Interim Financial Report
1 May to 31 July 2006

zumtobel group

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EUR million	May - July 2006	May - July 2005	± in %	Full 2005/06
Revenues	309.3	290.4	6.5	1,184.2
EBITDA *	40.6	37.3	8.9	138.2
in % of revenues	13.1	12.8		11.7
EBIT *	31.1	27.6	12.4	99.5
in % of revenues	10.1	9.5		8.4
ROCE in % **	16.5	14.4		15.9
Net profit	27.6	13.2	110.2	43.2
in % of revenues	8.9	4.5		3.7
Total assets	1,081.2	1,032.1	4.8	1,078.3
Equity	410.3	187.8	118.5	223.7
Equity ratio	38.0	18.2		20.7
Net debt	234.0	432.9	- 46.0	356.1
Cash flow from operating results	38.7	30.2	28.3	119.8
CAPEX (Capital expenditure)	10.7	9.5	12.0	49.6
in % of revenues	3.5	3.3		4.2
Headcount (Full-time equivalent)	7,246	7,130	1.6	7,212

EBITDA * Earnings before interest, taxes, depreciation and amortisation
EBIT * Earnings before interest and taxes
ROCE ** Rate of return on capital employed

* Prior year adjusted for IAS exceptional items/restructuring and other one-time effects
** Rolling ebit as a percentage of average capital employed
= intangible assets + property, plant & equipment + working capital – other curr. liabilities & curr. provisions

Dear Shareholders,


Andreas J. Ludwig


Thomas Spitzenpfeil

The initial public offering of Zumtobel AG at the start of the reporting period formed an important milestone in the development of our Company. Over the past decades organic growth and strategic acquisitions have transformed Zumtobel into one of the few global players in the international lighting industry. Now the capital market will give us additional opportunities to pursue our strategy with increased momentum and become the worldwide authority in the lighting industry. Since 18 September the Zumtobel share has also traded in the ATX, the leading index of the Vienna Stock Exchange, a step which underscores the high standing of our Company in the Austrian business sector.

As a listed company we place high value on communications with you, our shareholders, and will provide you with regular quarterly and annual reports on the development of our business. In addition to these reports, you can also find additional information on our Company in the Internet under www.zumtobelgroup.com.

The Zumtobel Group is an attractive investment with a significant potential for continued growth in revenues and earnings. From a strategic standpoint, three factors form a solid basis for the development of our Company. Our strong market position as an innovation leader in the lighting industry is based on our three internationally established brands – Zumtobel, Thorn and TridonicAtco – as well as a sales network that has grown steadily over decades. The second factor is our improved earning power: as an international Group, we can realise the cost benefits of a global player. Over the past years we have restructured our worldwide production network, above all in the lighting business – and this is expected to have a further positive impact on earnings in the coming years. Finally, we are focusing on a wide range of growth opportunities for the Zumtobel Group: in addition to our strategic initiatives in new markets, innovative technologies and new product applications, the recovery in the construction industry and increased importance of lighting as an architectural element are providing support for the Group's expansion course. The success of this strategy is underscored by results for the first quarter of the 2006/07 Financial Year.

Continuation of growth course

During the first quarter (May to July) of 2006/07, the Zumtobel Group was able to continue the pace of growth registered in the previous year. Group revenues for the first quarter totalled EUR 309.3 million (2005/06: EUR 290.4 million), which represents an increase of 6.5% over the comparable prior year figure. This development was supported by a favourable market environment as well as the strategic initiatives of the Zumtobel Group. Revenues in our defined growth regions also showed sound improvement: in comparison to the first three months of the 2005/06 Financial Year, the Zumtobel Group registered a plus of 22.5% in Eastern Europe and 32.8% in Asia during the first quarter of 2006/07. We also recorded a dynamic increase of 29.7% in our new LED technology business. A review of the two divisions shows that the lighting segment with the Zumtobel and Thorn brands (EUR 231.5 million revenues for the first quarter) as well as the TridonicAtco Division (EUR 95.4 million) contributed to this growth during the first quarter.

Further significant improvement in earnings

The Zumtobel Group recorded further substantial growth in earnings during the first quarter of the 2006/07 Financial Year. Group EBIT reached EUR 31.1 million compared to EUR 21.4 million in the first quarter of 2005/06, for an increase of 44.9%. This positive development is based on a steady improvement in operating earnings and the scheduled termination of non-recurring expenses, which had a major impact on results above all in the lighting business during recent years. A comparison of EBIT for the current reporting period with EBIT from the previous year after an adjustment for non-recurring effects shows an improvement of roughly EUR 3 million or 12%. Net profit for the period more than doubled to EUR 27.6 million for the first quarter.

Seasonality in the construction industry

These results have brought the Zumtobel Group substantially closer to its mid-term goal of recording a two-digit EBIT margin for the full financial year. We are pleased to report a further significant improvement in results with an EBIT margin of 10.1% for the reporting quarter. However, the strong rise in the EBIT margin compared to the fourth quarter of the previous year is also due to the seasonality of the lighting industry: in addition to unpredictable monthly fluctuations in the project area, events in the construction branch have a major influence on the development of business in the Zumtobel Group. The lighting elements of a project are normally installed as the last phase of work after construction is completed and, for this reason, the main "lighting season" and related stronger sales are usually recorded in the months from September to December. The weaker demand that is evident in other branches during the summer is less apparent in the lighting sector because public buildings such as schools and hospitals frequently carry out renovation projects during this time. An overview of the Zumtobel Group financial year from May to April generally shows two quarters with strong sales at the start of the period, followed by a significantly weaker third quarter (November to January) and recovery during the last three months of the year (February to April).

Investments in the future

In order to stabilise growth throughout the financial year, we are continuing to invest in our long-term strategy. The continuous development of new products carries a high value for an innovation leader like the Zumtobel Group with its three strong brands and new LED start-ups. Our mid-term goal is to generate at least 30% of total revenues with products that are not older than three years. This accelerated development activity is also reflected in research and development costs for the reporting period, which – including capitalised development expenses – increased from 2.7% of revenues in the comparable period of the pervious year to 3.1% for the first three months of 2006/07. We will continue our efforts to develop new growth markets in Eastern Europe and China and improve the qualifications of our sales force. One example of these efforts is the "Thorn Academy of Light", which was initiated during the first quarter of 2006/07 to strengthen training programmes for Thorn sales personnel.

Outlook

We expect revenues in the Zumtobel Group will continue to show favourable development throughout the 2006/07 Financial Year. However, the growth rates for the remaining three quarters are forecasted to fall slightly below the reporting period because of the notably stronger increase recorded during the second half of the previous year. For the full 2006/07 Financial Year, we are confident that we will move closer to our goal of realising a two-digit EBIT margin and we plan to meet this goal in 2007/08 if economic conditions remain favourable.

Andreas J. Ludwig	Thomas Spitzenpfeil
Chief Executive Officer	Chief Financial Officer


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Photographs: Florian Holzherr


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1/2 Exhibition stand Zumtobel
3 Exhibition stand Ledon
4 Exhibition stand Thorn


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2


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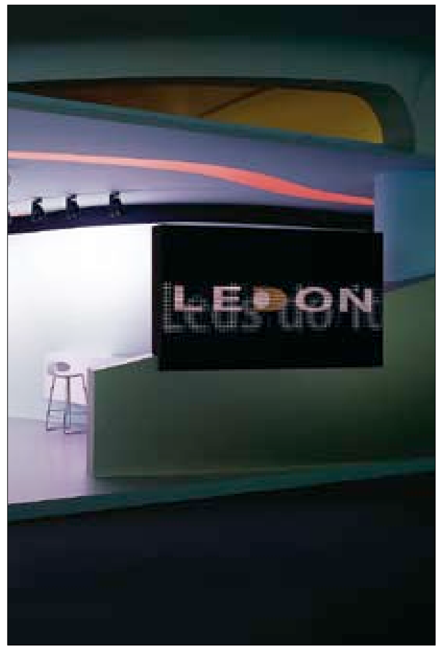
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1/2 Exhibition stand TridonicAtco
3 Exhibition stand Lexedis
4 Exhibition stand Ledon

1. The Economic Environment: Increasing momentum in 2006

Forecasts by the Organisation for Economic Cooperation and Development (OECD) call for continued robust growth in the global economy during the second half of 2006. In spite of high raw material prices and latent fears of escalating inflation and interest rates, the OECD raised components of its annual estimates for 2006 in September. The International Monetary Fund (IMF) shows similar optimism with its 5.1% forecast for worldwide economic development which, however, will be supported by a broader regional basis than in 2005. According to the IMF the expanding Asian economies (excluding Japan) will record the strongest growth with a plus of 8.7%, but the indus-trialised countries will also register significant increases during 2006. The USA will serve as the primary driver for global development with growth of 3.6% according to the OECD. Japan has stabilised its economy and could realise a plus of 2.5% for this year. For the euro zone the OECD has become increasingly optimistic, raising its forecast in September from the previous 2.2 % to 2.7%. The Euroconstruct estimates as an indicator for the construction industry – which is an important driver for the lighting branch – show a plus of 1.4%[1] for the non-residential segment in the key European markets for Zumtobel, following a slight decline of 0.5% for the 2005 calendar year.

2. Significant Events

The most significant event during the first quarter of 2006/07 was the initial public offering of Zumtobel AG on 12 May 2006. This step increased share capital from EUR 92,023,360 to EUR 111,760,860, and raised gross proceeds of EUR 161.8 million. The net proceeds from this capital increase and other liquid funds were used to make voluntary early repayments of EUR 143 million on long-term syndicated bank liabilities. This repayment provides relief for the Group with respect to the previous wide-ranging obligations connected with the syndicated financing, and will also open additional op-portunities for acquisitions and financial measures in the coming years.

The Group is currently implementing the approved restructuring measures that were reflected in expenses during the previous financial year. No other significant events occurred during the reporting period.

3. Development of Revenues

Revenues for the first quarter of the 2006/07 Financial Year rose by EUR 18.9 million, or 6.5%, to EUR 309.3 million (comparable prior year period: EUR 290.4 million), ex-ceeding the prior year level of 6.0% by a slight margin. This development was supported by the lighting segment of the Zumtobel Lighting Division with its Zumtobel and Thorn

[1] Euroconstruct, June 2006, Data for total non-residential construction (D-A-CH, UK, France, Italy, Nordic).

brands, which increased revenues from EUR 224.2 million in the comparable prior year period by 3.3% to EUR 231.5 for the reporting period, as well as the TridonicAtco Divi-sion, which recorded an above-average increase of 14.8% in revenues to EUR 95.4 million (comparable prior year period: EUR 83.1 million).

These results placed the lighting segment of the Zumtobel Lighting Division well above relevant Euroconstruct market forecasts for 2006. The above-average growth in the components business of the TridonicAtco Division resulted from the further expansion of market shares as well as the continuous substitution of new electronic ballasts for magnetic ballasts and – as a result of higher raw material prices – higher market prices for magnetic ballasts.

Revenues recorded in Europe – with 79.1% (comparable prior year period: 80.7%) the most important region for the Zumtobel Group – rose by 4.4% over the compara-ble prior year level to EUR 244.6 million and outpaced the market by a sizeable margin. Above-average growth was registered on the new markets in Eastern Europe (+22.5%) and in Southern Europe (+18.1%), in particular through the further development of business in Turkey. The German-speaking countries (D-A-CH) also reported strong growth with a plus of 5.9%, which was supported by the entire region. In contrast, revenues stagnated in Western Europe (+0.2%): while France registered increases in the median single-digit range, results in Great Britain were mixed. The TridonicAtco and Zumtobel brands reported strong growth but Thorn revenues declined, above all due to delays in PFI projects (public finance initiatives). However, this area is expected to recover during the course of the 2006/07 Financial Year. In Northern Europe the after-effects of a restructuring in the Norwegian sales organisation during December 2005 have not yet been fully processed, and revenues for the reporting period fell 6.7% below the relatively good first quarter of the previous year.

In Asia revenues rose by a sound 32.8% to EUR 21.1 million for the first quarter of 2006/07 and confirmed the Group's strategic decision to increase the focus on this region. America remained on a growth course with a plus of 14.7% in revenues to EUR 10.5 million. In Australia/New Zealand the negative trend of the previous year (-6.6%) was halted and revenues increased by a moderate 1.6% to EUR 29.3 million. After an adjustment for translation effects related to the weak Australian dollar (ap-prox, EUR 2 million), the increase totals 8.9%. The devaluation of the CHF, GBP and USD led to additional negative currency translation adjustments of approximately EUR 1 million to revenues.

The LED business continues to generate sound growth rates, with revenues increasing by roughly 30% over the first quarter of 2005/06 to EUR 4.7 million for the reporting period.

4. Development of Earnings

4.1. Gross profit

Gross profit rose from EUR 116.9 million in the first three months of the prior year to EUR 124.3 million for the first quarter of 2006/07. As a percentage of revenues, the gross profit remained unchanged at 40.2%. Higher prices for raw materials and energy increased raw materials as a percentage of revenues by 41.6% to 42.1%. The cost of materials rose by an above-average amount from EUR 120.9 million to EUR 130.2 million, whereby EUR 2.7 is attributable to increases in the price of copper. This effect has been partly offset through price adjustments, and further price increases have been announced to the market. In the production area, measures were implemented to counteract the material-based rise in costs. Personnel expenses declined from 13.3% of revenues in the first quarter of 2005/06 (EUR 38.6 million) to 13.0% of revenues for the reporting period (EUR 40.2 million), in part due to the successful of the rationalisation programmes implemented. Other expenses increased mainly due to a transaction-related addition to the provisions for guarantees, but declined slightly as a percentage of revenues.

4.2. Development of costs

Selling, administrative and other expenses (excluding exceptional items) rose from EUR 84.3 million in the comparable prior year period by EUR 2.3 million (+2,7%) to EUR 86.5 million for the reporting period. Expressed as a percentage of revenues, this represents a slight improvement from 29.0% to 28.0%. The absolute increase was related primarily to a rise of EUR 1.8 million in personnel expenses.

Research and development expenses increased as planned by EUR 1.5 million to EUR 6.8 million. The addition of capitalised development costs raises this figure to EUR 9.5 million or 3.1% of revenues for the reporting period compared to EUR 7.8 million or 2.7% in the comparable prior year period.

Exceptional items related to restructuring costs had a negative impact of EUR 5.8 million on other operating income in the first quarter of 2005/06, but this figure turned to income of EUR 2.8 million for the reporting period. This other operating income was comprised primarily of license fees from the LED business and positive currency translation adjustments.

4.3. Earnings before interest and taxes

Earnings before interest and taxes (EBIT) for the first quarter of the 2006/07 Business Year totalled EUR 31.1 million or 10.1% of revenues. In the first quarter of the prior year EBIT (EUR 21.4 million) was negatively affected by exceptional items (as defined by IFRS) and other non-recurring expenses of EUR 5.8 million and EUR 0.4 million, respectively. The adjustment of prior year EBIT for exceptional items and non-recurring expenses results in EBIT of EUR 27.6 million (or 9.5% of revenues). A comparison of this figure with EBIT for the reporting period shows an improvement of EUR 3.3 million or 11.9%.

4.4. Financial results

Net interest income and expense rose by EUR 0.1 million to EUR 7.8 million for the first quarter of 2006/07 (comparable prior year period: EUR 7.7 million). This figure includes non-recurring expenses of EUR 2.3 million, which reflect costs for the early repayment of EUR 143 million in non-current financial liabilities during May.

Other financial income and expenses increased to net expense of EUR 3.4 million (comparable prior year period: EUR 0.3 million). This development resulted above all from changes in the market valuation of derivatives and the valuation of the TIR convertible bond as of the balance sheet date. Financing costs increased by EUR 3.2 million over the comparable prior year level of EUR 8.0 million to EUR 11.2 million for the first quarter of the 2006/07 Business Year.

4.5. Profit before tax

Profit before tax rose to EUR 19.9 million during the reporting period, which reflects an improvement of EUR 6.4 million (+47.9%).

4.6. Income taxes

Improved prospects for earnings in the Austrian companies following the initial public offering led to the partial reversal of valuation adjustments to deferred tax assets on loss carryforwards and, as a result, to income of EUR 11.7 million from deferred tax assets (comparable prior year period: income of EUR 0.8 million). In contrast, current tax expense rose by EUR 2.8 million to EUR 4.0 million. The combined result was tax income of EUR 7.7 million (comparable prior year period: tax expense of EUR 0.4 million).

4.7. Net profit for the period

Net profit for the first quarter of the 2006/07 Business Year (after minority interests) totalled EUR 27.6 million, and more than doubled by EUR 14.5 million over the comparable period of the prior year (EUR 13.2 million). Basic earnings per share equalled EUR 0.63 (basis: 44.9 million shares) compared to EUR 0.36 in the prior year (basis: 37.4 million shares).

5. Asset and financial position

As of 31 July 2006 the balance sheet total was EUR 1,082.2 million (30 April 2006: EUR 1,078.3 million, 31 July 2005: EUR 1,032.1 million). Equity was increased by net profit for the period, but also significantly by net cash inflows of EUR 148 million from the capital increase that was carried out in connection with the initial public offering. Equity rose to EUR 410.3 million at the end of the first quarter of 2006/07, for an equity ratio of 38.0%.

Major changes in the balance sheet structure as of 31 July 2006 were caused by seasonal factors in the area of working capital, which rose by EUR 40.9 million over the level on 30 April 2006. In comparison to the prior year quarter as of 31 July 2005, the seasonal increase in working capital was EUR 5.5 million lower despite the growth in revenues. Steady improvements in working capital management led to a reduction of working capital as a percent of revenues (based on rolling 12-month revenues) from 25.4% for the first quarter of 2005/06 to 23.6%.

6. Cash flow statement

6.1. Cash flow from operating results

Higher operating earnings, lower cash outflows for working capital and other operating items led to a significant increase of EUR 22.7 million in cash flow from operating results over the prior year. Inventories rose by EUR 8.3 over 2005/06 due to the growth in revenues; however, this development is contrasted, in particular, with lower increases in receivables as a result of optimisation programmes in this area (+ EUR 9.9 million vs. prior year). Cash outflows of - EUR 8 million for current provisions during the reporting period were related to payments made in connection with provisions for restructuring as well as provisions for the initial public offering. The latter was also responsible for the contrary development of + EUR 7.7 million in other receivables and liabilities because accruals created as of 30 April 2006 for transaction costs were recognised in equity.

6.2. Cash flow from investing activities

A lower level of non-current asset sales (- EUR 2.4 million) as well as slightly higher investments in property, plant and equipment (- EUR 1.1 million) and, above all, a decrease in non-current and current financial assets (- EUR 4.0 million) led to a deterioration of EUR 7.6 million in cash flow from investing activities. The cash flow of - EUR 3.6 million from changes in non-current and current financial assets during the reporting period was related primarily to non-cash effects, whose contra items are shown under changes to other operating items. These items represent the initial recognition of a purchase

price receivable from the sale of the tool production segment in 2005 (also see detailed information under point 4.2. of the interim consolidated financial statements) as well as the market valuation of derivatives that are held to hedge foreign exchange fluctuations in the operating business.

6.3. Free cash flow

Free cash flow for the reporting period shows a net outflow of EUR 14.9 million (comparable prior year period: outflow of EUR 30.0 million), which reflects an improvement of EUR 15.1 million over the prior year.

6.4. Cash flow from financing activities

The reduction of EUR 147 million in net liabilities during the reporting period resulted chiefly from the use of proceeds from the initial public offering (see position “capital increase“) to make a special repayment of EUR 143 million. Cash and cash equivalents held by the Group totalled EUR 73.1 million, which is EUR 51.7 million higher than on 31 July 2005.

7. Outlook

We expect revenues in the Zumtobel Group will continue to show favourable development throughout the 2006/07 Financial Year. However, the relative growth rates for the remaining three quarters are forecasted to fall slightly below the reporting period because of the notably stronger increase recorded during the second half of the previous year. For the full 2006/07 Financial Year, we are confident that we will move closer to our goal of realising a two-digit EBIT margin and we plan to meet this goal in 2007/08 if economic conditions remain favourable.

Dornbirn, September 2006

Andreas J. Ludwig Thomas Spitzenpfeil

Successful IPO

12 May 2006 marked the start of trading for the Zumtobel share on the Vienna Stock Exchange. The initial public offering was carried out at an issue price of EUR 20.50 in connection with a capital increase, and raised the number of issued shares to 44.7 million. The issue volume equalled roughly 27.0 million shares as determined in part by a over-allotment option. At the present time the Zumtobel share has a free float component of 60.4%. The holdings of the "old" stockholders show a stake of slightly more than 34% for the Zumtobel family and 5.5% for the financial investor KKR (Kohlberg Kravis Roberts & Co).

Parallel to the initial public offering of Zumtobel AG, international markets registered a significant correction. Fears of rising interest rates and inflation as well as growing concerns over a slowdown in economic momentum and increasing geopolitical unrest in the Near East triggered declines of more than 10% in a number of major stock indexes. For example the ATX (Austrian Traded Index), the leading index of the Vienna Stock Exchange, lost nearly 14% of its value from mid-May to the end of July 2006.

The Zumtobel share was also unable to avoid this negative development. From the start of trading in mid-May to the end of the first quarter of the current financial year on 31 July 2006, the price of the share dropped 21%. This above-average decline in comparison with the ATX is not unusual for a new share in a generally weak market environment because the trading volume and volatility (fluctuations in the market price) are generally quite high after an IPO. By the middle of June the share had fallen to EUR 16.00 (closing price). Parallel to a slight recovery on key markets, the share price rose to EUR 18.50 by the beginning of July, but declined again in keeping with the general market trend. On 19 July the Zumtobel share reached a quarterly low of EUR 15.20. Following a slight recovery at the end of the quarter, the security closed at EUR 16.15 on 31 July 2006. The market capitalisation of the Zumtobel share on this date was EUR 720 million.

Financial analysts remain optimistic

The confirmation of good operating development at the annual general meeting on 27 July and an upturn on capital markets led to a substantial increase in the price of the Zumtobel share at the start of the second quarter in August and early September. As of the copy deadline for this report, the price of the company's share had risen to over EUR 18. The financial analysts in investment houses, who report on their estimates of fair target prices for the Zumtobel share, remain optimistic concerning the future value of the Company. The target prices set by these financial experts ranged from EUR 20.00 and EUR 22.50 prior to the announcement of quarterly results.

Inclusion in the ATX

The Zumtobel share was included in the ATX of the Vienna Stock Exchange as of 18 September 2006. This decision was made by the ATX Committee of the Vienna Stock Exchange in a regular meeting on 5 September to determine the composition of the ATX. The ATX comprises the 20 most liquid values in the Prime Market segment of the Vienna Stock Exchange. As of 31 August 2006 this Vorarlberg lighting group held rank 18 in the Prime Market segment according to revenues. Among the decisive factors for the inclusion of the Zumtobel share in the ATX were average daily turnover and market capitalisation, which is weighted with a free float factor of 0.75 in the index.

Zumtobel AG versus ATX, 11 May 2006 to date

ISIN: AT0000837307
Security symbol: ZAG
Reuters symbol: ZUMV.VI
Bloomberg symbol: ZAG AV
Number of shares: 44,704,344
Free float: 60.4%

Income Statement

TEUR	May-July 2006	in %	May-July 2005	in %	±	in %
Revenues	309,257	100.0	290,391	100.0	18,866	6.5
Cost of goods sold	-184,943	-59.8	-173,536	-59.8	-11,407	6.6%
Gross profit	124,314	40.2	116,855	40.2	7,460	6.4
Selling expenses	-70,199	-22.7	-64,577	-22.2	-5,621	8.7%
Administrative expenses	-18,977	-6.1	-19,670	-6.8	692	3.5%
Research and development expenses	-6,851	-2.2	-5,370	-1.8	-1,481	27.6%
Other operating results	2,798	0.9	-5,790	-2.0	8,588	>100
Operating profit	31,085	10.1	21,448	7.4	9,638	44.9
Net interest income (expense)	-7,822	-2.5	-7,718	-2.7	-104	1.3%
Other financial income and expense	-3,367	-1.1	-275	-0.1	-3,093	<100
Thereof profit (loss) from associated companies	468	0.2	362	0.1	106	29.3%
Financial results	-11,189	-3.6	-7,992	-2.8	-3,197	40.0
Profit before tax	19,896	6.4	13,455	4.6	6,441	47.9
Income taxes	7,726	2.5	-446	-0.2	8,173	>100
NET PROFIT	27,623	8.9	13,009	4.5	14,614	>100
Thereof due to minority shareholders	-26	0	-144	0.0	118	81.7%
Thereof due to shareholders of the parent company	27,649	8.9	13,153	4.5	14,496	>100

Earnings per share in TEUR	July 2006	April 2006	July 2005
Net profit as of July 2006 (adjusted for minority)	27,649	43,220	13,153
Basic number of shares outstanding	43,723	36,809	36,809
Diluting effect (stock options)	1,184	590	590
Diluted number of shares outstanding	44,906	37,399	37,399
Basic earnings per share	€ 0.63	€ 1.17	€ 0.36
Diluted earnings per share	€ 0.62	€ 1.16	€ 0.35

Note: The use of automatic data processing equipment can lead to rounding differences.

Balance Sheet

TEUR	July 2006	in %	April 2006	in %	±	July 2005	in %
Goodwill	282,873	26.2	282,873	26.2	0	283,442	27.5
Intangible assets	26,238	2.4	23,768	2.2	2,470	18,251	1.8
Property, plant and equipment	196,511	18.2	197,820	18.3	-1,309	193,764	18.8
Shares in associated companies	7,217	0.7	6,681	0.6	536	5,452	0.5
Financial assets	5,177	0.5	4,914	0.5	263	1,283	0.1
Other receivables and assets	7,880	0.7	8,320	0.8	-440	11,626	1.1
Deferred taxes	21,850	2.0	6,741	0.6	15,110	8,584	0.8
Non-current assets	547,748	50.7	531,117	49.3	16,631	522,402	50.6
Inventories	157,346	14.6	145,446	13.5	11,900	144,151	14.0
Trade receivables	257,761	23.8	246,738	22.9	11,023	252,881	24.5
Other receivables and assets	27,312	2.5	43,530	4.0	-16,217	25,968	2.5
Securities	80	0.0	29	0.0	51	65	0.0
Liquid funds	86,116	8.0	106,624	9.9	-20,508	86,680	8.4
Current assets	528,616	48.9	542,367	50.3	-13,751	509,745	49.4
Available for sale assets	4,813	0.4	4,851	0.4	-38	0	0
ASSETS	1,081,177	100.0	1,078,335	100.0	2,842	1,032,147	100.0
Capital attributed to majority shareholders	405,580	37.5	218,886	20.3	186,694	183,041	17.7
Share capital	111,761	10.3	92,023	8.5	19,737	92,023	8.9
Additional paid-in capital	362,132	33.5	232,452	21.6	129,679	232,452	22.5
Reserves	-95,961	-8.9	-148,809	-13.8	52,848	-154,588	-15.0
Net profit	27,649	2.6	43,220	4.0	-15,571	13,153	1.3
Capital attributed to minority shareholders	4,735	0.4	4,836	0.4	-101	4,723	0.5
Equity	410,316	38.0	223,722	20.7	186,594	187,764	18.2
Provisions for pensions	26,580	2.5	26,537	2.5	43	24,931	2.4
Other provisions	41,846	3.9	49,762	4.6	-7,917	40,902	4.0
Non-current borrowings	303,819	28.1	391,872	36.3	-88,053	419,050	40.6
Other liabilities	1,264	0.1	1,519	0.1	-255	697	0.1
Deferred taxes	8,673	0.8	8,628	0.8	45	13,304	1.3
Non-current liabilities	382,181	35.3	478,318	44.4	-96,137	498,885	48.3
Provisions for taxes	37,232	3.4	33,658	3.1	3,573	37,105	3.6
Other provisions	30,788	2.8	38,768	3.6	-7,980	28,851	2.8
Current borrowings	16,288	1.5	70,857	6.6	-54,569	100,550	9.7
Trade payables	118,156	10.9	140,270	13.0	-22,114	100,054	9.7
Other liabilities	86,217	8.0	92,741	8.6	-6,524	78,938	7.6
Current liabilities	288,680	26.7	376,295	34.9	-87,615	345,498	33.5
EQUITY AND LIABILITIES	1,081,177	100.0	1,078,335	100.0	2,842	1,032,147	100.0

TEUR	May - July 2006	May - July 2005	±	± in %
Operating profit	31,085	21,448	9,638	45
Depreciation and amortisation	9,502	9,612	-109	-1
Other non-cash changes	-1,475	1,674	-3,149	< 100
Reclassifications	-416	-2,568	2,153	84
Cash Flow from operating results	38,697	30,165	8,532	28
Inventories	-11,912	-3,598	-8,314	< 100
Trade receivables	-9,243	-19,109	9,866	52
Trade payables	-22,093	-23,620	1,527	6
Prepayments received	2,344	-119	2,463	> 100
Change in working capital	-40,904	-46,447	5,542	12
Non-current provisions	1,359	1,380	-21	-2
Current provisions	-8,026	2,427	-10,453	< 100
Other current and non-current receivables and liabilities	7,748	-9,400	17,148	> 100
Change in other operating items	1,080	-5,593	6,673	> 100
Taxes paid	177	-1,731	1,908	> 100
Cash Flow from operating activities	-950	-23,606	22,656	96
Proceeds from the sale of non-current assets	247	2,673	-2,427	-91
Capital expenditures	-10,674	-9,530	-1,144	-12
Change in financial assets	-3,552	489	-4,041	< 100
Cash Flow from investing activities	-13,980	-6,368	-7,612	< 100
FREE CASH FLOW	-14,930	-29,974	15,045	50
Change in net borrowings	-147,012	-15,838	-131,173	< 100
Thereof restricted cash	-872	-5,588	4,715	84
Capital increase	148,134	0	148,134	-
Share buy back	-2,145	0	-2,145	-
Interest paid	-8,293	-7,693	-600	-8
Cash Flow from financing activities	-9,316	-23,531	14,215	60
Effect of exchange rate changes on cash and cash equivalents	-40	686	-726	< 100
Change in cash and cash equivalents	-24,286	-52,819	28,533	54
Cash and cash equivalents at the beginning of the period	97,373	74,157	23,216	31
Cash and cash equivalents at the end of the period	73,087	21,338	51,749	> 100
Change	-24,286	-52,819	28,533	54

Note: The use of automatic data processing equipment can lead to rounding differences.

	Attributable to equity holders of the parent company					Minority Interests	Total equity
TEUR	Share capital	Add. paid-in capital	Reserves	Net profit	Total		
April 2006	92,023	232,452	-148,809	43,220	218,886	4,836	223,722
± Additions to reserves	0	0	43,220	-43,220	0	0	0
± Net profit for the period	0	0	0	27,649	27,649	-26	27,623
± Capital increase	19,738	142,110	0	0	161,848	0	161,848
± Transaction cost	0	-10,285	0	0	-10,285	0	-10,285
± Share buy back	0	-2,145	0	0	-2,145	0	-2,145
± Currency translation differences	0	0	-704	0	-704	-74	-778
± Hedge accounting	0	0	786	0	786	0	786
± Stock option programme	0	0	9,547	0	9,547	0	9,547
July 2006	111,761	362,132	-95,961	27,649	405,580	4,735	410,316

	Attributable to equity holders of the parent company					Minority Interests	Total equity
TEUR	Share capital	Add. paid-in capital	Reserves	Net profit	Total		
April 2006	92,023	232,452	-183,738	28,351	169,088	4,522	173,610
± Additions to reserves	0	0	28,351	-28,351	0	0	0
± Net profit for the period	0	0	0	13,153	13,153	-144	13,009
± Currency translation differences	0	0	931	0	931	345	1,276
± Hedge accounting	0	0	-131	0	-131	0	-131
July 2005	92,023	232,452	-154,588	13,153	183,041	4,723	187,764

TEUR	Zumtobel Lighting Division			TridonicAtco Division		
	July 2006/07	July 2005/06	± in %	July 2006/07	July 2005/06	± in %
Net revenues	231,472	224,184	3.3	95,386	83,066	14.8
External revenues	231,019	223,847	3.2	77,837	66,222	17.5
As a % of the Group	74.7	77.1	-3.1	25.2	22.8	10.4
Inter-company revenues	453	337	34.5	17,549	16,844	4.2
Operating profit	21,030	13,989	50.3	9,970	8,645	15.3
As a % of net revenues	9.1	6.2	45.6	10.5	10.4	0.4
As a % of the Group	67.7	65.2	3.7	32.1	40.3	-20.4
Assets	696,809	694,970	0.3	206,391	191,210	7.9
As a % of the Group	64.4	67.3	-4.3	19.1	18.5	3.0
Liabilities	234,525	261,111	-10.2	63,755	56,578	12.7
As a % of the Group	35.0	30.9	13.0	9.5	6.7	41.8
Investments	5,755	6,041	-4.7	4,165	3,198	30.2
As a % of the Group	53.9	63.4	-14.9	39.0	33.6	16.3
Depreciation	-5,817	-6,251	6.9	-4,613	-4,114	-12.1
As a % of the Group	61.2	65.0	-5.9	48.5	42.8	13.4
Major non-cash items	3,034	2,525	20.1	-286	-838	65.9
Thereof expenses	-819	-1,871	56.2	-429	-816	47.4
Thereof income	3,852	4,396	-12.4	143	-22	>100

Note: The use of automatic data processing equipment can lead to rounding differences.

TEUR	Others and Consolidation			Group		
	July 2006/07	July 2005/06	± in %	July 2006/07	July 2005/06	± in %
Net revenues	-17,601	-16,858	-4.4	309,257	290,391	6.5
External revenues	401	323	24.3	309,257	290,391	6.5
As a % of the Group	0.1	0.1	16.7	100.0	100.0	-
Inter-company revenues	-18,002	-17,181	-4.8	0	0	-
Operating profit	85	-1,186	>100	31,085	21,448	44.9
As a % of net revenues	-0.5	7.0	<100	10.1	7.4	36.1
As a % of the Group	0.3	-5.5	>100	100.0	100.0	-
Assets	177,977	145,967	21.9	1,081,177	1,032,147	4.8
As a % of the Group	16.5	14.1	16.4	100.0	100.0	-
Liabilities	372,581	526,692	-29.3	670,861	844,382	-20.6
As a % of the Group	55.5	62.4	-11.0	100.0	100.0	-
Investments	754	291	>100	10,674	9,530	12.0
As a % of the Group	7.1	3.0	>100	100.0	100.0	-
Depreciation	928	754	23.0	-9,502	-9,612	1.1
As a % of the Group	-9.8	-7.8	-24.4	100.0	-	-
Major non-cash items	-1,273	-3,361	62.1	1,475	-1,674	>100
Thereof expenses	-10,048	-1,085	<100	-11,296	-3,771	<100
Thereof income	8,775	-2,276	>100	12,771	2,098	>100

TEUR	External Revenues July 2006/07	July 2005/06	± in %	Assets July 2006/07	July 2005/06	± in %
D-A-CH[1]	74,329	70,155	5.9	392,960	340,512	15.4
As a % of the Group	24.0	24.2		36.3	33.0	
Eastern Europe	14,237	11,622	22.5	4,836	3,562	35.8
As a % of the Group	4.6	4.0		0.4	0.3	
Northern Europe	23,280	24,941	-6.7	28,952	33,646	-13.9
As a % of the Group	7.5	8.6		2.7	3.3	
Western Europe	100,406	100,172	0.2	188,392	191,459	-1.6
As a % of the Group	32.5	34.5		17.4	18.5	
Southern Europe	32,306	27,352	18.1	23,190	21,412	8.3
As a % of the Group	10.4	9.4		2.1	2.1	
Europe	244,559	234,242	4.4	568,405	529,608	7.3
As a % of the Group	79.1	80.7		52.6	51.3	
Asia	21,068	15,860	32.8	35,306	28,520	23.8
As a % of the Group	6.8	5.5		3.3	2.8	
Australia and New Zealand	29,251	28,795	1.6	69,697	67,847	2.7
As a % of the Group	9.5	9.9		6.4	6.6	
America	10,528	9,177	14.7	15,863	13,827	14.7
As a % of the Group	3.4	3.2		1.5	1.3	
Other	3,852	2,318	66.2	0	0	0
As a % of the Group	1.2	0.8		0	0	-
Group	309,257	290,391	6.5	1,081,177	1,032,147	4.8

[1] Germany, Austria, Switzerland
Note: The use of automatic data processing equipment can lead to rounding differences.

TEUR	Investments July 2006/07	July 2005/06	± in %
D-A-CH[1]	8,832	6,598	33.9
As a % of the Group	82.7	69.2	
Eastern Europe	-662	5	<100
As a % of the Group	-6.2	0.1	
Northern Europe	67	52	30.0
As a % of the Group	0.6	0.5	
Western Europe	1,482	1,916	-22.7
As a % of the Group	13.9	20.1	
Southern Europe	22	4	>100
As a % of the Group	0.2	0	
Europe	9,695	8,575	13.1
As a % of the Group	90.8	90.0	
Asia	299	443	-32.6
As a % of the Group	2.8	4.6	
Australia and New Zealand	600	378	58.7
As a % of the Group	5.6	4.0	
America	114	135	-15.3
As a % of the Group	1.1	1.4	-
Other	0	0	0
As a % of the Group	0	0	-
Group	10,674	9,530	12.0


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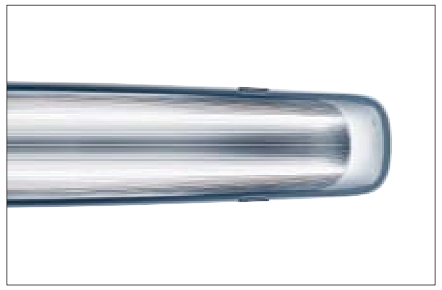
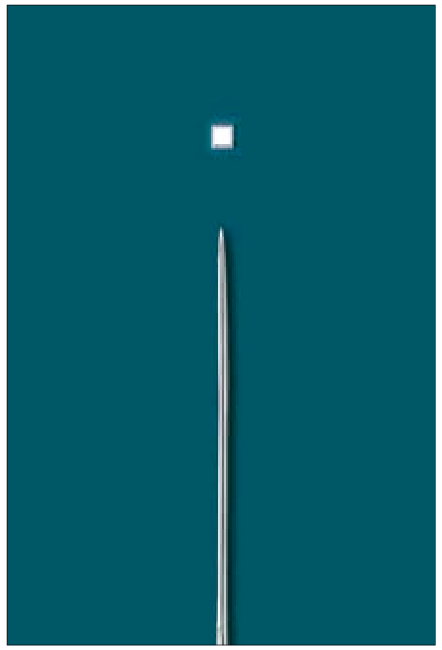

5


6

1. Helio Disc, Design: Hadi Teherani, Zumtobel
2. LED spot Tempura, Design: Eoos, Zumtobel
3. Lighting management Luxmate Litnet, Zumtobel
4. Waveguide luminaire Vaero, Design: Hartmut Engel, Zumtobel
5. Moistureproof luminaire Scuba, Design: Massimo Iosa Ghini, Zumtobel
6. Nano XED, Lexedis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1. High bay luminaire Concavia, Thorn
2. Wall- and ceiling light Amazon, Thorn
3. Road lighting concept Orus, Thorn
4. Emergency lighting module EM-Basic and E-TouchBOX, TridonicAtco
5. Electronic powerCONTROL PCI for HID lamps, TridonicAtco
6. Digital dimmable ballasts PCA EXCEL One-4-All, TridonicAtco

1. Accounting and Valuation Methods

The interim financial statements as of 31 July 2006 were prepared in accordance with the principles set forth in International Financial Reporting Standards, rules for interim financial reporting (IAS 34). The Company has elected to make use of the option set forth in IAS 34 and provide selected explanatory notes. The accounting and valuation methods as of 31 July 2006 remain unchanged. Additional information on these methods is provided in the consolidated financial statements as of 30 April 2006. The quarterly financial statements of all companies included in the consolidated financial statements were prepared in accordance with uniform accounting and valuation principles.

1.1. Discretionary scope and estimates

Additional information on the discretionary scope and estimates is provided in the consolidated financial statements as of 30 April 2006. It should be noted that the capital increase connected with the initial public offering generated cash inflows of EUR 148 million, which were used primarily to repay borrowings by the Austrian companies. The resulting decrease in interest expense and further improvement in operating earnings led to a partial reversal of the valuation adjustment to deferred tax assets on loss carryforwards during the first quarter of 2006/07. The usability of these loss carryforwards was determined on the basis of forecasted profit before tax for the next three financial years.

2. Consolidation Range

The consolidated financial statements include all major Austrian and foreign companies in which Zumtobel AG has management control or directly or indirectly owns the majority of shares. The consolidation range for the interim financial statements as of July 2006 shows no changes compared to April 2006; 96 companies were included using full consolidation, one company using the proportional method and four companies at equity.

3. Notes to the Income Statement

The following comments refer to major changes in individual items compared to the prior period.

3.1. Earnings per share

Basic earnings per share were calculated by dividing net profit for the period by the average number of shares outstanding as of the date for these interim financial statements. The average number of shares outstanding represents the average number of issued shares and the number of shares from the capital increase, minus the number of shares repurchased by the Company. Diluted earnings per share are based on the

assumption that the options granted as part of the stock option programmes (SOP/MSP) will be exercised. These shares were included in the calculation of the average number of shares outstanding.

3.2. Seasonality

Sales volumes are higher during the first two quarters of the financial year than during the second half-year for seasonal reasons; in particular, the third quarter lies significantly below the average. This distribution reflects the Group's dependency on developments in the construction industry as well as the seasonal distribution of business in this sector.

3.3. Expenses

The income statement was prepared in accordance with the cost of sales method. The cost of goods sold as well as selling, administrative, research and development, and other operating results include the following categories of expenses and income:

May - July 2006 Expenses TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Development expenses	Research expenses	Other operating results	Total
Cost of materials	- 130,163	- 1,226	- 161	- 336	- 13	- 3	- 131,902
Personnel expenses	- 40,161	- 35,020	- 11,074	- 5,557	- 475	- 26	- 92,314
Depreciation	- 7,308	- 1,408	- 515	- 422	- 16	0	- 9,669
Other expenses	- 10,383	- 31,675	- 8,626	- 2,161	- 187	0	- 53,031
Own work capitalised	366	0	0	2,581	20	0	2,967
Internal charges	1,900	- 2,007	473	- 323	- 44	0	0
Total other expenses	- 185,749	- 71,336	- 19,904	- 6,217	- 715	- 29	- 283,950
Other income	806	1,138	926	34	47	2,827	5,778
Total	- 184,943	- 70,199	- 18,977	- 6,183	- 668	2,798	- 278,172

May - July 2005 Expenses TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Development expenses	Research expenses	Other operating results	Total
Cost of materials	-120,858	-742	-140	-378	-6	0	-122,124
Personnel expenses	-38,552	-34,015	-10,317	-4,413	-799	-23	-88,120
Depreciation	-7,239	-1,279	-685	-271	-59	-78	-9,612
Other expenses	-9,457	-27,822	-10,018	-1,677	-258	-6,081	-55,314
Own work capitalised	253	7	0	2,276	68	0	2,603
Internal charges	161	-1,006	891	-26	-20	0	0
Total other expenses	- 175,693	-64,858	-20,270	-4,489	-1,075	-6,182	-272,567
Other income	2,157	281	600	101	92	393	3,624
Total	-173,536	-64,577	-19,670	-4,388	-983	-5,790	-268,943

3.4. Other operating results

TEUR	May – June 2006	May – June 2005
Public subsidies	375	189
License income	1,380	0
Impairment charges/reversals to non-current assets (excl. fin. assets)	145	0
Restructuring	0	-5,771
Exceptional items	145	-5,771
Other	898	-208
Total	2,798	-5,790

License income represents annual revenues from the new LED business. The prior year costs for restructuring are comprised primarily of personnel and other expenses related to the shutdown of a production facility in Germany. The position "other" consists chiefly of currency translation differences on ordinary business transactions, which cannot be directly assigned to the other functional areas.

3.5. Interest income and expense

Interest income and expense for the reporting period includes non-recurring costs of TEUR 2,253, which are related to the premature repayment of non-current financial liabilities with the use of proceeds from the initial public offering.

3.6. Other financial income and expenses

Other financial income and expenses in TEUR	May – June 2006	May – June 2005
Interest component pursuant to IAS 19	-1,037	-1,813
Foreign exchange gains and losses	810	529
Income from associated companies	468	362
Market valuations	-3,592	648
Other	-15	-2
Total	-3,367	-275

Market valuations are related to financial assets as defined in IAS 39, which are carried at fair value through profit or loss (convertible bond in TIR) as well as derivatives that are stated at fair value as of the balance sheet date for the interim financial statements.

3.7. Income taxes

The change compared to the prior year resulted chiefly from the partial reversal of the valuation adjustment to deferred tax assets on loss carryforwards in the Austrian companies. Additional comments on the loss carryforwards are provided in section 1. The figure for the reporting period also includes a proportional share of taxes on the transaction costs that were recognised under equity.

The following table shows the classification of income taxes according to the current and deferred components:

Income taxes in TEUR	May – June 2006	May – June 2005
Current taxes	- 3,974	- 1,196
Deferred taxes	11,700	750
Total	7,726	- 446

4. Notes to the Balance Sheet

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2006:

4.1. Intangible assets

The change in this item resulted primarily from the capitalisation of TEUR 2,614 in internally generated intangible assets that are related to development projects.

4.2. Financial assets

The interim profit of TEUR 2,600, which arose in connection with the sale of the tool production segment during 2005, was recorded as follows: this interim profit was recognised as deferred income (carrying value as of July 2006: TEUR 2,058) and will be released to the income statement under financial results through income from associated companies over the original amortisation period of six years. The purchase price receivable of TEUR 2,000 (term to 2009), which arose in connection with the sale and was repaid in part (TEUR 500) during the first quarter of 2006/07, is included under non-current financial assets.

4.3. Other receivables and assets

The change in this position resulted above all from the reversal of TEUR 10,353 in accrued expenses for the Company's initial public offering, which were recorded on the balance sheet as of 30 April 2006. These expenses were recognised in equity during May 2006 as transaction costs for the procurement of equity (also see section 6.1).

4.4. Available for sale assets

The Group intends to sell property in connection with the restructuring of the Australian companies in the Zumtobel Lighting Division. For this reason, the related land and buildings were classified as "available for sale". The expected proceeds on sale less the costs to sell exceed the carrying values of these assets. The difference compared to the amount recorded in April is the result of foreign exchange fluctuations.

4.5. Other provisions

The change in this item resulted primarily from the reclassification of a provision for stock options totalling TEUR 8,592, which was recognised under equity (also see section 6.4, stock option programme). Miscellaneous current provisions are comprised of the following:

Current provisions in TEUR	July 2006	April 2006
Provision for guarantees	8,472	7,138
Provision for restructuring	7,417	10,320
Provision for legal proceedings	2,292	2,478
Provisions for onerous contracts	2,443	2,862
Other provisions	10,163	15,969
Total	30,788	38,768

4.6. Financial liabilities

The change in current and non-current borrowings from financial institutions is based chiefly on the use of net proceeds of EUR 143 million from the initial public offering as well as scheduled repayments of EUR 3 million.

5. Notes to the Cash Flow Statement

The indirect method is used to determine cash flow from operating activities. Under this method, operating profit is adjusted – in agreement with the major non-cash movements as defined in IAS 14, segment reporting – to reflect non-cash business events as well as income and expenses related to the investing or financing area (e.g. depreciation and amortisation, increases in valuation adjustments to trade receivables, inventories and non-current provisions).

Liquid funds are comprised of cash and cash equivalents, which consist of liquid funds and overdrafts. Cash equivalents are subject to only insignificant fluctuations in value, and have a remaining maturity of not more than three months from the date of acquisition. Bank overdrafts are generally considered to be part of cash and cash equivalents

because they form an integral part of the Group's cash management. Cash and cash equivalents comprise the following positions:

Cash and cash equivalents in TEUR	July 2006	April 2006	July 2005
Deposits with banks	81,008	103,506	64,851
Demand deposits with banks	1,724	662	224
Other funds	930	865	527
Liquid funds	83,662	105,033	65,602
Overdrafts	-10,575	-7,660	-44,264
Total	73,087	97,373	21,338

Deposits and demand deposits with banks as well as other similar items are shown under cash and cash equivalents on the balance sheet. Overdrafts are reported under current financial liabilities. Therefore, liquid funds as shown on the balance sheet comprise:

Liquid funds in TEUR	July 2006	April 2006	July 2005
Thereof cash and cash equivalents	83,662	105,033	65,602
Thereof not available for disposal	2,446	1,579	21,046
Thereof availability > 3 months	8	12	32
Total	86,116	106,624	86,680

6. Notes to the Statement of Capital and Reserves

6.1. Capital increase and transaction costs

In May 2006 the share capital of the Company was increased from EUR 92,023,360 by EUR 19,737,500 to EUR 111,760,860 through the issue of 7,895,000 new bearer voting shares with zero par value, which carry dividend rights as of 1 May 2006. The share capital of the Company is divided into 44,704,344 bearer shares with zero par value, which are fully paid in and have a proportional value of EUR 2.5 each in share capital.

The initial public offering of Zumtobel AG involved the placement of 17,700,638 shares of old stock from shareholders' stakes and 7,895,000 shares of new stock from a capital increase (EUR 19,737,500) for public subscription at an offering price of EUR 20.5 per share. Up to 46,029,480 shares were admitted for trading on the Vienna Stock Exchange, where the shares were traded for the first time on 12 May 2006 in the Prime Market segment. The stock market abbreviation of Zumtobel AG is ZAG, and the international security identification number (ISIN) is AT 0000837307. Preparations for the initial public offering generated costs of TEUR 13,714, which qualify as transaction costs for the procurement of equity. These costs were recognised directly to equity, net of taxes at 25%.

6.2. Share buyback

In accordance with a resolution of the Annual General Meeting on 29 June 2006, the Managing Board of Zumtobel AG decided to repurchase 1 million shares of the Company's stock during the period from 6 July 2006 to 31 October 2006. The purpose of this buyback is to serve the stock option programme. As of 31 July 2006 the Company had repurchased 130,000 shares for a total of TEUR 2,145 (average price per share: EUR 16.5).

6.3. Stock option programme

6.3.1. Stock option programme (SOP)

6.3.1.1. Design of the programme

The Zumtobel Group introduced a stock participation programme during the 2003/04 Financial Year, which qualified as share-based compensation with cash settlement and was therefore recognised as a non-current provision up to April 2006. In connection with the initial public offering, this stock participation programme was converted as of 12 May 2006 into a share-based model with settlement in the form of equity instruments. The terms of the programme that regulate granting, exercise and the termination of employment were amended as described below:

The granting of options is dependent on two conditions: 50% of the shares granted are contingent upon the employment of the participant with the Company or a subsidiary during the relevant financial year (affiliation options), and 50% are linked to an increase in the market value of the Company's shares (performance options).

The options may be exercised during predetermined windows throughout the exercise period. The first exercise window will follow the announcement of results by the Company for the second quarter of the 2006/2007 Financial Year. In subsequent years up to and including 30 April 2015, the options may be exercised during windows that will open after the announcement of quarterly results by the Company. There is no mandatory retention period for shares purchased.

The following provisions apply in the event employment is terminated: options will expire if they have not yet been granted or were granted to the participant during the financial year in which employment was terminated. All other options that were granted but not yet exercised are considered to be exercised during the next possible exercise window.

6.3.1.2. Accounting treatment

Since compensation from this option programme will be made exclusively in the form of shares, the earned options are recognised under equity. As of the closing date for the interim financial statements on 31 July 2006, the provision of TEUR 8,592 from the financial statements as of 30 April 2006 was reclassified to equity and TEUR 837 were charged to equity through profit or loss. The market prices were valued in accordance with the Black-Scholes method as of 1 May 2006.

The major parameters are (prior year = April 2006):

- Market price per share: EUR 20.5 (prior year: EUR 20.0)
- Exercise price: EUR 7.5 for participants in the 04/05 Financial Year, EUR 11.55 in the 05/06 Financial Year, EUR 16.6 in the 06/07 Financial Year
- Expected volatility: 23.7% (prior year: 15%) p.a.
- Term: up to 30 April 2015
- Expected dividend: none
- Risk-free interest rate: 4.0% p.a. (prior year: 4.15% p.a.)

The volatility was based on the historical one-year volatility of the ATX plus an appropriate individual risk premium. The inclusion of the non-market terms of the programme represents an adjustment of 5% for employee turnover in connection with the granting of affiliation options and a discount of 50% for the granting of options based on the market performance of the Company's share.

6.3.2. Matching stock programme (MSP)

In addition to the stock option programme, a matching stock programme was introduced in connection with the initial public offering of Zumtobel AG. The goal of this programme is to allow key managers to participate in an increase in the value of the Company's shares, which is coupled with the purchase of stock ("MSP shares"). The maximum total investment of key managers in the MSP is limited to EUR 2.2 million. It is divided into three individual programmes (MSP I, MSP II, MSP III), whereby each individual programme is subdivided into five segments.

Each MSP share entitles the participant to subscribe to eight stock options per segment. The exercise of the allocated options is subject to a qualifying period of two years, beginning on the date the segment is allocated. The base price for the stock options from the first segment of MSP I equals the issue price plus 10%. The base price for the other segments equals the average, non-weighted closing price for the ZAG share on the Vienna Stock Exchange during the last 60 trading days prior to the allocation of the options plus 10%. The exercise price represents the average, non-weighted closing price for the ZAG share on the Vienna Stock Exchange during the last 60 trading days prior to the exercise of the options.

The MSP I, II and III each have a term of seven years. This term begins for the MSP I on the day the ZAG share started trading on the Vienna Stock Exchange, for the MSP II on 1 May 2007 and for the MSP III on 1 May 2008. Options that are not exercised before the end of the term expire without replacement.

6.3.2.1. Accounting treatment

The matching stock programme qualifies as a share-based compensation model. Therefore, the market price of the stock options on the date of commitment was determined in accordance with the Black-Scholes method as of 1 May 2006. Expenses arising from the MSP are charged to equity.

The major parameters for the first segment of MSP I are:

- Market price per share: EUR 20.5
- Exercise price: EUR 22.5
- Expected volatility: 23.7% p.a.
- Term: up to 15 May 2008
- Expected dividend: none
- Risk-free interest rate: 4.0% p.a.

The volatility is based on the historical one-year volatility of the ATX plus an appropriate individual risk premium. Since the granting will only become valid after a qualifying period of two years, the value of the options was recognised on the balance sheet as an accrual.

As of the closing date for the interim financial statements on 31 July 2006, 371,980 shares were granted from the first segment of MSP I. Based on the qualifying period, a charge of TEUR 118 was recognised to equity through profit or loss.

6.3.3. Summary of option programmes

TEUR	SOP	MSP I / TR 1	Total
April 2006	8,592	0	8,592
Addition through profit or loss	837	118	955
July 2006	9,429	118	9,547

The addition to the SOP represents 223,922 options to be granted for the 2006/07 Financial Year, which have a total market price of TEUR 3,348. This amount will be distributed proportionally over the entire financial year. The addition to the MSP represents 371,980 options to be granted, which have a market price of TEUR 939,188 and will be accrued over a period of two years.

7. Related Party Transactions

Related parties include the Managing Board and Supervisory Board of Zumtobel AG as well as the management of the principal companies in the Zumtobel Lighting and Tridonic Atco Divisions. As of the closing date for the interim financial statements on 31 July 2006, the Company had no business relationships with related parties. Supply and delivery transactions are conducted with associated companies at normal market conditions.

8. Contingent Liabilities and Guarantees

The Group holds the following contingent liabilities that do not meet the criteria for recognition as a provision:

Contingent liabilities	July 2006	April 2006
Guarantees and warrantees	1,094	871
Legal proceedings	2,858	2,858
Other	795	795
Total	4,747	4,524

The guarantees and warranties are related to a company in France and would become due if certain customer contracts are not fulfilled. In addition, an amount of TEUR 2,858 arising from a legal dispute with the French social security administration was recognised as a contingent liability (an additional TEUR 308 were recorded under provisions for legal proceedings in connection with this dispute). Other contingent liabilities include TEUR 795, which arose during the previous business year in connection with the sale of a factory in France.

9. Subsequent Events

All events that occurred after the balance sheet date and were important for valuation as of this date – such as outstanding legal disputes or claims for damages as well as other obligations and impending losses that must be recognised or disclosed in accordance with IAS 10 – were reflected in the consolidated financial statements or are unknown. Part of the Australian properties that were classified as "available for sale" were sold after the balance sheet date (also see section 4.4 Available for sale assets).

10. Segment Reporting

Segment assets and liabilities comprise directly allocated property, plant and equipment, intangible assets and working capital (excluding accrued interest, tax refunds and tax liabilities).

Assets and liabilities as well as related income statement items that were not allocated to the individual segments – such as property, plant and equipment, financial liabilities and taxes involving several segments – are shown in the column "Other and Consolidation". The distribution of countries to the individual regions is as follows:

- D-A-CH: Germany, Austria, Switzerland
- Eastern Europe: Czech Republic, Croatia, Hungary, Poland, Romania, Russia, Slovakia, Baltic States
- Northern Europe: Denmark, Finland, Norway, Sweden, IslandIsland
- Western Europe: Great Britain, Benelux, France
- Southern Europe: Italy, Spain, Greece, Turkey
- America: North and South America
- Asia: Countries in the Far East and Middle East
- Other: Africa

The region "Europe" as well as the total Group level include various assets such as goodwill, which could not be directly allocated to secondary regions during the consolidation. Segments are shown on page 22 to 25.

Financial Calendar

Thursday, 7 December 2006: Interim Report on the second Quarter (August - October)
Thursday, 22 March 2007: Interim Report on the third Quarter (November - January)
Thursday, 5 July 2007: Annual Results for 2006/07
Thursday, 26 July 2007: Annual General Meeting

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Annual Report

Our annual report is available for download under:
http://www.zumtobelgroup.com/annualreport

You can also order a copy by calling +43 (0)5572 509-506.

More information

on Zumtobel AG, our brands and LED start-up companies can be found in the Internet under:

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