

# **Zumtobel Capital Markets Day**

**IFRS-related accounting  
changes in annual closing 2006/07**

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# IFRS-related Accounting Changes in Annual Closing 06/07

Zumtobel will change presentation of B/S and P&L per 30.4.2007

## ▪ Why we change?

- Adaption of IFRS-requirements due to recommendations of KPMG as our new auditor
- Better presentation of divisional operating performance
- More transparency

## ▪ What we change?

- Allocation of assets in Segment Reporting (IAS 14)
- Recognition of Pension Deficit (IAS 19)
- Recognition of R&D Expenses (IAS 38)

## Segment Reporting (IAS 14)

- **Currently all Austrian property & buildings are leased by the divisions from ZAG. Those are therefore recognised as „other“.**
- **Accounting Changes:**
  - Reallocation of Zumtobel AG property & buildings into subgroups according to economic utilisation**
    - Allocation of property and buildings to subgroups
    - Elimination of rental charges (incl. share of profit) in subgroups
    - Consideration of depreciation and maintenance within subgroups, who now need to take ownership of „their“ buildings
  - Restatement of Prior Year

# IFRS-related Accounting Changes in Annual Closing 06/07

## Business Segments - Financial Statement April 06 / Interim Financial Statement July 06

	Business Segments	Zumtobel Lighting Division		Tridonic Atco Division		Other und Consolidation		Group	
		April 06	July 06	April 06	July 06	April 06	July 06	April 06	July 06
Actual Practice	<b>Operating Profit</b>	63.879	21.030	31.730	9.970	-9.461	85	86.148	31.085
	<i>as a % of Net Revenues</i>	7,0%	9,1%	9,3%	10,5%	14,6%	-0,5%	7,3%	10,1%
	<i>as a % of the group</i>	74,2%	67,7%	36,8%	32,1%	-11,0%	0,3%	100,0%	100,0%
	<b>Assets</b>	684.360	696.809	199.798	206.391	194.176	177.977	1.078.335	1.081.177
	<i>as a % of the group</i>	63,5%	64,4%	18,5%	19,1%	18,0%	16,5%	100,0%	100,0%
	<b>Depreciation</b>	-20.042	-5.817	-17.573	-4.613	2.807	696	-34.807	-9.734
	<i>as a % of the group</i>	57,6%	59,8%	50,5%	47,4%	-8,1%	-7,2%	100,0%	100,0%
Adjustment	Operating Profit	3.615	923	1.164	334	-4.779	-1.257		
	Assets	27.301	26.724	18.401	18.198	-45.702	-44.922		
	Depreciation	-1.246	-257	-707	-177	1.953	433		
Future Practice	<b>Operating Profit</b>	67.495	21.953	32.894	10.304	-14.241	-1.172	86.148	31.085
	<i>as a % of Net Revenues</i>	7,4%	9,5%	9,7%	10,8%	22,0%	6,7%	7,3%	10,1%
	<i>as a % of the group</i>	78,3%	70,6%	38,2%	33,1%	-16,5%	-3,8%	100,0%	100,0%
	<b>Assets</b>	711.662	723.534	218.200	224.589	148.474	133.055	1.078.335	1.081.177
	<i>as a % of the group</i>	66,0%	66,9%	20,2%	20,8%	13,8%	12,3%	100,0%	100,0%
	<b>Depreciation</b>	-21.288	-6.074	-18.280	-4.790	4.761	1.130	-34.807	-9.734
	<i>as a % of the group</i>	61,2%	62,4%	52,5%	49,2%	-13,7%	-11,6%	100,0%	100,0%

## Pensions und Severance Compensation (IAS 19)

### ▪ **Actual Practice:**

- Pensions: application of the corridor-method
- Severance Compensations<sup>1</sup>: recognition of actuarial gains and losses through P&L
- Pension deficit is „off-balance“ and hidden in the notes

### ▪ **Accounting Changes (Pensions & Severance Compensations):**

- Full recognition of pension deficit in the balance sheet (as provision) resulting in a more transparent disclosure of financial status
- Recognition of current service costs, interest costs and expected return on plan assets based on actuarial forecast through P&L
- Recognition of actuarial gains and losses in equity and not through P/L
- Actuarial gains and losses comprise:
  - the effects of changes in actuarial assumptions
  - the effects of differences between the previous actuarial assumptions and what has actually occurred
- Presentation of all pension and severance effects in the „statement of recognised income and expense“ (showing both neutral and P/L effective positions)
- Decrease of Equity Ratio and Increase of Gearing
- No more surprises in P&L at Year End and thus increased ability of forecasting
- Restatement of Prior Year

<sup>1</sup> Austrian „Abfertigung“

# Consequences of Accounting Changes

## Effect on P&L and Notes

	Actual	Restatement	Change	Effect on	
	April 2006			Prior Year	Actuals
<b>Opening Balance Provision / asset (-)</b>	<b>53.729</b>	<b>53.729</b>	<b>0</b>		
Service expens (acc. to plan)	8.109	8.109	0	=> EBIT	=> EBIT
Interest expense (acc. to plan)	10.470	10.470	0	=> Fin. Result	=> Fin. Result
Interest income (acc. to plan)	-6.603	-6.603	0	=> Fin. Result	=> Fin. Result
actuarial profit/loss (diff. Plan - Act)	6.201	0	-6.201	=> Equity	=> SORIE/Equity
<b>TOTAL Profit &amp; Loss</b>	<b>18.178</b>	<b>11.977</b>	<b>-6.201</b>		
<b>Payments</b>	<b>-9.934</b>	<b>-9.934</b>	<b>0</b>	=> Cash Flow	=> Cash Flow
<b>Actuarial gains/losses</b>	<b>0</b>	<b>52.664</b>	<b>52.664</b>	=> Equity	=> --
<b>Others</b>	<b>149</b>	<b>149</b>	<b>0</b>		
<b>Closing Balance Provision / asset (-)</b>	<b>62.121</b>	<b>108.584</b>	<b>46.463</b>		
thereof provision	65.201	108.584	43.383		
thereof asset	-3.080	0	3.080		
<b>Disclosure Liability / Asset</b>					
Thereof DBO	229.504	229.504	0		
Thereof Asset	-120.920	-120.920	0		
Thereof actuarial gains/losses (not recognised in B/S)	-46.463	0	46.463		

# Consequences of Accounting Changes

## Effect on Balance Sheet

April 2006	Actual	Restatement	Change
<b>Assets</b>	<b>1.078.335</b>	<b>1.075.255</b>	<b>-3.080</b>
thereof Assets IAS 19	3.080	0	-3.080
<b>Equity</b>	<b>223.722</b>	<b>177.259</b>	<b>-46.463</b>
therof Net Income	43.220	49.421	6.201
thereof "neutral" settlement	0	-52.664	-52.664
Equity Ratio	<b>20,7%</b>	<b>16,5%</b>	<b>-4,3%</b>
<b>Liabilities</b>	<b>854.613</b>	<b>897.996</b>	<b>43.383</b>
thereof Liability IAS 19	65.201	108.584	43.383
<b>Net Income 2005/06</b>	<b>43.220</b>	<b>49.421</b>	<b>6.201</b>
thereof IAS 19	-18.178	-11.977	6.201
<b>Equity per <u>October 2006</u></b>	<b>437.992</b>	<b>385.327</b>	
Equity Ratio	<b>38,90%</b>	<b>34,20%</b>	<b>-4,7%</b>
<b>Gearing (Net Debt/Equity) <u>October 2006</u></b>	<b>55,30%</b>	<b>62,90%</b>	<b>7,6%</b>

## Recognition of R&D-expenses in P&L

### ▪ **Actual Situation:**

- Recognition of depreciation from capitalized development projects within „Cost of goods sold“
- Recognition of remaining development cost within functional area „Development“ i.e. below Gross Profit
- Asymmetric recognition
- Not fully in line with IAS 2

### ▪ **Accounting Changes:**

- All development cost will be recognised within „Cost of goods sold“
- Research cost will be recognised within „Selling expenses“
- Restatement of Prior Year
- Elimination of P&L-Line R&D
- Full Disclosure of R&D-cost in notes

### ▪ **Consequences:**

- Decrease of Gross Profit and related Key data
- P&L is fully IAS compliant

# IFRS-related Accounting Changes in Annual Closing 06/07

## Recognition of R&D-expenses in P&L

	Q II 06/07 YtD	Reclassification	QII 06/07 YtD restated
	TEUR	TEUR	TEUR
Revenues	625.621		625.621
Cost of goods sold	-373.905	-11.748	-385.653
<b>Gross profit</b>	<b>251.716</b>	<b>-11.748</b>	<b>239.968</b>
<i>in %</i>	<b>40,2%</b>		<b>38,4%</b>
Selling expenses	-137.393	-408	-137.801
Administrative expenses	-38.941		-38.941
Research and development expenses	-12.156	12.156	0
Other operating results	2.113		2.113
<i>thereof "exeptionals"</i>	-1.184		-1.184
<b>Operating profit</b>	<b>65.338</b>		<b>65.338</b>

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