Zumtobel Group
Entering second phase of transformation

Ulrich Schumacher – CEO Zumtobel Group
Capital Markets Day 2016 / March 15, 2016 / Frankfurt am Main
AGENDA

→ A brief portrait of the management board

→ Company description & Positioning of the Zumtobel Group

→ Growth drivers & Lighting market dynamics

→ Corporate Strategy & Financial targets
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Management Board of the Zumtobel Group
Contract extensions and new Board Member ensure continuity

Ulrich Schumacher
Chief Executive Officer
Joined 2013
Appointed until 2020

Karin Sonnenmoser
Chief Financial Officer
Joined 2014
Appointed until 2020

Alfred Felder
Chief Operating Officer
From April 2016
Appointed until 2019
Alfred Felder  
Former Tridonic CEO completes board

Education
Doctoral degree in Electrical Engineering of the Technical University of Vienna

Business Experience

Since 2012  
CEO TRIDONIC

2003 – 2012  
OSRAM
Senior Vice President Sales, OSRAM General Lighting, China  
President and CEO, Osram Opto Semiconductors, Asia  
Vice President Sales and Marketing, Osram Opto Semiconductors, Malaysia  
General Manager, BU Organic Light Emitting Displays (OLED), Osram Opto Semiconductors Inc., USA  
Director of OLED Technology, Osram Opto Semiconductors Inc., USA

1990 - 2003  
SIEMENS
Department Head, Ceramics Department, SIEMENS AG, Germany  
Microcontroller / Product Marketing Industrial, Infineon Technologies, Japan  
Manager Technology Dept., Siemens K.K., Japan  
Project Manager, Siemens Central R&D, Germany  
Research Scientist, Siemens Central R&D, Germany
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Timeline: from family firm to global lighting group

- Dr. Walter Zumtobel establishes “Elektrogeräte und Kunstharzpresswerk W. Zumtobel KG” in Dornbirn, Austria
- First international design award for a Zumtobel product
- Jules Thorn founds the “Electric Lamp Service Company”
- Zumtobel Licht GmbH and Tridonic Bauelemente GmbH become independent subgroups
- Jürg Zumtobel becomes Chairman of the Supervisory Board
- Acquisition of luminaire manufacturer Staff, based in Germany
- LED share of revenues reaches 50%
- Acquisition of acdc lighting, UK
- New business models in the spheres of smart, connected lighting and light as a service
- Acquisition of Thorn Lighting Group, UK
- Onset of LED activities
- Initial public offering (IPO)
- CEO Ulrich Schumacher introduces a new organisational structure
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- New business models in the spheres of smart, connected lighting and light as a service
A portrait
The Zumtobel Group: A global player in the lighting industry

- Brands: Thorn, Tridonic, Zumtobel, acdc and Reiss
- A leading position in the European professional lighting market
- Sales in over 100 countries
- € 1,312.6 million in annual revenues *
- € 66.5 million in operating earnings (adjusted EBIT) *
- 14 production plants on four continents
- Around 7,200 employees

* FY 2014/15
The Zumtobel Group covers a major part of the value chain
Strong brands with broad market access

Premium Segment*
Performance Segment
Budget Segment

* Market segmentation Europe

zumtobel group

THORN
TRIDONIC
ZUMTOBEL
acdc
REISS
Thorn – the performance brand for international volume business

• **Quality supplier** delivering cost effective solutions = value for money.
• Luminaires with **excellent functionality** and proven technology, **easy** to install and use
• Comprehensive portfolio of **indoor and outdoor** lighting (applications include offices, retail, industry, schools, roads, tunnels, sports facilities)
• **Target groups**: electricians and electrical consultants, wholesalers and contractors, businesses and municipalities
• **Strongest market presence**: UK & Ireland, Scandinavia, France, Australia & New Zealand, Hong Kong; **revenues** ca. €400 million
• **Strongest growth potential**: D-A-CH region, Middle East, China
Tridonic – the electronic heart of intelligent, connected lighting

- Tridonic is the **Group-wide specialist** in innovative lighting components and systems
- **Product portfolio**: LED modules, LED drivers, electronic control gear, sensors, lighting control & management, software solutions
- **Complete solutions** for lighting operation and control
- New business potential in IoT – the Internet of Things: communication, data management and additional services via the lighting infrastructure
- **Target group**: OEM supplier to luminaire manufacturers worldwide, wholesalers
- **Revenues**: around €400 million thereof approx 80% with customers outside the Zumtobel Group

**connecDIM**
Intelligent lighting management solution for > 250 DALI devices
Configured via the cloud
Accessible online – any time, anywhere

**ready2mains**
Luminaires can be digitally dimmed via the existing mains system.
An efficient solution for retrofitting existing installations
Zumtobel – the premium brand for architectural lighting

- **Integrated lighting solutions** including lighting management – with the focus on project business
- **Outstanding design**, innovative technology and comprehensive **applications expertise**
- Working in close **collaboration** with leading international architects, lighting designers and artists
- **Portfolio** covers all applications in and around buildings; currently expanding into the outdoor and residential sectors
- **Target groups**: lighting designers and electrical consultants, architects, electricians, major businesses, private and public investors
- **Strongest market presence**: Austria, Switzerland, UK & Ireland, Benelux and Italy; **revenues** ca. €550 million
- **Strongest growth potential**: Germany, USA, Middle East, Asia
acdc – the innovative, dynamic brand for high-end LED projects

- Supplier of LED luminaires – specialising in façade lighting and lighting solutions for hotels and restaurants
- Creative, dynamic architectural lighting for high-prestige settings; specialist in colour change and dynamic lighting
- Established in the UK in 2001, acquired by the Zumtobel Group in 2015: the ideal addition to the Group’s brand and product portfolio, for the project business in particular
- Outstanding client relationships with lighting designers, architects and interior designers
- Strongest market presence: UK, Middle East; revenues €17 million in 2015
- Strongest growth potential: international, via the Zumtobel Group sales organisation
Reiss – the specialist for luminaires with higher protection

- Supplier of luminaires and luminaire components, primarily for industrial applications
- **Product portfolio**: moisture-proof luminaires and battens, compact luminaires, surface-mounted and recessed luminaires, trunking systems and diffusers
- Focus on modern lighting technology, **higher protection**
- **International OEM supplier** to luminaire manufacturers worldwide; **revenues** approx. €20 million in 2015

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**FAD LED**
Moisture-proof luminaire

**LIP-E**
Recessed luminaire

**RCO**
Compact surface- and wall-mounted luminaire

**RLS**
Surface-mounted luminaire
Market share analysis - Lighting Segment of Zumtobel Group:
Leading shares in European markets (ca 80% of Lighting Brand revenues)

Regional revenue distribution*

- Northern Europe: 26.1%
- Southern Europe: 15.3%
- Asia & Pacific: 11.4%
- D/A/CH: 28.2%
- Benelux & Eastern Europe: 7.4%
- Middle East & Africa: 7.4%
- Northern America: 2.6%

Market Share

- Austria: 29%
- Switzerland: 22%
- UK: 14%
- Sweden: 12%
- France: 10%
- Benelux: 9%
- Denmark: 9%
- CEE*: 8%
- Germany: 7%
- Norway: 7%
- Italy: 6%

Trend

- Italy: 1%
- Norway: 1%
- CEE*: 2%
- Denmark: 2%
- Sweden: 2%
- UK: 9%
- France: 9%
- Benelux: 9%
- Switzerland: 22%
- Austria: 29%

Rank

- Italy: 1
- Norway: 1
- CEE*: 2
- Denmark: 5
- Sweden: 2
- UK: 9
- France: 9
- Benelux: 9
- Switzerland: 22
- Austria: 29

* FY 2014/15 figures

* CEE includes PL, CZ, SK, HU, CRO, SI, RO
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The professional lighting market is experiencing growth throughout 2020
Strong brands cover all customer segments

- Total global general lighting market estimated at EUR 70-80 billion
- Zumtobel Group is focused in the market for professional lighting fixtures and controls (exception: Tridonic LED modules)
- Global market size for professional lighting fixtures and controls and related services is estimated at approx. EUR 37 billion in 2016

→ This market (professional lighting fixtures & controls & services) is estimated to grow globally by 3-4% from 2015 to 2020

*Global general lighting market excluding Automotive and Backlighting
Source: Growth expectation and market size based on BCG and Zumtobel Group market intelligence 2015
Regional development of global lighting market:

Asia is the fastest growing market, driven by high LEDization

- In Europe and Americas modest growth expected
- Asia is strengthening its position as the largest regional market

→ The Asian market is vital for global players’ growth

→ Competitive players (local and international) increasingly developing in Asia, leading to cost pressure globally

Source: Zumtobel Group Market Research (based on BCG and McKinsey reports) & Investor Relations
Growth of professional lighting market:
Strong growth of connected lighting systems and services until 2020

Source: Growth expectation and market size based Zumtobel Group market intelligence 2015
Key trends

Major developments through 2020

- Global professional lighting market is expected to grow by 3-4% through 2020
- **Cost pressure** globally expected due to increasingly competitive players, e.g., from the cost-sensitive Asian markets
- By 2020, at least 80% of professional luminaires sold will be LED
- By 2020, 25% of professional luminaires sold will be part of a connected lighting system
- The growth of professional connected-lighting systems will create new opportunities for high-end professional services

What it takes to stay competitive ...

**Competitive cost base**
Continuous work on the cost base is required to stay competitive

**Speed**
Strong need to substantially reduce the time from product idea to concrete offering (“time to market”)

**Innovation**
Innovation is a key driver to stay ahead of commoditization

**Connectivity and Services**
Connected lighting systems and services increasingly become game changer in the industry
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The lost decade...
Zumtobel Group – Revenue and EBIT development in the last 14 years

Net Sales (in EUR million)
- 2001/02: 1,240.3
- 2002/03: 1,186.5
- 2003/04: 1,142.2
- 2004/05: 1,129.2
- 2005/06: 1,168.0
- 2006/07: 1,234.0
- 2007/08: 1,282.3
- 2008/09: 1,174.0
- 2009/10: 1,114.6
- 2010/11: 1,228.2
- 2011/12: 1,280.3
- 2012/13: 1,243.6
- 2013/14: 1,246.8
- 2014/15: 1,312.6
- 2015/16**: 1,375**

EBIT adj. (in % of revenues)*
- 2001/02: 6.7%
- 2002/03: 2.1%
- 2003/04: 2.6%
- 2004/05: 7.6%
- 2005/06: 8.0%
- 2006/07: 9.1%
- 2007/08: 9.6%
- 2008/09: 6.7%
- 2009/10: 4.6%
- 2010/11: 6.4%
- 2011/12: 2.7%
- 2012/13: 2.9%
- 2013/14: 3.8%
- 2014/15: 5.1%
- 2015/16**: 5.2%**

*) Reported EBIT adjusted for special effects
**) Consensus figures
Corporate strategy: 3 phases for profitable growth

**Phase 1**
Strategic redirection and restructuring
- Merge the sales organisations of Zumtobel and Thorn
- Close plants with excess capacity
- Exit outdated technologies (mainly magnetic ballasts, HID)
- Merge purchasing functions
- Introduce a platform strategy
- Strengthen the technology position

**Phase 2**
Provide initial growth impetus & improve profitability
- Optimise the sales organisation
- Create growth through systematic multi-brand sales approach
- Develop a global competitive production network
- Establish and expand technology partnerships
- Make initial acquisitions of complementary companies

**Phase 3**
Develop new business models for smart lighting
- Create new offerings in the field of smart, connected lighting (IoT)
- Develop a comprehensive service offering
- Access new application areas (e.g. residential)
- Increase M&A activity for strategic development of the global brand portfolio
Strategic focus topics

1. Efficient, lean corporate structures
2. Multi-brand strategy / Sales channels aligned with customer target groups
3. Global, competitive production network
4. Establishment of innovative business models in the Internet of Things
5. Establishment of a service business: Light as a service
Efficient structures - Clearly defined brand profiles, max. synergies

Zumtobel Group organizational structure

* simplified illustration
## Controls & Systems

Stringent future setup to suit system business

<table>
<thead>
<tr>
<th>Old Controls &amp; System Setup</th>
<th>New Controls &amp; System Setup</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controls activities <strong>distributed within the group</strong> at Tridonic, Zumtobel and Thorn</td>
<td><strong>Concentrating resources</strong> in the new Controls &amp; Systems organization, including IoT activities</td>
</tr>
<tr>
<td><strong>No aligned platform strategy</strong> – limited compatibility between Zumtobel and Thorn brand as well as Tridonic</td>
<td>Business Division Controls &amp; Systems drives projects by <strong>combining</strong></td>
</tr>
<tr>
<td><strong>No critical mass</strong> within the individual units</td>
<td></td>
</tr>
<tr>
<td><strong>No clear go to market strategy</strong> for the different addressed channels</td>
<td></td>
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<tr>
<td>Limited innovation power</td>
<td></td>
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<tr>
<td>High cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hardware, firmware, basic software from Tridonic (and others)</td>
</tr>
<tr>
<td></td>
<td>Application software</td>
</tr>
<tr>
<td></td>
<td>Luminaires from the <strong>Lighting Brands</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Tridonic offers standard controls solutions</strong> (i.e. hardware, firmware and basic software) via Tridonic OEM sales channel</td>
</tr>
<tr>
<td></td>
<td>Controls portfolio will be marketed through dedicated Controls sales experts</td>
</tr>
</tbody>
</table>
Clear customer focus through 4-channel sales

<table>
<thead>
<tr>
<th>SPECIFIERS</th>
<th>Architects, lighting designers, electrical consultants</th>
</tr>
</thead>
<tbody>
<tr>
<td>acdc</td>
<td>Specialising in: Hospitality, Facade &amp; Amenity</td>
</tr>
<tr>
<td>Thorn</td>
<td></td>
</tr>
<tr>
<td>Zumtobel</td>
<td></td>
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<table>
<thead>
<tr>
<th>END USERS</th>
<th>Key accounts mainly from retail and industry</th>
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<tbody>
<tr>
<td>Thorn</td>
<td></td>
</tr>
<tr>
<td>Zumtobel</td>
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<table>
<thead>
<tr>
<th>TRADE</th>
<th>Electricians, Wholesalers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thorn</td>
<td>Smaller projects (&quot;soft spec&quot;)</td>
</tr>
<tr>
<td>Thorn</td>
<td>Stock business with wholesalers (&quot;over the counter&quot;)</td>
</tr>
<tr>
<td>Zumtobel</td>
<td>Smaller projects (&quot;soft spec&quot;)</td>
</tr>
</tbody>
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<thead>
<tr>
<th>OEM</th>
<th>Luminaire manufacturers worldwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reiss</td>
<td>Specialising in luminaires with higher protection</td>
</tr>
<tr>
<td>Tridonic</td>
<td></td>
</tr>
</tbody>
</table>
Unique and strongly differentiated brand identities with a matching product portfolios are key for a successful multi-brand approach.

Continuously reducing overlap in product portfolio through platform strategy.
Determined to further unlock full potential in Global Operations

Progress report Global Operations

Restructuring measures

2013
- Closure of Fürstenfeld, AUT
- Closure of Melbourne, AUS

2014
- Closure of Tianjin, CN
- Closure of Landskrona, SWE
- Closure of Ennenda, CH
- Sale of connection technology business, Innsbruck, AUT

2015
- Sale of magnetics business, Auckland, NZL
- Restructuring of Lemgo, GER

2016
- Exploring strategic options for Usingen, GER

Utilization rate in Luminaire plants

<table>
<thead>
<tr>
<th>Year</th>
<th>Below 50%</th>
<th>65%</th>
<th>ca. 75%</th>
</tr>
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<tbody>
<tr>
<td>2013/14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015/16*</td>
<td>65%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016/17*</td>
<td></td>
<td></td>
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</tbody>
</table>

* Estimated figures
Establishing innovative business models in the Internet of Things

Many different opportunities for new business models

- Lighting already installed in all buildings: ideal basis for new services
- Additional customer benefits through:
  - energy savings
  - reduced complexity
  - added value through data management
Three core application areas for smart, connected lighting

- Indoor Navigation: Easily guide user to selected area via the user’s mobile device
- People Tracking: Track customer shopping behaviour and presence in-store
- Remote Monitoring: Monitor the performance of the lighting infrastructure
- Space Management: Track building user behaviour and presence in building
- Dynamic Lighting: Optimised street lighting in line with traffic and weather conditions
- Advanced Parking: Lighting infrastructure used to guide drivers to free parking spaces

- In phase one the Zumtobel Group is concentrating on Connected Commerce and Connected Building
- Cross-brand project group:
  - Technology development via Tridonic
  - Applications expertise and pilot projects via Thorn and Zumtobel
Zumtobel Group AG and Bosch Software Innovations cooperate in the development of IoT solutions for lighting in commercial buildings.

- Lighting as the underlying infrastructure to enable new applications
- Initial applications: remote monitoring and space management
- First joint connected building project in Austria (LCT ONE)
Connected Building
Remote Monitoring & Space Management

“Reduce under-utilized space and improve efficiency”

“Monitor lighting related to energy, failure, user satisfaction”

Lifecycle Tower ONE, Dornbirn AT
• World’s 1st 8-storey Timber-hybrid building
• Existing Zumtobel luminaires and Litenet lighting management system

Solution
• Presence detector grid from integrated Luminaires
• Optical sensor network
• Linked to BOSCH IoT Suite (cloud-based)
• Zumtobel Group co-developed user dashboard
**Connected Building**
Remote Monitoring & Space Management

**Tenant Experience**
- Energy Consumption
- Usage Insights

**Building Owner Experience**
- Savings (Energy & Maintenance)
- Usage Insights
- User Satisfaction

**Service Provider Experience**
- Maintenance Improvements

“Reduce number of replacement visits”
“Measure real-time success of energy-saving initiatives”
“Analyze manual overrides to improve use satisfaction”

Dashboard image
tocome
Becoming a full service provider: Light as a service

Benefits for the customer
- Benefit from energy savings from the outset
- Financing extends over full term of contract
- Zumtobel Group looks after all aspects
- Benefit from technological progress through regular updates in the lighting solution
- Flexibility through service upgrade option within existing contract

We take responsibility for your lighting
Increasing number of clients enjoying the benefits
Reference customers with Zumtobel Group service contracts (5 to 10-year term)
Good progress in margin expansion and strategic reorientation
Management board’s first 2 ½ years in office

Further margin expansion was burdened by

- Slower than expected fx-adjusted growth dynamics
- Execution: delays in realisation of cost savings
- Temporary headwinds from unfavourable foreign exchange rate movements (CHF, USD)
- Strong build-up of R&D capabilities
- Industry dynamics: higher than expected price pressure
Medium term EBIT target confirmed but more time and effort needed
Further increase in profitability driven by additional efficiency improvements in Operations and Sales

<table>
<thead>
<tr>
<th>Categories &amp; Measures</th>
<th>Targeted margin impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of Goods sold</td>
<td>+ 1.5-2%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td></td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>+ 1.5-2.5%</td>
</tr>
</tbody>
</table>

EBIT adj. margin 2015/16 Consensus 5.2%

- Further adjustments in manufacturing footprint (2nd phase)
- Harvesting full benefits from 1st phase of restructuring
- Platform approach (standardisation & modularisation)

EBIT margin medium term target 8 - 10%

EBIT margin medium term target assuming sales growth CAGR of 3-5% p.a (fx adjusted).
Organic sales growth target of approx. 3-5% p.a. (fx adjusted)
Zumtobel Group: Medium-term revenue objectives

- Construction activity in Europe is improving
- Market share gains through
  - Multi-brand & multi channel sales approach
  - Closing of product portfolio gaps
  - Innovations in controls & system
**Key takeaways – Entering the second stage of transformation**  
Zumtobel Group Capital Markets Day

| Uniquely positioned | A global player with a leading position in the fragmented professional lighting and components market. We leverage our multi-brand portfolio to create unique value for our customer. |
| Restructuring Story | In response to the lost decade: complete reset of the Group’s strategy and structure to realise maximum synergies between all brands and functions. Ongoing extensive restructuring & transformation program. |
| European Recovery Story | Cycle bottom in European construction is touched as well as concept for multi-brand approach gains momentum. |
| Digitalisation & Connectivity | New business opportunities created by the uptake of connected lighting. |
| Management Incentivisation | Share price development is key performance indicator. |
| EBIT margin target of 8-10% | Mid-term EBIT margin target of 8-10% provides significant upside potential in shareholder value. |