

Press Release

Dornbirn, 16 March 2010

01 | Zumtobel AG third quarter report (May – January): **Lighting group's business environment continues to stabilise in third quarter**

- **Decline of "only" 1.5% in Q3 revenues far more moderate than in previous quarters**
- **Year-to-date revenues of EUR 827.3 million (minus 8.1%; FX-adjusted minus 7.0%)**
- **Adjusted EBIT for first three quarters: EUR 48.3 million (minus 22.9%; EBIT margin: 5.8%)**
- **Cost savings on target at EUR 59 million (target: EUR 100 million by end of FY 2010/11)**
- **Outlook: Moderate optimism for fourth quarter**

Dornbirn, Austria – For the Zumtobel Group based in Dornbirn, Austria, the signs of a gradual recovery in the operating environment continued to increase as the third quarter of the current financial year (May - January) drew to a close. In the first nine months of the financial year the international lighting group reported revenues of EUR 827.3 million, which equates to a drop of 8.1% over the comparable prior year period (EUR 900.5 million). After adjustment for negative currency translation effects, above all due to the weak British Pound, revenues were 7.0% lower. In Q3 (November - January), the seasonally weakest quarter of the year, the downturn in revenues was far more moderate than in the previous quarters. Third quarter revenues totalled EUR 255.3 million (PY: EUR 259.3 million) which represents a drop of "only" 1.5% (compared to minus 12.0% in Q1 and minus 9.6% in Q2), although this more moderate decline also resulted from the low comparative base of a weak third quarter in the prior year.

The development of earnings reflected both the positive effects of the "Excellerate" efficiency programme initiated in the autumn of 2008 and the negative impact of growing pressure on prices – above all in the luminaire business – lower volumes and negative currency translation effects. In total, operating profit (adjusted EBIT) amounted to EUR 48.3 million for the first three quarters (PY: EUR 62.6 million; minus 22.9%). The adjusted EBIT margin equalled 5.8% (PY: 6.9%). One core contribution to the solid earnings picture was made by the cost savings of around EUR 59 million that have been realised by the "Excellerate" programme since it was launched. This means that the company has already achieved more than half its target for gross savings of up to EUR 100 million by the end of the 2010/11 financial year.

*"While it is still too early to say that the worst is over, there are signs of growing stability in our operating environment. In view of the difficult economic backdrop, we consider the development of earnings satisfactory. With our efficiency programme we have prepared the ground for putting the Zumtobel Group on a sound financial footing in this far-reaching economic crisis, while at the same time boosting productivity and improving our cost base," said **Zumtobel Group CEO Andreas Ludwig**, commenting on the earnings situation at the end of the third quarter.*

Tangible rise in demand in the Components Segment

Broken down by segment, the figures above all reveal a tangible increase in demand in the Components Segment (TridonicAtco). Revenues at TridonicAtco rose by 6.0% in the third quarter on the back of a market recovery as well as higher market shares and an increase in stocks by customers. Cumulative revenues after the first three quarters in the Components Segment totalled EUR 267.3 million (PY: EUR 284.3 million; minus 6.0%). The development of the late cyclical project business in the Lighting Segment (Thorn / Zumtobel) was considerably more reserved. This segment was particularly hard hit by negative currency translation effects in the first three quarters, as well as by declining prices. Cumulative nine-month revenues for the Lighting Segment stood at EUR 611.3 million (PY: EUR 664.8 million; minus 8.0%). Business with the technology of the future, LEDs, continued its positive development in the first nine months, with revenues from the sale of LED-based products rising 48.1% to EUR 49.1 million (PY: EUR 33.1 million).

Stabilisation in several European markets – growth in Asia

A regional breakdown shows that all markets in Europe returned a drop in cumulative revenues for the first three quarters. The development of business was negatively affected by the severe winter weather, above all in Germany. Year-to-date revenues in the German-speaking market reached EUR 213.0 million (PY: EUR 231.4 million; minus 8.0%). Taken in isolation, however, the third quarter (November - January) revealed signs of growing stability in several European markets. Thus, Q3 revenues were stable at the prior year level in Western Europe (year-to-date Q1-Q3: minus 9.6%) as well as in Southern and Northern Europe (year-to-date Q1-Q3: minus 17.0% and minus 9.0% respectively). There were positive signals above all from the Group's overseas business, with revenues in Asia over the past nine months rising 7.6% to EUR 71,5 million (PY: EUR 66.4 million). In Australia / New Zealand the Zumtobel Group benefited from positive currency translation effects as revenues rose 2.4% for the first three quarters, while the Group's business in America showed a renewed downturn, declining 6.6% over the same period.

Insourcing and working hour agreements limit job losses

Compared to the previous year (per 31 January 2009) the headcount at the Zumtobel Group (full-time equivalent including contract workers) fell by 336 to 7,253 full-time equivalent employees, including contract workers. Through targeted insourcing* measures at several production sites, flexible working hour agreements and measures such as short-time working (D, CH) or training leave (A), job losses as a result of the crisis have been limited. The number of contract workers in the total headcount rose compared to 31 January 2009 from 121 to 329.

Solid balance sheet structure

The Zumtobel Group has retained its solid position in terms of balance sheet structure and liquidity. At 43.0% the equity ratio remained at its prior year level (43.3%). Net liabilities fell from EUR 205.5 million to EUR 161.1 million, leading to an improvement in gearing (ratio of equity to net liabilities) to 36%, compared to 42.9% on 31 January 2009 – a very low level for a manufacturing company. Free cash flow totalled EUR 4.8 million at the end of January, remaining positive but significantly lower than the comparable prior year level (EUR 21.8 million), as this had been positively influenced by non-recurring effects.

* Insourcing: handling previously outsourced production activities within the company

Outlook: moderately optimistic for the fourth quarter

The Executive Board of the Zumtobel Group is looking to the fourth quarter with moderate optimism. For the period from February to April the board is expecting to see a further stabilisation of revenues and additional cost savings from the Excellerate programme. However, management is also assuming that these positive effects will be more than offset by ongoing negative currency translation effects (esp. British Pound), rising pressure on prices and substantial costs related to the participation in the Light + Building trade fair in April.

Q3 at a glance:

in EUR million	Q3 2009/10	Q3 2008/09	Change in %	Q1-Q3 2009/10	Q1-Q3 2008/09	Change in %
Revenues	255,3	259,3	-1,5	827,3	900,5	-8,1
Adjusted EBIT	1,2	2,5	-51,2	48,3	62,6	-22,9
as a % of revenues	0,5	1,0		5,8	6,9	
EBIT	- 1,0	5,6	<-100	39,0	63,1	-38,2
Profit before tax	- 2,8	- 5,6	49,8	24,9	44,8	-44,3
Net profit for the period	- 3,6	- 4,0	10,4	21,3	38,1	-44,2
Earnings per share (in EUR)	-0,09	-0,09	3,9	0,49	0,88	-44,2

Information

This press release can be downloaded from: http://www.zumtobelgroup.com/de/presse_center.htm

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About the Zumtobel Group:

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, employed a workforce of 7,165 on the balance sheet date of April 30, 2009, and in the 2008/09 financial year posted consolidated revenues of EUR 1,174.0 million. The financial year of the Zumtobel Group commences on 1 May and ends on 30 April. For further information, please visit www.zumtobelgroup.com