

Press Release

Dornbirn, Austria 30 June 2008

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## **Zumtobel Group financial results 2007/08:**

### **Lighting group reports further growth despite foreign exchange effects**

- **Consolidated revenues increase to EUR 1,282.3 million (+ 3.9%)**
- **Adjusted for negative foreign exchange effects, growth reaches 5.5%, mainly from European core markets**
- **Further improvement in EBIT margin, up 50 basis points to 9.6%**
- **Share of revenues posted by "green" products: luminaires 70%; components 60%**
- **Proposed dividend of EUR 0.70 per share**
- **Outlook: foreign exchange effects, rising costs and economic slowdown will impact on growth and profitability**
- **Management Board reaffirms medium-term goals**

Dornbirn, Austria – The Zumtobel Group based in Dornbirn, Austria, was able to post a further increase in both revenues and earnings (EBIT) in the 2007/08 financial year. The international lighting group's dynamic growth was, however, slowed by foreign exchange effects in the amount of approximately EUR 20 million, resulting from the strength of the euro. Thus the Zumtobel Group concluded the reporting year with consolidated revenues EUR 1,282.3 million (2006/07: EUR 1,234 million), which equates to year-on-year growth of 3.9% (2006/07: +5.6%). After adjustment for negative foreign exchange effects, growth was on a par with the previous year at 5.5%. Adjusted EBIT (earnings before interest and taxes, adjusted for special effects) rose from EUR 112.3 million in the previous year to EUR 123 million (+9.5%), enabling the Zumtobel Group to increase its EBIT margin by 50 basis points from 9.1% in the previous year to 9.6% in the reporting year.

#### **Zumtobel Group CEO Andreas Ludwig summed up the 2007/08 financial year in positive terms:**

"Overall we can look back on another successful year in which we were able to maintain the pattern of growth established over the last three years. One particularly rewarding aspect was the positive development of business in our European core markets, where we posted growth of 5.9% – which equates to no less than 7.6% after adjustment for foreign exchange effects. So we have reached our goal of significantly outperforming the commercial construction sector in Europe. The rise in the value of the euro hit us hard. In the second half-year in particular the strong euro slowed the pace of our growth by almost two percentage points."

#### **Revenues by division**

The Zumtobel Lighting Division with the Zumtobel and Thorn brands was affected to an above-average extent by foreign exchange effects, which totalled EUR 16.8 million. Revenues therefore rose by just 2.9% in the reporting year, reaching EUR 948.9 million (2006/07: EUR 921.9 million). After adjustment for foreign exchange effects, the increase in revenues equalled 4.8%. The components and system business of the TridonicAtco Division again proved an important growth driver for the Group, as revenues moved ahead 5.7% from EUR 378.9 million in 2006/07 to EUR 400.4 million in 2007/08.

At both divisions the topic of energy efficiency remained high on the agenda. The Zumtobel Lighting Division already secured around 70% of its revenues with energy-efficient products, while the comparable figure for the component business is around 60%. Revenues from trend-setting LED products and lighting solutions continued to show dynamic growth, rising 80% in the reporting year to EUR 37.1 million (2006/07: EUR 20.6 million).

## Revenues by region

Broken down by region, the Group recorded revenues of EUR 1,041.0 million in Europe, which represents 81% of total Group revenues (2006/07: EUR 982.6 million or 80%). The strongest growth in the D/A/CH region (Germany, Austria and Switzerland), which returned revenues of EUR 308.9 million (+5.7%) came in Germany. Developments in the remaining European regions (South: +9.1%, West +4.2%, North +7.6%) were positive across the board, with all of these regions benefiting from a marked improvement in business for the Thorn brand. Revenues in the growth market of Eastern Europe rose by 9.9% to EUR 67.9 million.

On the other hand, the Group's business in overseas markets was not satisfactory. Following a succession of boom years, revenues in Asia dropped 6.5% to EUR 87.4 million. In America the weakness of the dollar was the main cause of a 14.6% downturn in revenues. Business in Australia returned growth of 4.1% on the back of positive foreign exchange effects but nevertheless proved disappointing, particularly in respect of the development of earnings.

"Business outside Europe fell well short of our expectations. The problems in Australia were related to operational teething troubles at our new production plant and we are working to resolve these issues. In Asia too we have already introduced remedial measures and will be focusing our activities more precisely on selected regions of Asia and on clear positioning for our brands. We are convinced that, before the current financial year is out, we will once again benefit from the dynamic construction activities in Asia," **said CEO Andreas Ludwig.**

## Development of earnings

The rise in the EBIT margin to 9.6% mainly resulted from revenue growth and marked improvements in efficiency in the production sector, which also offset the substantial increases in personnel expenses and the cost of materials. Net income for the year showed a year-on-year fall of EUR 10.1 million to stand at EUR 93.5 million. The reasons for this downturn are to be found in an item of non-recurring earnings in the previous year in the amount of EUR 9.4 million from the sale of the airfield lighting activities, as well as in realised and unrealised losses owing to foreign exchange effects.

## Further improvement in balance sheet structure

Based on the continuing rises in revenues and earnings, the balance sheet structure of the Zumtobel Group too has shown further improvement. Equity rose to EUR 514.2 million (2006/07: EUR 441.6 million) in spite of the EUR 72.6 million dividend payment for the previous financial year. This led to an increase in the equity ratio from 38.6% to 46.5%. Net debt showed a further reduction in the reporting year, falling from EUR 185.7 million to EUR 129.0 million. The strengthening of the balance sheet structure also had a favourable impact on the Group's credit rating and on the financing opportunities available to it. Thus in June 2008 the Zumtobel Group signed a new five-year credit agreement for

EUR 480 million at far more attractive terms, including EUR 280 million for growth and acquisition financing.

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## **Personnel trends**

On the balance sheet date (30 April 2008) the size of the workforce at the Zumtobel Group showed a year-on-year rise of 228 to a total of 7,708 full-time employees. In Austria the Group employed 2210 full-time employees in 2007/08, which equates to a modest increase of 84. After the production sector with 4,286 employees, the second largest area in terms of headcount is the sales sector with 2,345 full-time employees.

## **Proposed dividend**

The company, which has been listed on the Vienna Stock Exchange since 12 May 2006, intends to allow its shareholders to participate more strongly in the positive development of earnings. The Management Board and Supervisory Board will therefore recommend that the annual general meeting on 29 July 2008 approve a 40% increase in dividend to EUR 0.70 per share (2006/07: EUR 0.50 per share).

## **Milestones for the 2008/09 financial year**

To ensure that it remains on course for additional profitable growth, in the reporting year the Zumtobel Group made significant strategic preparations. These included increasing the Group's stake in the Thorn brand's Indian sales company to its current level of 70% and the acquisition of two sales partners in Hungary and Denmark. In April 2008 the Zumtobel Group acquired the Italian residential luminaire company OY light, in order to make use of its supply chain and agency network for the establishment of its own business with high-end residential luminaires. Just after the beginning of the current financial year, the Group also acquired the Italian Space Cannon company, a specialist in LED-based outdoor, façade and event lighting solutions.

## **New organisational structure in 2008/09**

The onset of the current financial year also brought the introduction of the new organisational structure at the Zumtobel Group, bringing together the former LED start-ups to form a separate division. The role of the new Zumtobel LED Division is not only to provide optimum support for all the existing Group brands by supplying innovative LED technology but also to use LED lighting solutions to open up new market segments outside the Group's existing application areas.

## **Outlook for 2008/09**

The Zumtobel Group expects a weaker operating environment in its markets during the remainder of 2008. This outlook is confirmed by the latest Euroconstruct report dated June 2008: the forecasts for commercial construction in the most important European markets for the Zumtobel Group have been cut back from 3.0% to 1.5% for the 2008 calendar year and from 2.1% to 0.6% for 2009. Along with the uncertain economic backdrop, further negative foreign exchange effects and a strong rise in personnel and material costs will impact on the lighting group's business.

"Along with the overall weaker economic environment we also expect demand to remain highly volatile, which makes precise growth forecasts more difficult. After adjustment for foreign exchange factors, the revenue growth recorded by the Zumtobel Group in the reporting year should outpace the growth rates

in the European commercial construction sector by between 2% and 3%. In view of the substantial impact of foreign exchange effects and rising costs, we consider an EBIT margin of between no more than 8% and 9% to be realistic for the 2008/09 financial year. The highest negative variances are expected to occur during the first half-year because of recent foreign exchange developments. For the financial year as a whole we are expecting the negative impact on earnings of the strong euro alone to total approximately EUR 11 million," **said Andreas Ludwig, commenting on the outlook for 2008/09.**

### Medium-term goals

Assuming that a positive economic backdrop is restored and exchange rates stabilise, the Management Board of the Zumtobel Group nevertheless reaffirms the Group's mid-range goals. Consolidated revenues are expected to rise to EUR 1.5 billion in the medium-term with LEDs contributing EUR 100 million. In terms of earnings, the Group is out to achieve a double-digit EBIT margin over the medium term and increase this margin to as much as 12% over the long-term. These goals are based on the proven earnings potential of the Group's core business in Europe, on the targeted improvement in revenues and earnings from activities outside Europe, and on the future earnings potential of LED activities.

### The key indicators at a glance

**Tables 1+2: The 2007/08 financial year compared to 2006/07**

in EUR million	2007/08	2006/07	Change in %
Revenues	1,282.3	1,234.0	3.9
Adjusted EBIT <sup>1</sup>	123.0	112.3	9.5
<i>as a % of revenues <sup>2</sup></i>	9.6	9.1	
EBIT	121.9	114.5	6.4
Profit before tax	87.9	90.3	(2.7)
Net profit for the year	93.5	103.6	(9.8)
Earnings per share (in EUR)	2.09	2.34	(10.7)

in EUR million	2007/08	2006/07
Total assets	1,105.9	1,145.4
Equity	514.2	441.6
<i>Equity ratio in % <sup>3</sup></i>	46.5	38.6
Net debt	129.0	185.7
Cash flow from operating results	166.0	173.8
Investments	66.0	54.3
Headcount (full-time equivalent)	7,708	7,480

**Table 3: Q4 2007/08 (February – April) compared to Q4 2006/07**

in EUR million	4th Quarter 2007/08	4th Quarter 2006/07	Change in %
Revenues	316.3	312.7	1.1
Adjusted EBIT	25.7	25.3	1.5
<i>as a % of revenues</i>	<i>8.1</i>	<i>8.1</i>	
EBIT	25.9	27.4	(5.4)
Profit before tax	10.4	22.2	(53.3)
Net profit for the year	24.8	24.2	2.5
Earnings per share (in EUR)	0.56	0.54	2.8

(1) Earnings before interest and taxes adjusted for special effects; prior year also adjusted for other non-recurring effects

(2) Adjusted EBIT as a proportion of revenues

(3) Financial liabilities minus liquid funds

## **Information**

The press information can be downloaded at: [http://www.zumtobelgroup.com/com/de/latestnews\\_f.htm](http://www.zumtobelgroup.com/com/de/latestnews_f.htm)

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## **The Zumtobel Group – global market leader in the lighting industry**

The Zumtobel Group, based in Dornbirn in the Vorarlberg region of Austria, is one of the few global players in the lighting industry. The Group, which started life as Elektrogeräte und Kunstharzpresswerk W. Zumtobel KG in 1950, today employs a workforce of more than 7,700 and in the 2007/08 financial year posted revenues of EUR 1,282.3 million. Under the leadership of its Management Board of Andreas J. Ludwig (CEO) and Thomas Spitzenpfeil (CFO), from 1 May 2008 the Group comprises the following divisions: the Zumtobel Lighting Division deals with the luminaire business and includes the Thorn and Zumtobel brands. The Zumtobel Components Division (TridonicAtco) handles the lighting components business, while the Zumtobel LED Division supports the LED activities of the other Group brands, as well as opening up new customer segments through the Ledon brand. With the Zumtobel Residential Division the Group is also building a small exclusive line of business with residential luminaires. The financial year of the Zumtobel Group commences on 1 May and ends on 30 April. For further information, please visit [www.zumtobelgroup.com](http://www.zumtobelgroup.com).