

Press Release

Dornbirn, Austria, 12 March 2009

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Zumtobel AG third quarter report (May – January): **Lighting group adapts to the economic crisis**

- **Revenues decline by 13.6% in Q3; 6.8% down for first nine months**
- **Foreign currency effects also impact on earnings:
EBIT margin 6.9% after first nine months (prior year: 10.1%)**
- **Rapid adaptation of cost structure and further reduction in headcount**
- **Focus on liquidity management**

Dornbirn, Austria – The full impact of the global economic crisis reached the Austrian lighting company Zumtobel Group in the third quarter of the current financial year (November to January). Third quarter revenues fell 13.6% to EUR 259.3 million (prior year: EUR 300.0 million). The Zumtobel Group recorded revenues of EUR 900.5 million in the first nine months (May to January) which represents a decrease of 6.8% (PY: EUR 966.1 million). More than half of this decline (EUR 35.4 million) was caused by negative foreign exchange effects, above all from the weak British Pound. After adjustment for these effects, revenues for the first nine months were 3.1% less than in the comparable prior year period.

Development of earnings

Adjusted earnings before interest and taxes (EBIT) reached EUR 62.6 million for the first three quarters. This equates to a drop of 35.7% over the comparable prior year period, when the Zumtobel Group posted record earnings of EUR 97.2 million. Roughly EUR 9 million of the downturn in earnings was caused by negative foreign exchange effects. Accordingly the EBIT margin fell from 10.1% to 6.9%. On account of the sharp drop in third quarter revenues, adjusted EBIT for the period from November to January showed a steep fall to EUR 2.5 million.

"In the third quarter the full impact of the international economic crisis made itself felt in our business too. As expected, we saw a fade in revenues. Compared to earlier recessions, however, the speed, the global reach and the intensity of this slump in our business has entered a new dimension. We were quick to adapt to the crisis and had already initiated an efficiency programme in the previous quarter, through which we aim primarily to cut our structural costs by roughly EUR 50 million. In view of the unexpected strong drop in revenues, however, we will now be taking additional measures to bring our capacities and structural costs more extensively and more rapidly into line with the market situation than was originally planned," explained Zumtobel Group CEO Andreas Ludwig.

Development of headcount – adjustments to the workforce

In the third quarter the size of the global workforce at the Zumtobel Group fell from 7,921 to 7,575 employees (full-time equivalent including contract workers but not including apprentices). This reduction was largely due to natural fluctuation, employees taking earlier retirement, individual agreements and a cut-back of roughly 70 contract workers. At the same time, over recent months measures such as flexible working hour agreements, reduction of vacation accounts and overtime accounts, etc. were introduced. In view of the scale of the drop in revenues, however, it must be assumed that – depending on the take-up of capacity at the individual plants – these measures alone will not be sufficient: "In the

meantime we have encountered sharp drops in output volume at all our plants. Depending on the location and on our options under collective bargaining agreements, we are aiming to reach agreement with our employee councils on flexible and creative solutions that will enable us to keep as many employees as possible on board. This includes measures such as training leave and/or state-subsidised training measures, short-time working, suspension agreements or temporary reductions in working hours. In addition to this, however, we will have to let people go at most of our locations," said Andreas Ludwig.

Development by segment and region

A breakdown by segment reveals that both the Lighting Segment (Zumtobel / Thorn) and the Components Segment (TridonicAtco) were affected by the negative impact of the economic crisis in the reporting period. In the Lighting Segment there was an increased number of postponed or cancelled projects. In the Components Segment customers reacted by placing smaller orders and reducing their inventories. Revenues for the first nine months in the Lighting Segment fell by 7.2% to EUR 664.8 million (PY: EUR 716.5 million). This segment is more exposed to the impact of foreign exchange effects on account of the high proportion of business conducted in the UK. After adjustment for foreign exchange factors, revenues were down 3.6%. In the Components Segment revenues for the same period were down by 5.6% to EUR 284.3 million (PY: EUR 301.2 million), which equates to a downturn of 2.4% after adjustment for foreign exchange effects.

A breakdown by region shows that all the Zumtobel Group's key markets are now in recession. With the exception of Asia (+4.3% after nine months) revenues were down in all markets. The regions hardest hit were Southern Europe (-15.5%), Western Europe (-11.4%), Australia & New Zealand (-12.8%) and America (-11.1%).

Earnings influenced by special effects

In the first nine months the development of earnings was strongly influenced by special effects. The sale of the former plant location in Spennymoor, England made a non-recurring contribution of EUR 17.5 million to EBIT. This income was offset by restructuring costs of EUR 10.7 million and impairment charges of EUR 6.3 million. After adjustment for these special effects, EBIT for the first three quarters totalled EUR 62.6 million. Profit before tax for the first nine months fell by 42.2% to EUR 44.8 million. Net profit for the reporting period dropped 44.5% to EUR 38.1 million. Earnings per share for the shareholders of Zumtobel AG equalled EUR 0.88 (PY: EUR 1.54).

Balance sheet structure remains solid

After nine months of the current financial year the balance sheet structure of the Zumtobel Group remains very solid. The positive development of working capital continued during the third quarter. As a percentage of rolling 12-month revenues, working capital declined year-on-year for the sixth quarter in succession to 19.2% (PY: 20.6%). Cash flow from operating activities totalled EUR 55.1 million, although this was down on the prior year figure of EUR 91.9 million. The equity ratio on 31 January 2009 increased to 44.7%, compared to 42.8% one year earlier. In view of the difficult economic environment, management is increasingly focused on safeguarding the liquidity of the Zumtobel Group.

Outlook

The Zumtobel Group expects the operating environment will remain extremely difficult during the 2009 calendar year. The programme initiated during the past quarter to reduce structural costs should lead to savings of roughly EUR 25 million in 2009/10. The implementation of measures to reach this goal is

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proceeding as planned at all levels and locations throughout the Group. As a reaction to the unexpected strong drop in revenues, additional steps have been taken to adjust costs to reflect the decline in sales volumes. The goal is to adjust the overall cost structure of the Zumtobel Group as quickly as possible to meet the challenges posed by difficult markets and the development of sales volumes and to still hold free cash flow at a positive level, even under these difficult conditions.

Q3 at a glance

in EUR million	Q3 2008/09	Q3 2007/08	Change in %	Q1-Q3 2008/09	Q1-Q3 2007/08	Change in %
Revenues	259.3	300.0	(13.6)	900.5	966.1	(6.8)
Adjusted EBIT	2.5	21.5	(88.3)	62.6	97.2	(35.7)
<i>as a % of revenues</i>	1.0	7.2		6.9	10.1	
EBIT	5.6	21.3	(73.5)	63.1	96.0	(34.3)
Profit before tax	(5.6)	15.1	<(100)	44.8	77.5	(42.2)
Net profit for the period	(4.0)	13.6	<(100)	38.1	68.7	(44.5)
Earnings per share (in EUR)	(0.09)	0.31	<(100)	0.88	1.54	(43.0)

Information

This press release and the Quarterly Report of Zumtobel AG can be downloaded from:
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), 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.