

Zumtobel Group

Capital Markets Day 2010

**- Strategic Update -
Andreas Ludwig**

Strategic Update

General overview

- 1) Company Update
- 2) Market Update

Future developments

- 3) "Megatrends" as Zumtobel's opportunities
- 4) Corporate Strategy Update
- 5) Vision 2020 at a Glance

The world authority on lighting

A brief portrait of the Zumtobel Group

The Zumtobel Group is one of the few global players in the lighting industry

- Lighting Segment : European market leader in professional lighting
- Components Segment: No. 2 in Europe and No. 4 worldwide in lighting components

Worldwide presence

- 23 production sites on four continents
- Sales companies and representatives in more than 70 countries
- 7.252 employees worldwide

3 strong, established brands - 1 new LED brand

 **ZUMTOBEL**

LEDON

THORN

TRIDONIC



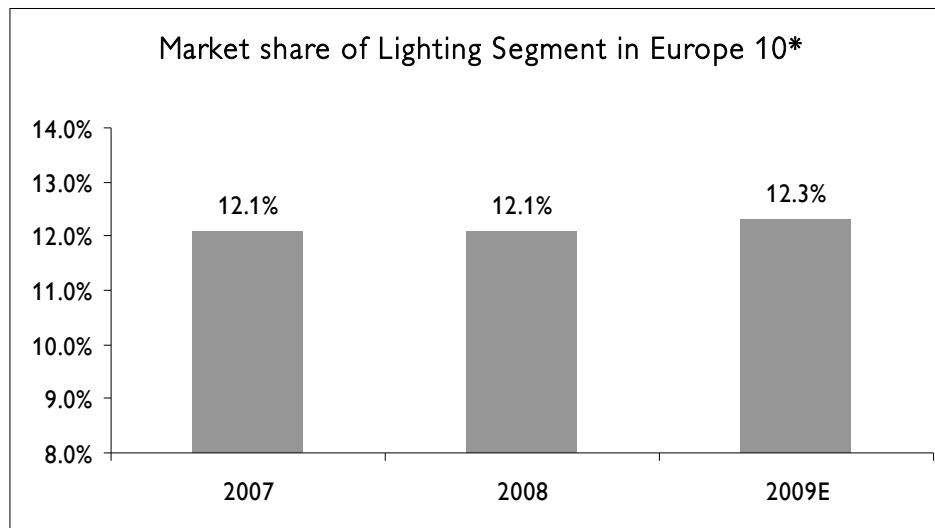
Market position in professional lighting

Well positioned in Europe

Leading position in Europe with our brands

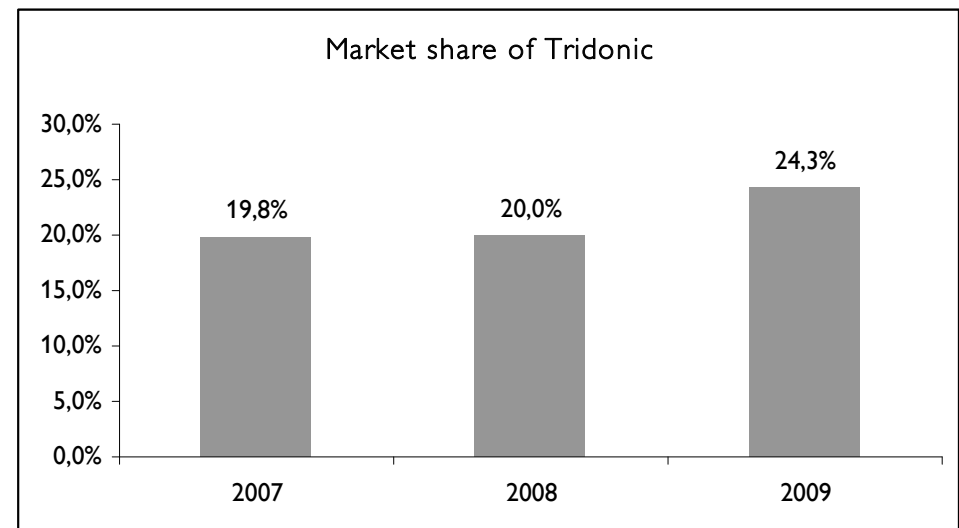
	AT	BNL	CH	D	DK	F	I	NO	S	GB	EUROPE 10
Zumtobel / Thorn	1	2	2	3	4	2	6	3	2	1	1
Tridonic / Ledon	1	3	2	3	3	3	2	1	1	1	2

- **Lighting Segment managed to maintain market leading position**



* Top 10 markets in Europe: AT, BNL, CH, D, DK, F, I, NO, S, GB
Source: Zumtobel Group (time line refers to calendar year)

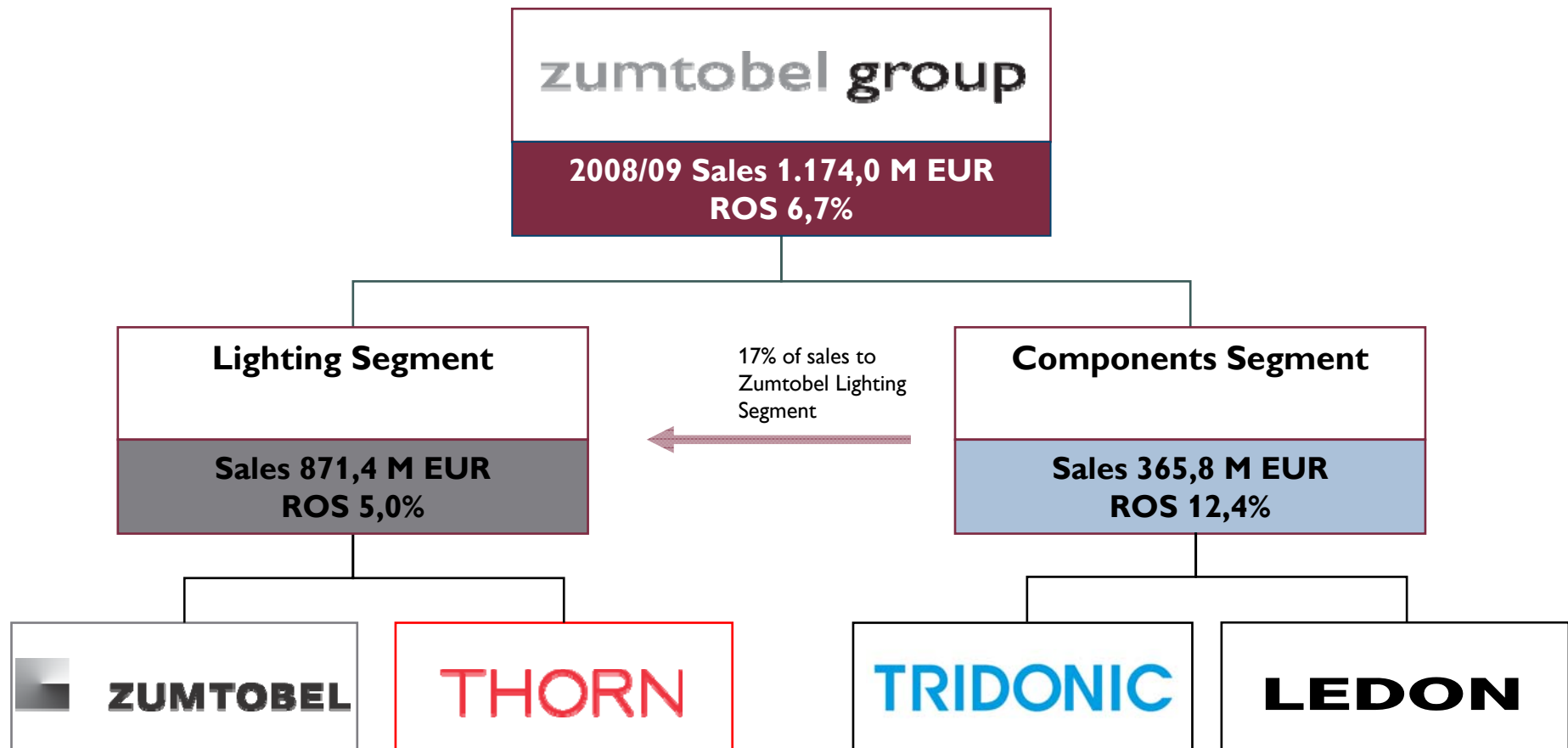
- **Tridonic successfully increased market share**



Source: Zumtobel Group / ZVEI statistic (time line refers to calendar year)

The world authority on lighting

The structure of the Zumtobel Group



Components Segment

The innovation leader in lighting components

TRIDONIC

- Tridonic is a **global brand**, recognised worldwide as **technology leader** in the development of lighting components
- Innovation leader in electronic and magnetic ballasts and LED components
- Leading OEM supplier (over 80% of sales with customers outside the Zumtobel Group)
- Tridonic puts its faith in **reliable products**, outstanding **customer service**, **long-term partnerships** and continuous **improvement** in all its fields of activity

LEDON

- **Ledon Lighting Jennersdorf:** a leading supplier of high-quality energy efficient LED components and modules. Market-leading expertise in chip-on-board technology, **high quality white-light products** including white light conversion and homogenous white light.
- **Ledon OLED Lighting Dresden:** Specialist within the group for developing and manufacturing innovative modules based on organic-light emitting diodes.
- **Ledon Lamp Dornbirn:** launched in 2010 to build up an end-consumer business for **high quality LED retrofit bulbs**



Zumtobel Lighting Segment

Two strong brands segmenting the market

THORN

- Thorn offers a **comprehensive product portfolio** for professional indoor and outdoor lighting
- Thorn maintains a **worldwide** presence
- The brand primarily addresses **traditional** and **technical** customers who set great store by **quality** and **reliability**
- One special strength of Thorn is the **outstanding service** it provides for customers in project business and the wholesale sector

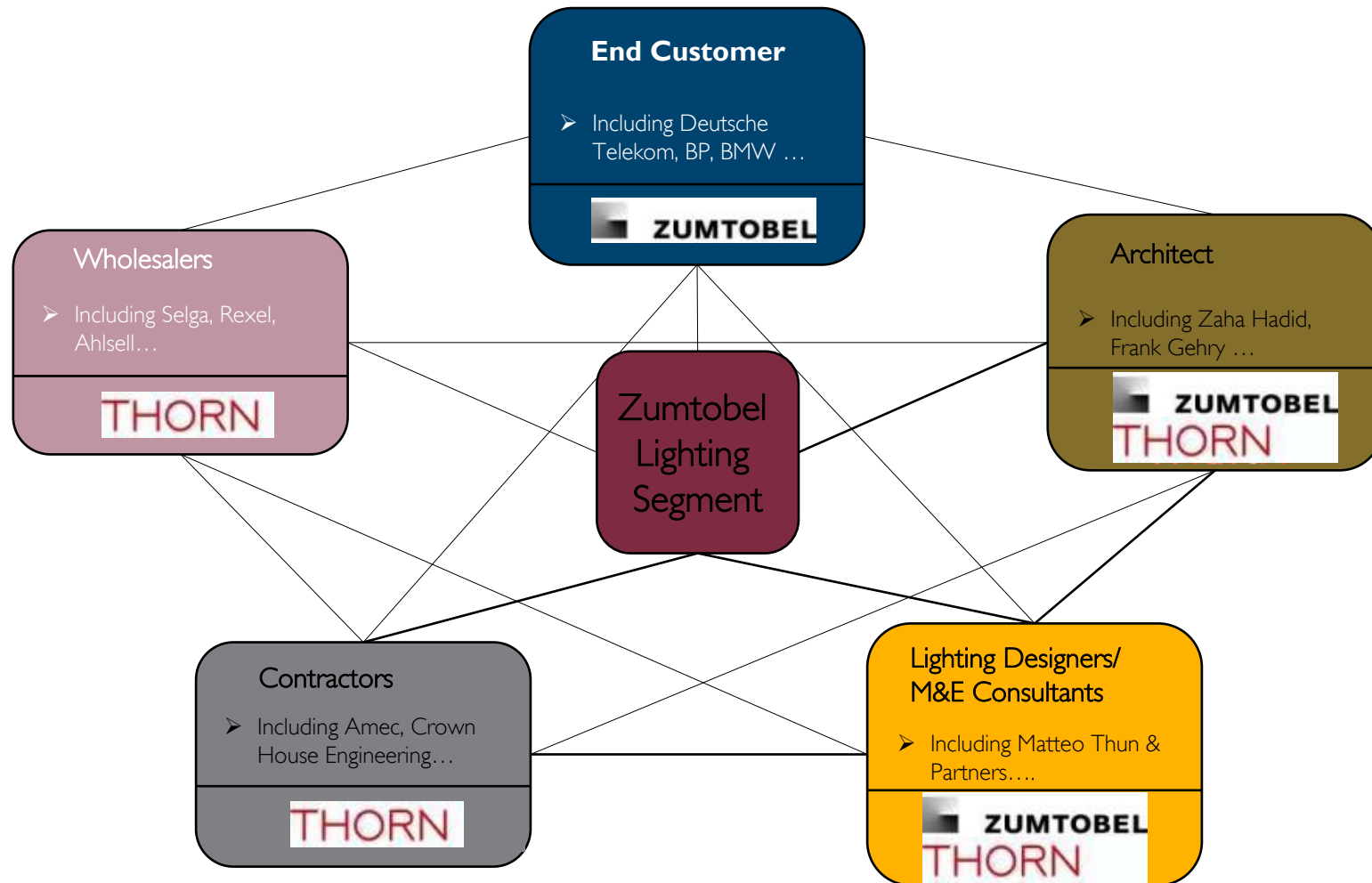
ZUMTOBEL

- Zumtobel is one of the world's leading suppliers of **integral lighting solutions** for all professional indoor lighting applications
- Zumtobel creates **unique customer benefits** through its specific blend of **innovation, design, emotion** and energy efficiency
- Zumtobel convinces customers through its **highly qualified sales team** and **outstanding customer service**



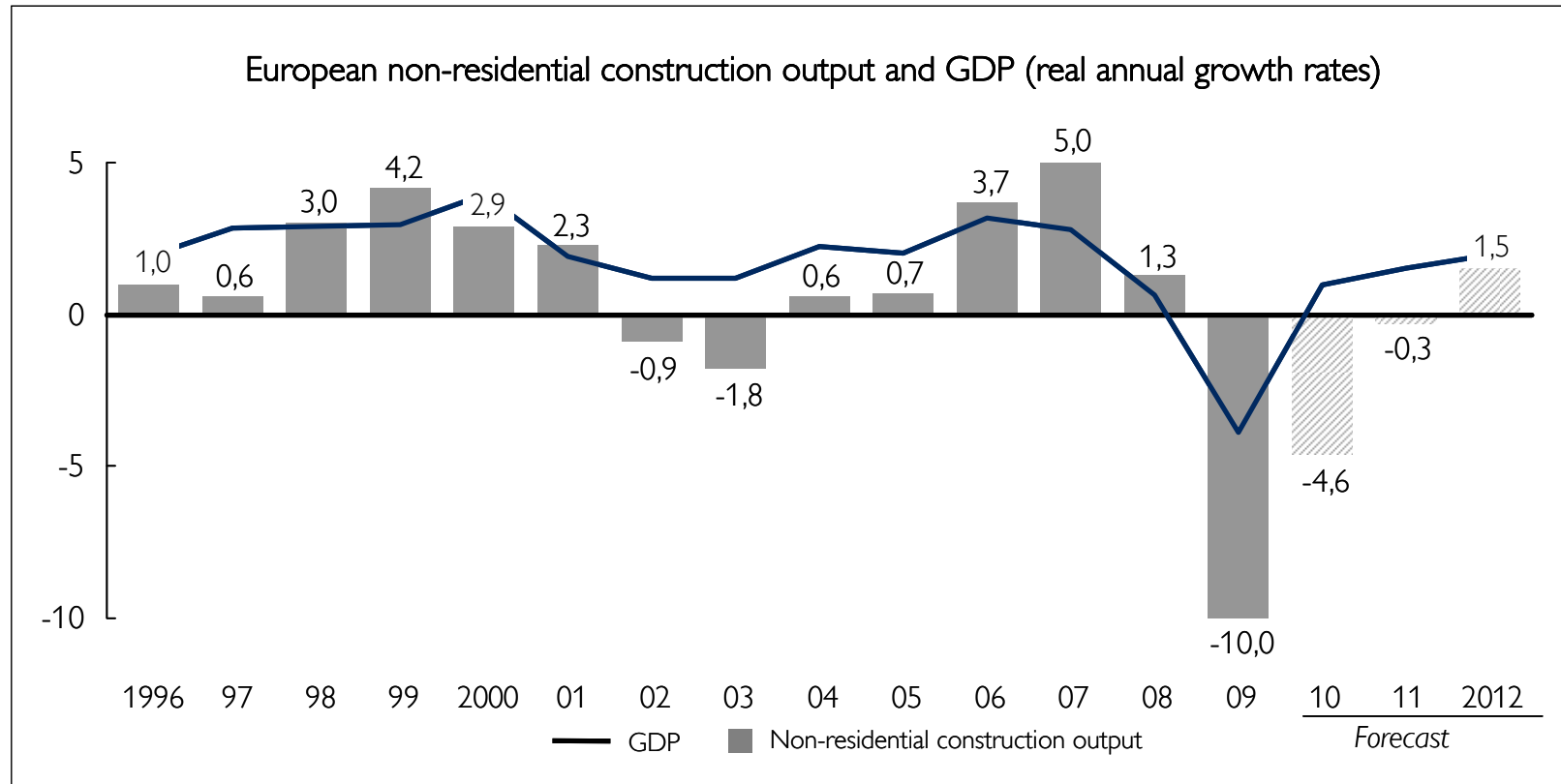
Zumtobel Lighting Segment

Unique distribution & selling network



Market environment

Overall set to stay difficult throughout 2010 and 2011

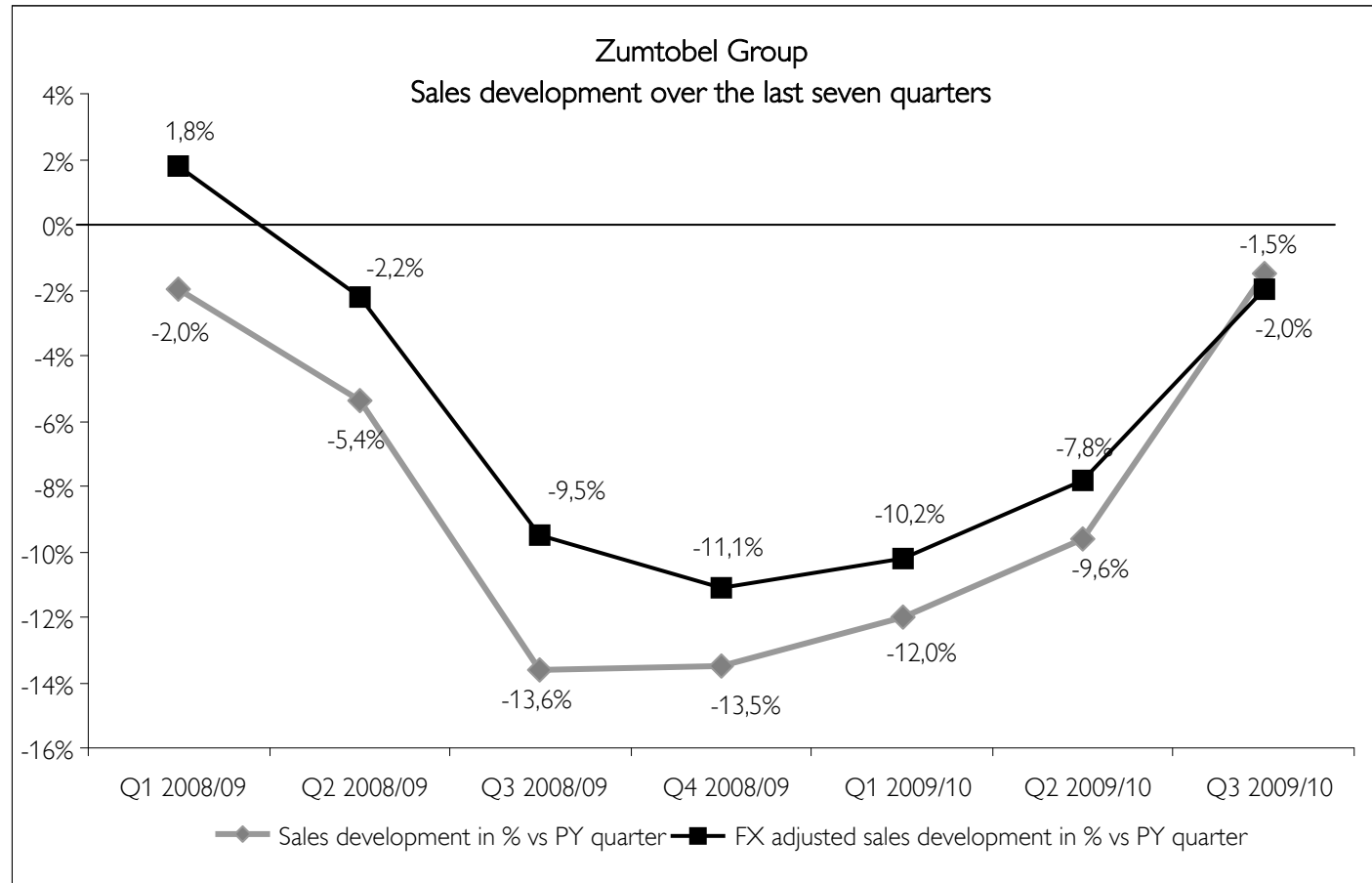


Source: Euroconstruct and Global Insight (GDP) for 19 European countries

- Construction markets (esp. non-residential) with larger amplitudes compared with GDP
- No recovery in European non residential construction markets to be expected before 2011

Revenue Development on Group level over the last 7 quarters

Further slowdown of the downwards trend



Chances and Risks

Moderate rise in optimism

Upside

- Flattening out of revenue decline for the Group
- Components Segment returns to growth path
- Dynamic growth in LED business
- Exploiting energy efficiency opportunities
- Continue growth in Emerging Markets (Asia)
- Further savings from “Excellerate”
- Opportunities from global economic stimulus packages and renovation cycle

Downside

- Further decline in non-residential construction
- Sales price pressure/unfavorable mix shift, especially in Lighting segment
- Continuing low visibility and high volatility
- Supply Chain bottlenecks (especially electronic components)
- Raw material pricing (e.g. steel, plastics, copper)
- Negative FX transaction impact (GBP, USD)

“Megatrends” as Zumtobel’s opportunities

Getting ready to capture the long term opportunities despite current crisis

Megatrends

Environment:

1. Economic sector changes
2. Rise of emerging economies
3. Price of energy

Materialized Knowledge:

4. Diffusion of technology
5. Digitalization / LED

Human Behavior:

6. Sustainability / Energy Efficiency
7. Aging population
8. Health and wellbeing
9. Brands & advertisement

- Identified Megatrends for the lighting industry still valid (i.e. Energy Efficiency, LED and Emerging Markets).
- In 2009, the lighting industry faced very difficult times due to the economic crisis
- The Zumtobel Group reacted swiftly and enforced Excellerate as a protective initiative
- 2010 will remain very difficult for the lighting industry and for Zumtobel
- We need to weather the storm while capturing market share and preparing for the upswing

Lighting Industry characteristics

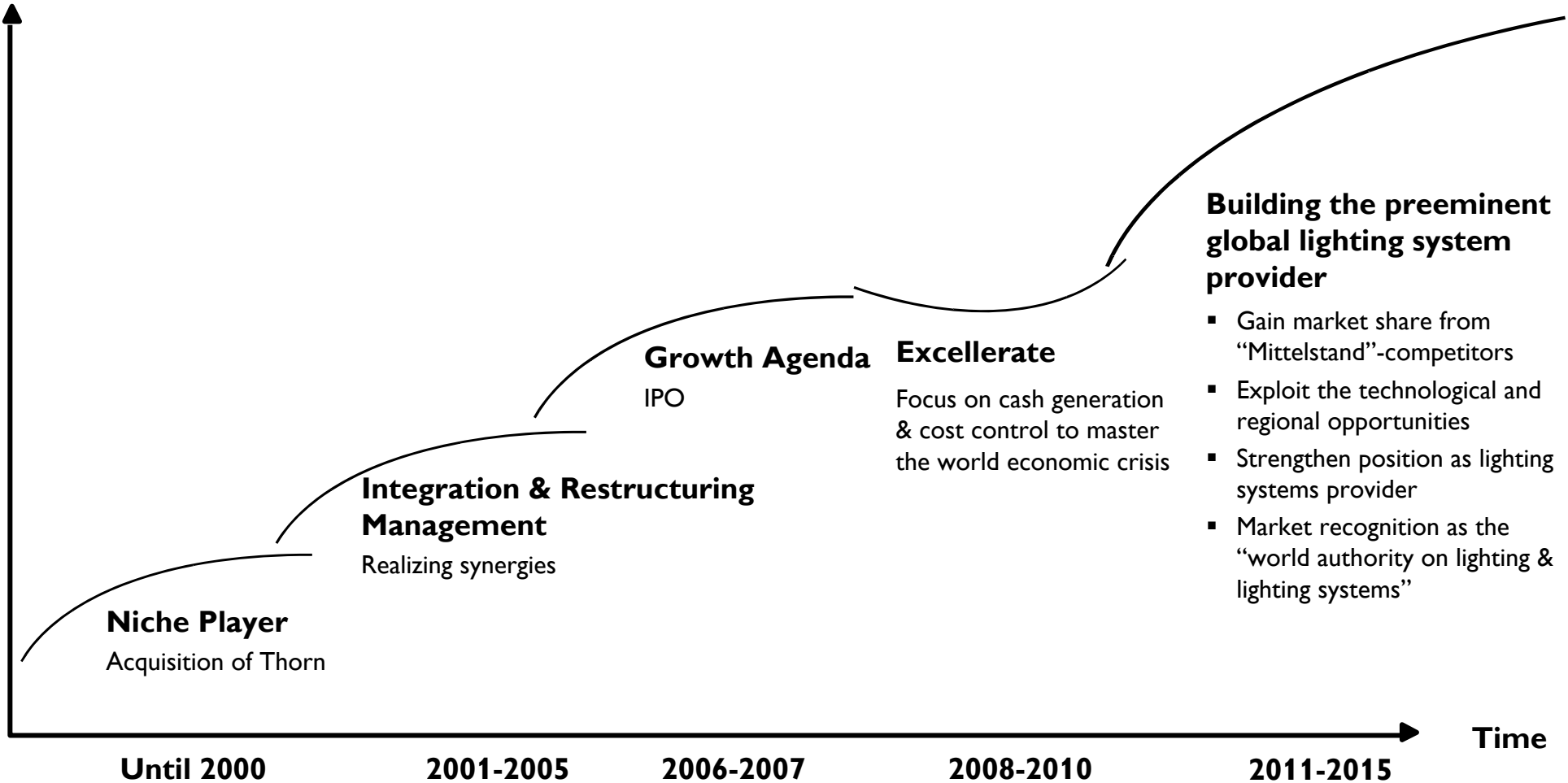
Transformation process to LED lighting will favour bigger lighting companies being able to harvest economies of scale

- The transformation from conventional lighting to LED is the biggest change in the industry since the 50's
- Full take-off of LED lighting markets is close at hand (from both a technology and cost standpoint)
- Strategies Unlimited forecasts 40-50% CAGR for LED in Lighting (2009-2014)
- Still scope of luminous efficiency improvement in terms of both chips and packages (all above in the phosphor conversion)
- Luminous efficiency of an LED light installed in a fixture depends also on technological capabilities of luminaire makers (e.g. fixtures' ability to dissipate heat, optical design, power circuit design, etc.)
- Electronic know-how, control technology (dimming, colour, temperature, etc), lighting design and implementation expertise are key success factors in LED Lighting
- The transformation process will lead to higher R&D (e.g. in software and electronic capabilities), higher Capex (e.g. in old and new technology), increasing product and system complexity and shorter product life cycles
- Successful luminaire companies will have to demonstrate all-around capabilities in creating lighting environments
- New potential entrants from Asia

Development of business model

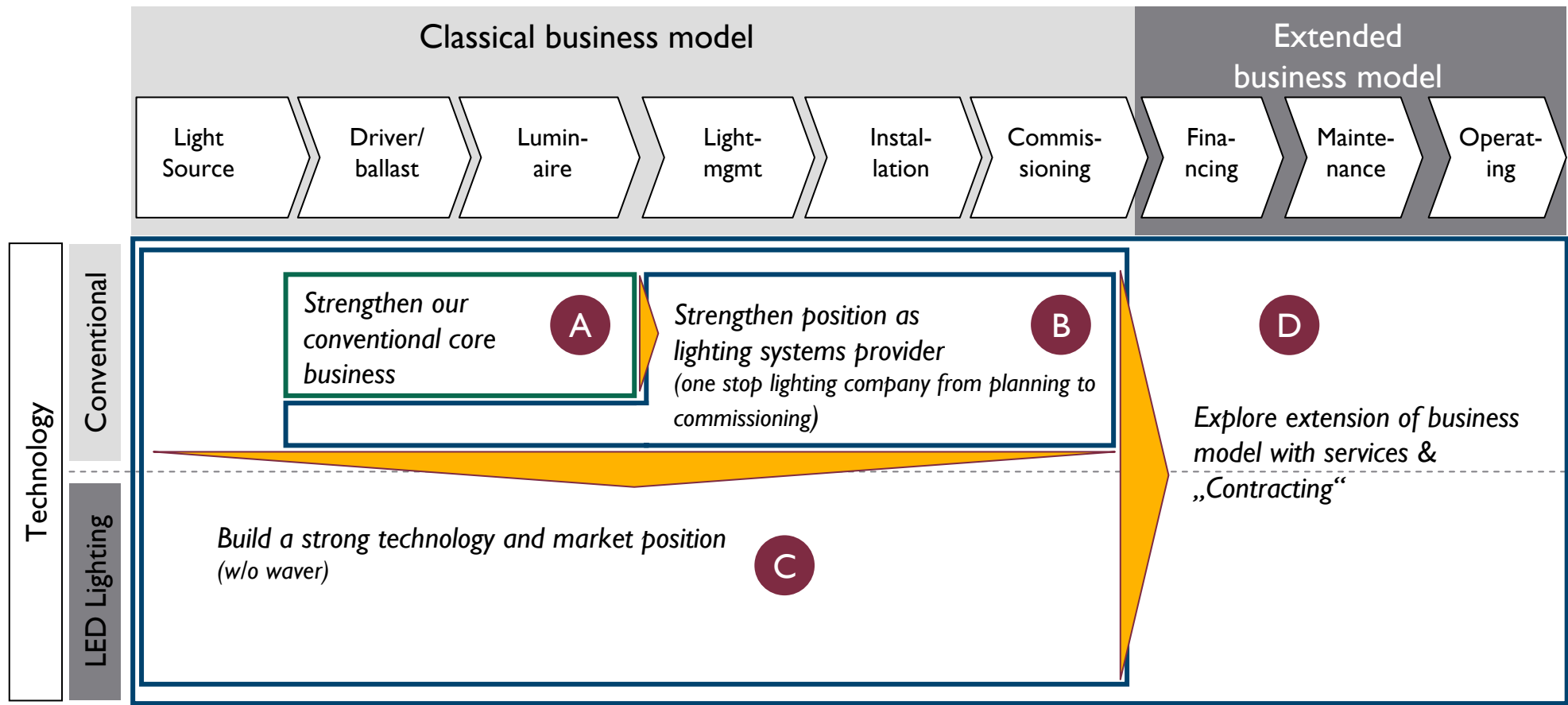
After Excellerate efforts, Zumtobel needs to adapt its business model to continue our success story



Zumtobel's evolutionary steps



Zumtobel Corporate Strategy

Based on a strong conventional core business, we need to extend our value proposition and become a lighting systems provider



-  Conventional core business of Z-Group
-  To be extended

Zumtobel Corporate Strategy

A: Strengthen the conventional core business as a groundwork for next steps

Targets

Lighting Segment:

- Focus on innovative and high quality products and solutions with competitive prices
- Further invest in Zumtobel's brand strength
- Increase Thorn's market penetration
- Increase profitability and efficient working capital management

Components Segment:

- Achieve at least Top-3 market position in all relevant markets based on technically leading products
- Exploit market potentials outside of European core markets
- Maintain magnetic ballasts capacity as long as positive cash flows are generated

Strategic Measures

- Internal and external focus on sustainability
 - Increase profitability through systematic pricing
 - Thorn positioning:
 - Strengthen outdoor business
 - Improve OTC footprint
 - Streamline indoor portfolio
 - Pursue Thorn's regional growth, especially outside core markets (currently UK, FR, Nordic)
 - Increase quality and efficiency of supply chain
-
- Focus on sustainability
 - Establish business Excellence Organisation with global reach and expand sales organisation in emerging markets
 - Joint development of energy efficient lighting control ICs with Dialog Semiconductor
 - Prepare for further demand decline for magnetic ballasts → consolidate capacity if necessary

Zumtobel Corporate Strategy

B: Strengthen position as a lighting systems provider

Targets

Lighting Segment:

- Offer lighting systems: optimize one-stop shop solutions
- Increase R&D expertise in this area
- Master complexity of processes, create user friendly systems
- Offer additional services for lighting systems solutions

Components Segment:

- Develop young business fields (emergency, dimming, controls, LED) and strengthen value chain
- Increase product development capacity
- Special focus on controls to increase system capability

Strategic Measures

- Put development focus on controls
- Increase lighting system competence by enhancing controls and lighting management capabilities
- Adapt sales concept and strengthen system sales and consulting
- Research synergies between Lighting Brands and Tridonic

Zumtobel Corporate Strategy

C: Drive penetration of LED in commercial lighting

Targets

Group:

- Increase LED revenues by 30% - 50% p.a.
 - ~1/3 of sales in LED by 2014/15
 - ~1/2 of sales in LED by 2019/20
- Development/production of key components to achieve strong market position
- Offer new LED substitutes for conventional products

Components Segment:

- Clear aim to become European market leader for quality white light LED modules
- Strongly influence development of industry standards
- Optimize production processes for LED products

Strategic Measures

- Continuously invest in LED know-how
 - Harvest know-how pool within the Group
 - Adapt to faster innovation cycle requirements within LED industry
-
- Leverage application know-how for developing leading white light LED modules
 - Increase SMD competence
 - Tap potential of downstreaming in value chain
 - Develop full range of LED converters

Zumtobel Corporate Strategy

D: Explore extension of business model with services

Targets

Lighting Segment:

- Leverage direct access to the end customer
- Explore business model for services as an additional income source (e.g. contracting)
- Identify potential new customers / business models

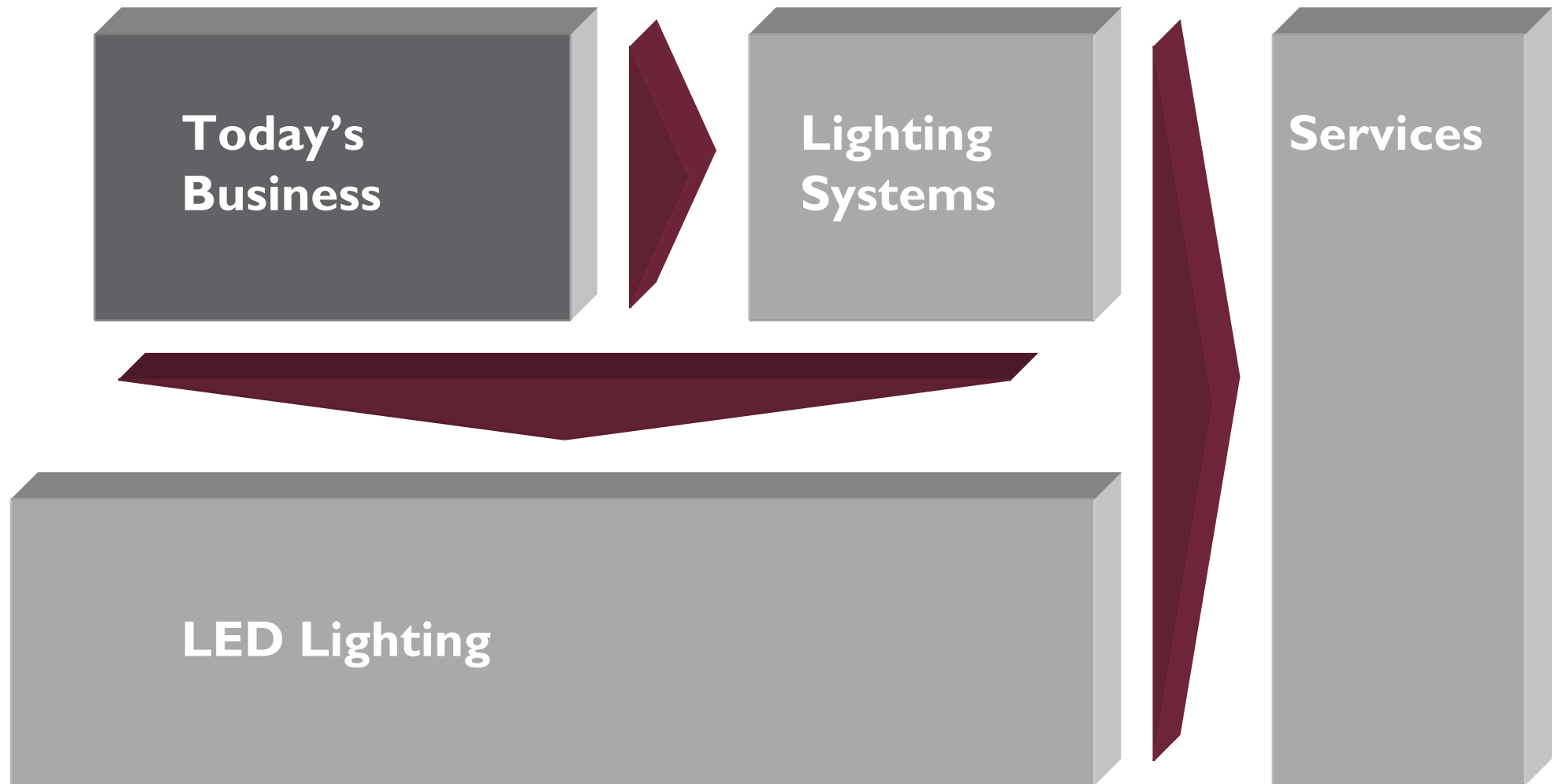
Strategic Measures

- Pilot projects for new contracting model
- Develop organisational competencies for alternative business model
- Screen potential partnerships or acquisitions

Zumtobel Group's Strategy

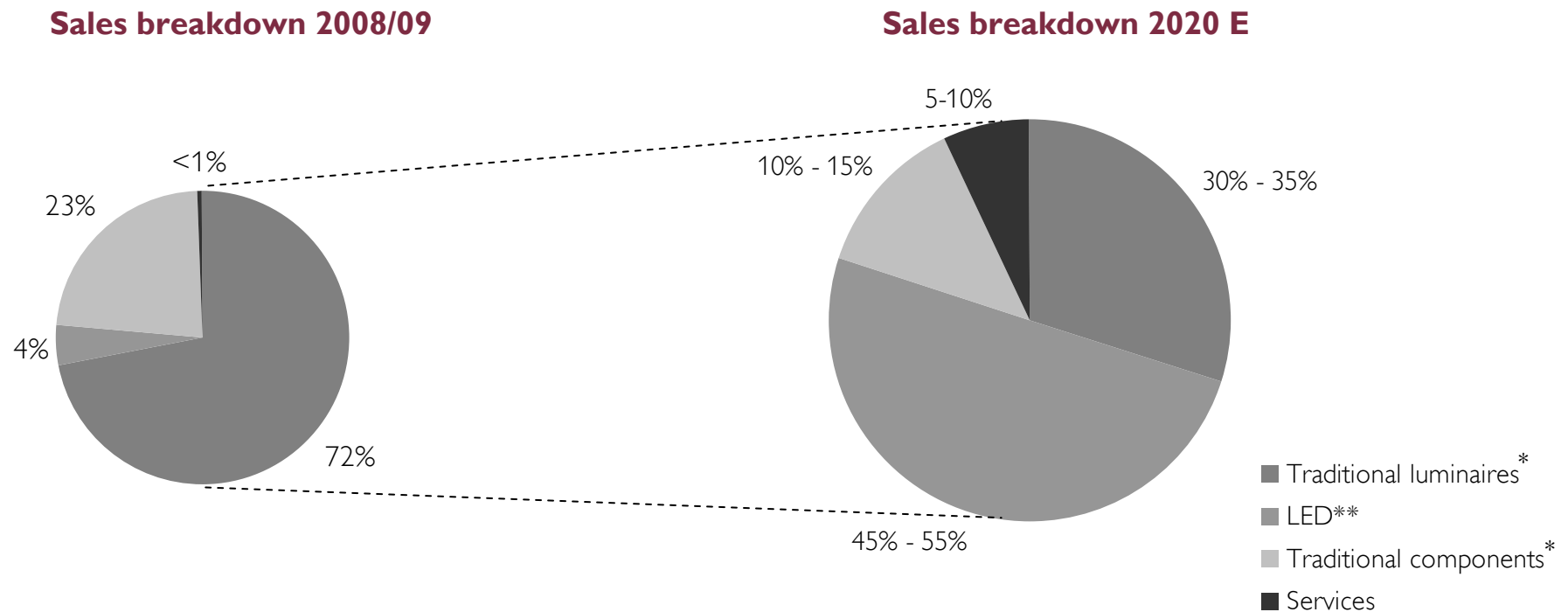
Create a bright future for Zumtobel Group

as the premium, independent lighting system provider



Vision 2020 at a glance

The Zumtobel Group targets to gain market share, mainly from “Mittelstand”-competitors and driven by strong growth rates in LED and services business



* w/o LED ** LED revenues with luminaires and components