<b>401,854</b>	<b>34.6</b>	<b>409,913</b>	<b>35.8</b>
Provisions for taxes	39,742	3.4	35,875	3.1
Other provisions	17,030	1.5	16,306	1.4
Borrowings	11,318	1.0	8,906	0.8
Trade payables	124,381	10.7	140,387	12.3
Other liabilities	90,926	7.8	92,402	8.1
<b>Current liabilities</b>	<b>283,397</b>	<b>24.4</b>	<b>293,876</b>	<b>25.7</b>
<b>EQUITY AND LIABILITIES</b>	<b>1,160,788</b>	<b>100.0</b>	<b>1,145,379</b>	<b>100.0</b>

## Cash Flow Statement

in TEUR	1st Half-Year 2007/08	1st Half-Year 2006/07
Operating profit from continuing and discontinued operations	74,494	74,856
Depreciation and amortisation	19,531	20,265
Other non-cash changes	1,204	7,167
Results from discontinued operations	0	(8,437)
<b>Cash flow from operating results</b>	<b>95,229</b>	<b>93,851</b>
Inventories	(5,832)	(22,297)
Trade receivables	(22,412)	(30,552)
Trade payables	(15,316)	(13,564)
Prepayments received	1,471	7,004
<b>Change in working capital</b>	<b>(42,089)</b>	<b>(59,409)</b>
Non-current provisions	862	(320)
Current provisions	749	(12,904)
Other current and non-current receivables and liabilities	2,845	796
<b>Change in other operating items</b>	<b>4,456</b>	<b>(12,428)</b>
<b>Taxes paid</b>	<b>(4,429)</b>	<b>(2,038)</b>
<b>Cash flow from operating activities</b>	<b>53,167</b>	<b>19,976</b>
Proceeds from the sale of non-current assets	7,520	(1,406)
Capital expenditures	(22,502)	(23,731)
Change in non-current and current financial assets	4,374	279
Change in liquid funds from changes in the consolidation range	0	(2,803)
<b>Cash flow from investing activities</b>	<b>(10,608)</b>	<b>(27,661)</b>
<b>FREE CASH FLOW</b>	<b>42,559</b>	<b>(7,685)</b>
Change in net borrowings	(14,473)	(147,316)
<i>thereof restricted cash</i>	261	(866)
Capital increases	0	148,742
Dividends	(22,487)	(50)
Share buyback	0	(13,857)
Interest paid	(8,930)	(12,649)
<b>Cash flow from financing activities</b>	<b>(45,890)</b>	<b>(25,130)</b>
Effects of exchange rate changes on cash and cash equivalents	(900)	535
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,231)</b>	<b>(32,280)</b>
Cash and cash equivalents at the beginning of the period	118,970	97,373
Cash and cash equivalents at the end of the period	114,739	65,093
<b>Change absolute</b>	<b>(4,231)</b>	<b>(32,280)</b>

## Statement of Changes in Equity

1st Half-Year 2007/08

in TEUR	Attributed to shareholders of the parent company					Minority interests	Total equity
	Share capital	Additional paid-in capital	Reserves	Net profit for the period	Total		
<b>30 April 2007</b>	<b>111,761</b>	<b>354,143</b>	<b>(129,074)</b>	<b>103,193</b>	<b>440,023</b>	<b>1,567</b>	<b>441,590</b>
+/- Additions to reserves	0	0	103,193	(103,193)	0	0	0
+/- Net profit for the period	0	0	0	54,749	54,749	302	55,051
+/- Share buyback / Exercise of options	0	1,530	0	0	1,530	0	1,530
+/- Dividends	0	0	(22,280)	0	(22,280)	(207)	(22,487)
+/- Currency differences not recognised through profit or loss	0	0	(2,420)	0	(2,420)	(63)	(2,483)
+/- Hedge accounting not recognised through profit or loss	0	0	(264)	0	(264)	0	(264)
+/- Stock options - Addition	0	0	2,442	0	2,442	1	2,443
+/- Business combination achieved in stages	0	0	0	0	0	157	157
<b>31 October 2007</b>	<b>111,761</b>	<b>355,673</b>	<b>(48,403)</b>	<b>54,749</b>	<b>473,780</b>	<b>1,757</b>	<b>475,537</b>

1st Half-Year 2006/07\*

in TEUR	Attributed to shareholders of the parent company					Minority interests	Total equity
	Share capital	Additional paid-in capital	Reserves	Net profit for the period	Total		
<b>30 April 2006</b>	<b>92,023</b>	<b>232,452</b>	<b>(190,662)</b>	<b>49,128</b>	<b>182,941</b>	<b>4,836</b>	<b>187,777</b>
+/- Additions to reserves	0	0	49,128	(49,128)	0	0	0
+/- Net profit for the period	0	0	0	63,219	63,219	168	63,387
+/- Capital increases	19,738	142,110	0	0	161,848	0	161,848
+/- Transaction costs	0	(9,829)	0	0	(9,829)	0	(9,829)
+/- Share buyback	0	(13,857)	0	0	(13,857)	0	(13,857)
+/- Dividends	0	0	0	0	0	(50)	(50)
+/- Currency differences not recognised through profit or loss	0	0	645	0	645	(42)	603
+/- Hedge accounting not recognised through profit or loss	0	0	(2,739)	0	(2,739)	0	(2,739)
+/- Stock options	0	0	10,501	0	10,501	0	10,501
<b>31 October 2006</b>	<b>111,761</b>	<b>350,876</b>	<b>(133,127)</b>	<b>63,219</b>	<b>392,729</b>	<b>4,912</b>	<b>397,641</b>

### Statement of recognised income and expense

in TEUR	2nd Quarter 2007/08	2nd Quarter 2006/07*
<b>Net profit for the period</b>	<b>55,051</b>	<b>63,388</b>
Hedge accounting	(352)	(3,652)
Deferred taxes	88	913
<b>Income recognised directly in equity</b>	<b>(264)</b>	<b>(2,739)</b>
<b>Total</b>	<b>54,787</b>	<b>60,649</b>
Attributed to shareholders of the parent company	54,485	60,481
Attributed to minority interests	302	168

## Notes

### Accounting and Valuation Methods

The interim financial statements as of 31 October 2007 were prepared in accordance with the principles set forth in International Financial Reporting Standards (IAS 34, Interim Financial Reporting). The Company has elected to make use of the option set forth in IAS 34 and provide selected explanatory notes.

The accounting and valuation methods remain unchanged as of 31 October 2007. Additional information on these methods is provided in the consolidated financial statements as of 30 April 2007.

Research and development expenses are no longer shown as a separate functional area beginning with the income statement for 2006/07. Development expenses are allocated to the cost of goods sold, while research expenses are included under selling expenses. The income statement for the comparable prior year period (1st Half-Year 2006/07 and 2nd Quarter 2006/07) was adjusted accordingly. The option provided by IAS 19, which permits the recording of actuarial gains and losses under equity in the period incurred without recognition through profit or loss, was applied to the provisions for pensions and severance compensation for the first time as of 30 April 2007. Unrecognised actuarial gains and losses were recognised in full under the respective provisions, and the statement of changes in equity for the first quarter of 2006/07 was adjusted accordingly. The segment reporting as defined by IAS 14 presented real estate according to its commercial use by the relevant division for the first time as of 30 April 2007. The prior period figures for segment reporting were adjusted to reflect this change. Additional information is provided in the consolidated financial statements as of 30 April 2007.

The quarterly financial statements of all companies included in the consolidated financial statements were prepared in accordance with uniform accounting and valuation principles.

The condensed consolidated interim financial statements were prepared in accordance with all IFRS/IAS 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 and adopted by the European Union through its endorsement procedure.

### Consolidation range

The condensed consolidated interim financial statements all major Austrian and foreign companies that are controlled by Zumtobel AG.

The change in the consolidation range during the interim financial period is shown below:

Consolidation Range	Consolidation Method			Total
	full	proportional	at equity	
<b>30 April 2007</b>	<b>95</b>	<b>1</b>	<b>4</b>	<b>100</b>
Included during reporting year for first time	5	0	0	5
Merged / liquidated during reporting year	5	0	0	5
<b>31 October 2007</b>	<b>95</b>	<b>1</b>	<b>4</b>	<b>100</b>

The newly founded Zumtobel Lighting Kft., Hungary, acquired the retail lighting business unit from the previous Hungarian sales partner for TEUR 677 as of 1 October 2007. No goodwill was recognised on this transaction. Of the total purchase price, TEUR 477 was paid in October 2007 and the remainder will be paid in annual instalments by June 2010. This company recorded a profit of TEUR 35 in October 2007.

Furiae Raiffeisen-Immobilien GmbH, Vienna, and its subsidiary Raiffeisen Lux S.r.l., Romania, which owns the factory building in Romania, were initially consolidated as of 1 August 2007. The loss included in Group results for the second quarter of 2007/08 totals TEUR 19.

Zumtobel Lighting GmbH, Dornbirn, a wholly owned subsidiary of Zumtobel AG, acquired 100% of the shares in my-tronic Ledon GmbH, Germany, for TEUR 307. No goodwill was recognised on this transaction. The loss included in Group results for the first six months of 2007/08 totals TEUR 254.

Zumtobel Lighting GmbH, Dornbirn, acquired a 60% stake in Thorn Lighting India Private Ltd for TEUR 867 as of 30 April 2007 and obtained control over the company during the first quarter of 2007/08. This transaction increased the holding in Thorn Lighting India Private Ltd. to 70%. The company has an option to purchase the remaining 30% of shares in 2010. This transaction resulted in goodwill of TEUR 499. Thorn Lighting India Private Ltd recorded profit of TEUR 89 for the first quarter of 2007/08.

In May 2007 the New Zealand Auckland Transformer Company Ltd. was merged with TridonicAtco NZ Limited. Luxmate WSW GmbH, Germany, was also merged with Zumtobel Lighting GmbH & Co KG, Germany, during May 2007.

The following companies were liquidated during the first quarter of 2007/08:

- >> Thorn Lighting Manufacturing Industries Sdn. Bdn, Malaysia
- >> Thorn Lighting (Philippines) Inc., Philippines
- >> Thorn Lighting Holdings Ltd., Great Britain

From the viewpoint of the Group, the effects of changes in the consolidation range are immaterial.

## Notes to the Income Statement

The following comments explain the major changes in individual items compared to the prior period.

### Earnings per share

Basic earnings per share were calculated by dividing net profit for the period by the average number of shares outstanding as of the date for these interim financial statements.

Diluted earnings per share are based on the assumption that that the options granted as part of the stock option programme (SOP/MSP) will be exercised. These shares were included in the calculation of the average number of shares outstanding.

### Seasonality

Sales volumes are higher during the first two quarters of the financial year than during the second half-year for seasonal reasons; in particular, the third quarter lies significantly below the average. This distribution reflects the Group's dependency on developments in the construction industry as well as the seasonal distribution of business in this sector.

## Expenses

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

### 1st Half-Year 2007/08

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(281,652)	(2,800)	(177)	(4)	(284,633)
Personnel expenses	(98,170)	(72,364)	(23,068)	(48)	(193,650)
Depreciation	(15,913)	(2,779)	(839)	0	(19,531)
Other expenses	(26,355)	(65,754)	(16,067)	(1,116)	(109,292)
Own work capitalised	6,156	3	205	0	6,364
Internal charges	2,871	(4,529)	1,659	(1)	0
<b>Total other expenses</b>	<b>(413,063)</b>	<b>(148,223)</b>	<b>(38,287)</b>	<b>(1,169)</b>	<b>(600,742)</b>
<b>Other income</b>	<b>3,810</b>	<b>2,489</b>	<b>987</b>	<b>2,044</b>	<b>9,330</b>
<b>Total</b>	<b>(409,253)</b>	<b>(145,734)</b>	<b>(37,300)</b>	<b>875</b>	<b>(591,412)</b>

### 1st Half-Year 2006/07\*

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(259,567)	(2,141)	(346)	(6)	(262,060)
Personnel expenses	(93,749)	(69,380)	(23,164)	(97)	(186,390)
Depreciation	(16,520)	(2,890)	(1,018)	163	(20,265)
Other expenses	(26,352)	(61,964)	(16,837)	(1,037)	(106,190)
Own work capitalised	6,216	71	0	0	6,287
Internal charges	3,320	(3,716)	607	(29)	182
<b>Total other expenses</b>	<b>(386,652)</b>	<b>(140,020)</b>	<b>(40,758)</b>	<b>(1,006)</b>	<b>(568,436)</b>
<b>Other income</b>	<b>999</b>	<b>2,219</b>	<b>1,817</b>	<b>3,119</b>	<b>8,154</b>
<b>Total</b>	<b>(385,653)</b>	<b>(137,801)</b>	<b>(38,941)</b>	<b>2,113</b>	<b>(560,282)</b>

The cost of goods sold includes development costs of TEUR 14,241 (prior year TEUR 11,748). Development costs of TEUR 5,824 (prior year TEUR 5,422) were capitalised during the reporting period, and the amortisation of capitalised development costs equalled TEUR 1,908 (prior year TEUR 1,297).

## Other Operating Results

in TEUR	2nd Quarter 2007/08	2nd Quarter 2006/07	1st Half-Year 2007/08	1st Half-Year 2006/07
Government grants	101	(16)	1,154	359
License revenues	536	807	823	2,187
Special effects	(460)	(1,338)	(1,056)	(1,184)
<i>Impairment charges (-) / write up (+) to non-current assets</i>	0	0	0	167
<i>Other impairment</i>	(2,450)	0	(2,450)	0
<i>Restructuring</i>	(1,084)	416	(2,060)	403
<i>Gains / losses on sale</i>	3,074	(1,754)	3,454	(1,754)
Miscellaneous	(166)	(96)	(46)	751
<b>Total</b>	<b>11</b>	<b>(643)</b>	<b>875</b>	<b>2,113</b>

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

Other impairment charges represent subsequent adjustments to the debit balances of suppliers to the Chinese subsidiary of the Zumtobel Lighting Division.

Restructuring includes the costs for a redundancy plan in Great Britain. The new construction of a plant in Spennymoor will result in the rationalisation and streamlining of production which, in turn, has led to necessary initial redundancy measures (TEUR 934). This position also includes expenses incurred for the relocation of production facilities to the new plant in Wetherhill Park, Australia, during the first half-year (TEUR 886).

The gain on sale was generated by the disposal of real estate in Smithfield, Australia (TEUR 3.074). It also reflected the sale of a property in Lindau, Germany (TEUR 380) as part of the "Lite" project.

## Other Financial Income and Expenses

in TEUR	2nd Quarter 2007/08	2nd Quarter 2006/07	1st Half-Year 2007/08	1st Half-Year 2006/07
Interest component as per IAS 19 less income on plan assets	(485)	(1,041)	(1,109)	(2,079)
Foreign exchange gains and losses	(1,869)	1,104	(495)	1,914
Market valuation of financial instruments	(1,527)	1,007	(3,058)	(2,585)
Impairment charges to financial assets	0	0	(360)	(15)
Gains / losses on sale	0	0	192	0
<b>Total</b>	<b>(3,881)</b>	<b>1,070</b>	<b>(4,830)</b>	<b>(2,765)</b>

Foreign exchange gains and losses for the first half-year comprise realised foreign exchange losses of TEUR 288 (thereof TEUR 229 in the 2nd quarter of 2007/08) and unrealised foreign exchange losses of TEUR 207 on revaluations (thereof TEUR 1,640 in the 2nd quarter of 2007/08).

Market valuation shows the results from the valuation of forward exchange contracts at market value as of the balance sheet date for the interim financial statements.

### Income taxes

Deferred income tax expense resulted from the use of loss carryforwards in Great Britain as well as a change in the tax rate in Germany and Great Britain. Deferred tax income in the prior year resulted primarily from the partial reversal of the valuation adjustment to deferred tax assets on loss carryforwards in the Austrian companies, which was made possible by the initial public offering.

The classification of income taxes into current and deferred taxes is shown in the following table:

in TEUR	2nd Quarter 2007/08	2nd Quarter 2006/07	1st Half-Year 2007/08	1st Half-Year 2006/07
Current taxes	(3,150)	(4,886)	(6,472)	(8,767)
Deferred taxes	(1,158)	(102)	(700)	11,598
<b>Total</b>	<b>(4,308)</b>	<b>(4,988)</b>	<b>(7,172)</b>	<b>2,831</b>

### Notes to the Balance Sheet

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2007.

#### Intangible assets

The change in this item resulted primarily from the capitalisation of internally generated assets that are related to development projects.

#### Property, plant and equipment

The increase in property, plant and equipment resulted above all from the addition of factory buildings in connection with the initial consolidation of the Romanian companies (TEUR 6,455). The regular assessment of useful lives led to a partial change in these indicators for several companies during the first half of 2007/08.

#### Financial assets

Non-current financial assets declined by TEUR 3,314 following the sale of the convertible bond issued by the Canadian TIR Systems Ltd. and by TEUR 1,500 due to the repayment of the purchase price receivable that resulted from the sale of the tool production segment ("Werkzeugbau") in 2005/06.

#### Financial liabilities

The premature repayment of part of the acquisition credit (TEUR 13,953) led to a decline in non-current financial liabilities. In contrast, financial liabilities rose by TEUR 6,635 as a result of the initial consolidation of the Romanian companies and related takeover of non-current bank loans.

### Notes to the Cash Flow Statement

The improved management of working capital led to the positive development of cash flow from operating results over the prior year level. The cash outflows under current provisions in the prior period were related to the initial public offering in May 2006 as well as payments made from the provisions for restructuring.

Cash flow from investing activities includes the sale of real estate in Germany (Lindau TEUR 690) and Australia (Smithfield TEUR 6,817) as well as the sale of the TIR Systems Ltd. convertible bond (TEUR 3,506). The remaining purchase price receivable of TEUR 1,500 from the sale of the tool production segment ("Werkzeugbau") was paid in July 2007.

Cash flow from financing activities includes the dividend payment in August (TEUR 22,280) as well as a payment of TEUR 13,953 on the acquisition credit.

#### Transition to cash and cash equivalents

in TEUR	31 October 2007	30 April 2007
Liquid funds	124,206	126,486
Not available for disposal	(2,610)	(2,885)
Demand deposits and others	(6,857)	(4,631)
<b>Cash and cash equivalents</b>	<b>114,739</b>	<b>118,970</b>

## Notes to the Statement of Changes in Equity

### Dividend

The Annual General Meeting on 26 July 2007 approved the payment of a dividend of EUR 0.50 per share. A total of TEUR 22,280 was distributed to the shareholders of Zumtobel AG on 2 August 2007.

### Stock Option Programme and Share Buyback

#### Share buyback

in TEUR	Total
<b>30 April 2007</b>	<b>(10,590)</b>
Share buyback	0
Exercised	1,530
<b>31 October 2007</b>	<b>(9,060)</b>

A total of 191,771 stock options were exercised during the first six months of 2007/08. The exercise price paid by employees equalled TEUR 1,530 (average price of EUR 8.00 per share).

#### Reserve for stock options

in TEUR	SOP	MSP	Total
<b>30 April 2007</b>	<b>11,960</b>	<b>393</b>	<b>12,353</b>
Addition through profit or loss	1,921	522	2,443
<b>31 October 2007</b>	<b>13,881</b>	<b>915</b>	<b>14,796</b>

The addition to the SOP represents 271,787 options that will be granted for 2007/08. These options have a total market value of TEUR 3,842, which will be distributed proportionally over the entire financial year.

The addition to the MSP comprises 448,208 options that will be granted in 2007/08 (MSPI/segment 2 and MSPII/segment 1) as well as 50% of the options (MSPI/segment 1) that were granted in 2006/07. The valuation of the newly granted options will also be accrued over two years.

## Related Party Transactions

Related parties include the Managing Board and Supervisory Board of Zumtobel AG. As of the closing date for the interim financial statements on 31 October 2007, the Company had no business relationships with related parties.

Supply and delivery transactions are conducted with associated companies at normal market conditions.

## Contingent Liabilities and Guarantees

The Group holds the following contingent liabilities that do not meet the criteria for recognition as a provision:

in TEUR	31 October 2007	30 April 2007
Guarantees and warranties	817	1,767
Legal proceedings	2,858	2,858
Leases	1,000	5,000
Bank guarantees	8,372	8,451
<b>Total</b>	<b>13,047</b>	<b>18,076</b>

The guarantees and warranties are related to the Group company in France.

## Subsequent Events

An investment in Lightmakers A/S, the former Zumtobel sales partner in Denmark, was acquired to strengthen the regional sales network. This transaction took place on 5 December 2007.

No other events of major importance occurred after the balance sheet date.

## Segment Reporting

For the Zumtobel Group, the two divisions represent the primary segments of business: the Zumtobel Lighting Division (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the TridonicAtco Division (electronic and magnetic lighting components).

Segment assets and liabilities comprise directly allocated property, plant and equipment, intangible assets and working capital (excluding accrued interest, tax refunds and tax liabilities).

The column "Other and Consolidation" contains the assets, liabilities and related income statement items which were not allocated to the individual segments as well as property, plant and equipment, financial liabilities and taxes that relate to more than one segment.

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

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

The region "Europe" and the total Group level include various assets such as goodwill, which could not be directly allocated to secondary regions during the consolidation.

### Business Segments (2nd Quarter)

in TEUR	Zumtobel Lighting Division		TridonicAtco Division		Other & Consolidation		Group	
	2nd Quarter 2007/08	2nd Quarter 2006/07	2nd Quarter 2007/08	2nd Quarter 2006/07	2nd Quarter 2007/08	2nd Quarter 2006/07	2nd Quarter 2007/08	2nd Quarter 2006/07
<b>Net revenues</b>	<b>256,750</b>	<b>241,623</b>	<b>103,960</b>	<b>97,104</b>	<b>(17,671)</b>	<b>(17,644)</b>	<b>343,039</b>	<b>321,083</b>
External revenues	256,875	242,035	85,704	79,511	460	(463)	343,039	321,083
Inter-company revenues	(125)	(412)	18,256	16,926	(18,131)	(17,181)	0	0
<b>Operating profit</b>	<b>30,510</b>	<b>22,117</b>	<b>12,499</b>	<b>10,361</b>	<b>(1,004)</b>	<b>2,500</b>	<b>42,005</b>	<b>34,978</b>
<b>Investments</b>	<b>7,322</b>	<b>6,072</b>	<b>4,945</b>	<b>5,581</b>	<b>50</b>	<b>1,403</b>	<b>12,317</b>	<b>13,056</b>
<b>Depreciation</b>	<b>(6,106)</b>	<b>(5,956)</b>	<b>(4,596)</b>	<b>(4,566)</b>	<b>1,236</b>	<b>(240)</b>	<b>(9,466)</b>	<b>(10,763)</b>

### Business Segments (1st Half-Year)

in TEUR	Zumtobel Lighting Division		TridonicAtco Division		Other & Consolidation		Group	
	1st Half- Year 2007/08	1st Half- Year 2006/07						
<b>Net revenues</b>	<b>492,680</b>	<b>468,376</b>	<b>209,003</b>	<b>192,490</b>	<b>(35,583)</b>	<b>(35,245)</b>	<b>666,100</b>	<b>625,621</b>
External revenues	492,936	468,335	172,532	157,348	632	(62)	666,100	625,621
Inter-company revenues	(255)	41	36,471	35,142	(36,216)	(35,183)	0	0
<b>Operating profit</b>	<b>51,752</b>	<b>43,333</b>	<b>24,842</b>	<b>20,659</b>	<b>(1,906)</b>	<b>1,347</b>	<b>74,688</b>	<b>65,339</b>
<b>Investments</b>	<b>13,855</b>	<b>11,876</b>	<b>8,528</b>	<b>9,852</b>	<b>119</b>	<b>2,003</b>	<b>22,502</b>	<b>23,731</b>
<b>Depreciation</b>	<b>(12,153)</b>	<b>(12,043)</b>	<b>(9,822)</b>	<b>(9,362)</b>	<b>2,443</b>	<b>1,140</b>	<b>(19,531)</b>	<b>(20,265)</b>
	<b>31 October 2007</b>	<b>30 April 2007</b>						
<b>Assets</b>	<b>746,619</b>	<b>728,292</b>	<b>245,048</b>	<b>242,104</b>	<b>169,121</b>	<b>174,983</b>	<b>1,160,788</b>	<b>1,145,379</b>
<b>Liabilities</b>	<b>282,718</b>	<b>293,825</b>	<b>90,644</b>	<b>102,283</b>	<b>311,889</b>	<b>307,681</b>	<b>685,251</b>	<b>703,789</b>

## Regional Segments

in TEUR	External revenues				Assets		Investments	
	2nd Quarter 2007/08	2nd Quarter 2006/07	1st Half-Year 2007/08	1st Half-Year 2006/07	31 October 2007	30 April 2007	1st Half-Year 2007/08	1st Half-Year 2006/07
D/A/CH	86,598	77,515	162,430	151,844	408,022	393,566	13,952	17,893
Eastern Europe	21,441	19,151	35,630	33,388	21,402	9,753	985	503
Northern Europe	29,336	25,627	52,093	48,907	28,845	29,162	496	326
Western Europe	110,293	102,938	223,638	200,702	181,341	178,887	4,237	2,659
Southern Europe	31,564	27,042	68,302	59,348	20,408	19,917	17	81
<b>Europe</b>	<b>279,232</b>	<b>252,273</b>	<b>542,093</b>	<b>494,189</b>	<b>660,018</b>	<b>631,285</b>	<b>19,687</b>	<b>21,462</b>
Asia	22,468	26,294	42,952	47,362	36,736	39,449	701	589
Australia & New Zealand	30,235	28,442	57,185	55,616	77,148	71,405	1,883	1,476
America	8,565	11,042	18,384	21,570	13,648	14,472	231	204
Others	2,538	3,032	5,486	6,884	0	0	0	0
Other & Consolidation	0	0	0	0	373,238	388,768	0	0
<b>Total</b>	<b>343,039</b>	<b>321,083</b>	<b>666,100</b>	<b>625,621</b>	<b>1,160,788</b>	<b>1,145,379</b>	<b>22,502</b>	<b>23,731</b>

## Statement by the Management Board in accordance with § 87 (1) of the Austrian Stock Exchange Act

According to the best knowledge of the Management Board, the condensed consolidated interim financial statements as of 31 October 2007 and the group management report, which were prepared in accordance with the International Financial Reporting Standards for Interim Reporting (IAS 34), provide a true and fair view of the asset, financial and earnings position of all companies included in the consolidation in accordance with stock exchange regulations.

Dornbirn, 6 December 2007

The Management Board

Andreas Ludwig

Thomas Spitzenpfeil

# Review Report

## Introduction

We have reviewed the accompanying condensed consolidated interim financial information of

**Zumtobel AG,  
Dornbirn,**

as of 31 October 2007. This condensed consolidated interim financial information comprises the consolidated balance sheet as of 31 October 2007, the related consolidated statements of income, cash flows and changes in equity for the period then ended and a summary of significant accounting policies and other explanatory notes.

The Company's management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. Our liability towards the Company and third parties with respect to this review is limited in accordance with para 275 Austrian Commercial Code (§ 275 (2) UGB).

## Scope of Review

We conducted our review in accordance with Austrian standards for chartered accountants and with International Standard on Review Engagements (ISRE) 2410, „*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*“. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information are not presented fairly in all material respects in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU.

## Comment on the Group Management Report for the six month period ended as of 31 October 2007 and the Declaration of the Company's management according to para 87 BörseG

We have read the Group Management Report for the six month period ended as of 31 October 2007 in order to see if it is not obviously contradictory to the condensed consolidated interim financial information. In our opinion, the Group Management Report includes no obvious contradictions to the condensed consolidated interim financial information.

The Group Management Report for the six month period ended as of 31 October 2007 includes the declaration of the Company's management according to para 87 (1) fig 3 BörseG.

Vienna, 6 December 2007

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft  
Thomas Smrekar, Martin Wagner  
Certified Public Accountants

# Service

## Financial Calendar

Quarterly Report (1 May 2007– 31 January 2008)	18 March 2008
Capital Markets Day	09 April 2008
Annual Results 2007/08	07 Juli 2008
Annual Shareholder Meeting	29 Juli 2008
Ex-dividend day	31 Juli 2008
Dividend payout day	04 August 2008

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## Annual Report

Our financial reports are available for download under: <http://www.zumtobelgroup.com>.  
You can also order a copy by calling +43 (0)5572 509-1510.

## More Information

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

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

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

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

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

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

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

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## Disclaimer

This quarterly report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. These statements on future developments are 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 quarterly report is also presented in English, but only the German text is binding.



### The earth at night

The “sky glow” effect is evident where a lot of energy is used for lighting. It arises also from lighting systems that are not suitable for their intended purpose scattering part of the light they generate into the environment, either directly or indirectly via reflection and diffusion. This badly directed light spills into the surrounding darkness, causing “pollution”. Especially in developed countries one can see over heavily populated areas bright centres of light. Europe and North America as well as parts of Asia are brightly lit whereas Africa is mainly in the darkness.