Annual Financial Report 2010/11 Zumtobel AG

1 May 2010 to 30 April 2011

zumtobel group

Five-Year Overview

in EUR million	2010/11	2009/10	2008/09	2007/08	2006/07
Revenues	1,228.2	1,114.6	1,169.0	1,282.3	1,234.0
Adjusted EBIT	78.4	51.4	78.9	123.0	112.3
as a % of revenues	*6.4*	*4.6*	*6.7*	*9.6*	*9.1*
Net profit/loss for the period	51.3	(69.8)	13.3	93.5	103.6
as a % of revenues	*4.2%*	*(6.3)*	*1.1*	*7.3*	*8.4*
Total assets	1,020.5	972.8	1,010.3	1,082.4	1,132.5
Equity	378.7	340.4	412.4	490.7	428.7
Equity ratio in %	*37.1*	*35.0*	*40.8*	*45.3*	*37.9*
Net debt	141.3	131.4	163.5	129.0	185.7
Cash flow from operating results	123.2	80.4	107.3	166.0	173.8
Investments	57.3	48.7	64.7	66.0	54.3
as a % of revenues	*4.7*	*4.4*	*5.5*	*5.1*	*4.4*
Headcount incl. contract worker (full-time equivalent)	7,814	7,329	7,165	7,908	7,911

See section 5. Service – Financial terms for the definition of the above indicators.

The data from the previous years were restated to reflect the application of IAS 8 and IFRS 5 as well as the retrospective application of IAS 21. Detailed information is provided in section 2.6.3.3 of the notes.

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Chief Executive's Review

Dear Shareholders,

Harald Sommerer

The 2010/11 financial year brought a number of positive surprises from an economic point of view. After the most severe crisis in more than 60 years, the global economy defied expert forecasts and returned to a growth course much faster than expected. This also had a positive effect on the operating business of the Zumtobel Group. The market environment for the professional lighting industry recovered steadily throughout the year, and led to substantially higher revenues and earnings than we forecasted at the beginning of the reporting period. Accordingly, we can now present solid results: Group revenues rose by 10.2% to EUR 1,228.2 million and adjusted operating earnings before interest and taxes (EBIT) increased 52.4% to EUR 78.4 million. The adjusted return on sales improved from 4.6% in the previous year to 6.4%. This sound operating development was also reflected in the share price, which rose by 50% during the 2010/11 financial year.

Upward trend in both segments and all regions

The subject of energy efficiency became a key growth driver for both segments of the Zumtobel Group during the reporting year. It allowed the Zumtobel Group to disengage in part from the general development of the commercial construction industry, which remained on a strong downturn in 2010. The Components Segment recorded dynamic growth for the 2010/11 financial year with an increase of 19.3% in revenues to EUR 437.3 million and 26.7% in adjusted earnings to EUR 58.4 million. As previous years have shown, this segment continues to benefit from an improved product mix through the ongoing substitution of magnetic ballasts with electronic ballasts as well as the expansion of the portfolio to include LED products and light management systems (Controls & Systems). The late cyclical Lighting Segment also improved gradually during the course of the year. Segment revenues increased 6.4% to EUR 869.0 million, and adjusted segment earnings were EUR 14.3 million higher at EUR 27.0 million. This growth was supported, above all, by a more active renovation sector. The LED business, which is a key focus of our innovation efforts, broke the forecasted revenue mark of EUR 100 million with an increase of 52.2% in 2010/11. A regional analysis shows that all markets of the Zumtobel Group have now returned to a growth course.

Continued solid balance sheet indicators

The rising volume of business was also coupled with additional working capital requirements. The resulting cash outflows and a high level of capital expenditure had a negative effect on free cash flow which, however, was still slightly positive at EUR 4.8 million for the reporting year (2009/10: EUR 36.8 million). The balance sheet structure of the Zumtobel Group remains solid. The equity ratio improved from 35.0% to 37.1% in 2010/11. The positive development of operating earnings reduced the debt coverage ratio (net debt divided by EBITDA) from 1.63 to 1.11. Good liquidity, low gearing and a solid balance sheet structure give the Zumtobel Group a firm financial basis for future growth.

Medium-term planning up to 2014/15: 10% revenue growth per year, increase in EBIT margin to > 10%

As indicated in the new medium-term strategy that was presented at the end of April 2011, the Zumtobel Group is now targeting a global growth course. It includes the goal to generate average organic growth of approx. 10% per year by 2014/15, and thereby clearly outpace the 4% annual increase expected for the professional lighting industry. Energy-efficient lighting with a special focus on intelligent lighting solutions as well as the opportunities created by LED technology and above-average demand from growth markets will provide key impulses for the professional lighting industry over the coming years. The Zumtobel Group has wide-ranging access to markets, extensive know-how in lighting applications and a recognised strength in technology. These factors place the Group in an excellent position to realise above-average benefits from the expected opportunities. Plans call for one-third of Group revenues to be generated with LED products by 2014/15 (LED share in 2010/11: 8.2%). The focus for the coming years will also turn to increasing penetration of the established markets in Europe and the significant expansion of activities in emerging global markets. The Zumtobel Group will make substantial upfront investments in selling activities and new product development to further strengthen its worldwide market shares. Due to these high growth investments, the improvement in earnings will only be gradual. The Management Board has therefore set a goal to steadily increase the EBIT margin, adjusted for special effects, to over 10% by 2014/15. The goal is to finance these investments in organic growth from ongoing cash flows.

For the 2011/12 financial year (beginning on 1 May 2011), the Management Board expects an increase of roughly 10% in revenues. The adjusted EBIT margin will improve only slightly in comparison with the reporting year (6.4%) due to the substantial upfront investments to drive the planned revenue growth.

We have set ambitious goals, but are convinced that we will be able to meet them due to our outstanding market and technological positions and the related significant growth potential. However, the success and growth of the Zumtobel Group would not be possible without the firm commitment and high flexibility of our employees. We would like to thank all these men and women for their efforts. Additionally, we would like to thank our customers and other business partners as well as our shareholders for confidence, their support and their open dialogue.

Sincerely,

Harald Sommerer
Chief Executive Officer

1. Group Management Report

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1. Group Management Report

The Zumtobel Group utilised the option provided by § 267 (4) of the Austrian Commercial Code in connection with § 251 (3) of the Austrian Commercial Code for the 2010/11 financial year. This option was also elected in 2009/10 and permits the combination of the Group management report and the management report of Zumtobel AG into a common document.

1.1 The Zumtobel Group – An Overview

1.1.1 Mission Statement

**“We have a common vision:
Passion for Light“**

Light is our passion and profession. Light enables us to experience space. Our role is to use light to create spaces for people to live in whilst taking responsibility for our environment. This means delivering optimum light quality with optimum energy efficiency. The key factors in achieving our mission are innovation, outstanding quality and, above all, the knowledge, creativity and enthusiasm of our people. Our passion for the fascinating medium of light drives everything we do and how we think. This is the foundation on which we aim to create maximum customer satisfaction and secure a leading position in the global lighting market.

1.1.2 Group structure and brand strategy

Zumtobel AG is the parent company of the Group and, as such, provides a wide range of management and service functions for the entire corporation. These activities include controlling, personnel, corporate accounting, taxes and legal, internal audit, insurance, treasury (including central financing and liquidity management for the Group), IT, corporate communications and investor relations.

The Management Board of Zumtobel AG is responsible for the direction and management of the Group. Harald Sommerer has served as the Chief Executive Officer (CEO) of Zumtobel AG since 1 May 2010. As of 1 February 2011, Mathias Dähn was appointed Chief Financial Officer (CFO). He tool over the responsibilities of Thomas Spitzenpfeil, who resigned from Zumtobel AG as of 30 September 2010. Martin Brandt has been a member of the Management Board and Chief Operating Officer (COO) since 1 September 2009.

The organisational structure of the Zumtobel Group is based on a “parent company concept“ that provides for the direct administration and control of the lighting business by the Management Board. The components business is run as an independent subsidiary with autonomous management, and reports to the CEO of Zumtobel AG. In contrast to a holding company structure, the parent company concept brings the Management Board closer to the operating business.

The Group follows a multi-brand strategy, addressing different fields of business and customer target groups in the lighting marketplace with strong internationally established brands. The foundation for these brands is formed by a continuous focus on energy-efficiency as well as innovation and sustainability. The Lighting Segment with its brands and innovative, high-quality products is positioned in a worldwide network of decision-makers and opinion leaders that includes architects, investors, wholesalers and municipalities as well as specifiers, planners and engineers involved in building construction and infrastructure projects. The Components Segment is a supplier to luminaire producers.

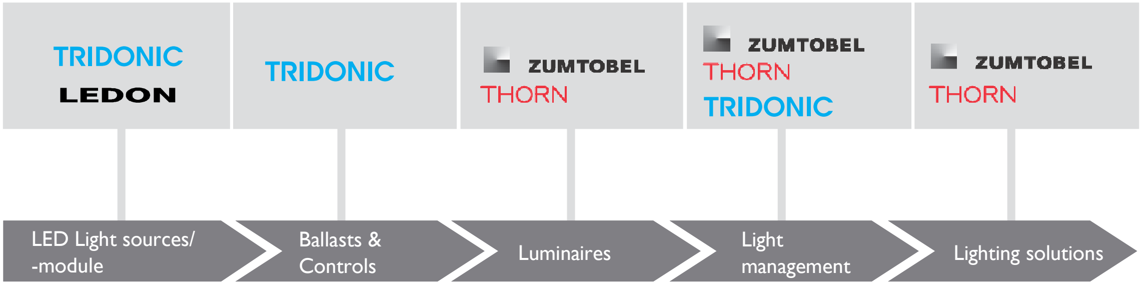
Segment reporting is based on the Lighting Segment and the Components Segment. The revenues generated by the sale of LED-based products, i.e. revenues from LED luminaires and LED components, involve both segments and are allocated according to the type of product. The Lighting Segment covers professional luminaires, lighting management and lighting solutions for indoor and outdoor applications, and comprises the Zumtobel and Thorn brands as well as the much smaller Original Equipment Manufacturer (OEM) brand Reiss. The Zumtobel and Thorn brands are differentiated by their portfolios, customer target groups and sales channels, and thus ensure broad coverage of the international luminaire market. The Components Segment develops and markets lighting components and management systems, LED modules, LED ballasts (converters) and controls as well as connection technology under the Tridonic brand. Tridonic is a leading global OEM manufacturer that sells most of its products to external luminaire manufacturers, but also generates roughly 18% of its revenues with the affiliated Zumtobel and Thorn brands. In 2009/10 the Zumtobel Group announced its entry into the LED lamp business and started direct sales to consumers. The Ledon brand covers an extensive line of innovative LED lamps with top-quality lighting; the related revenues are reported under the Components Segment.

The Zumtobel Group holds a leading position on the European professional lighting market and is one of the world's top four producers of lighting components and light management systems. That makes the Group one of the few global players in the international lighting industry. Approximately 77% of Zumtobel Group revenues are generated in Europe. The European professional lighting industry is still highly fragmented with over 800 suppliers, and the ten largest luminaire producers cover only slightly more than 40% of the total market. In contrast, the worldwide components industry is more consolidated.

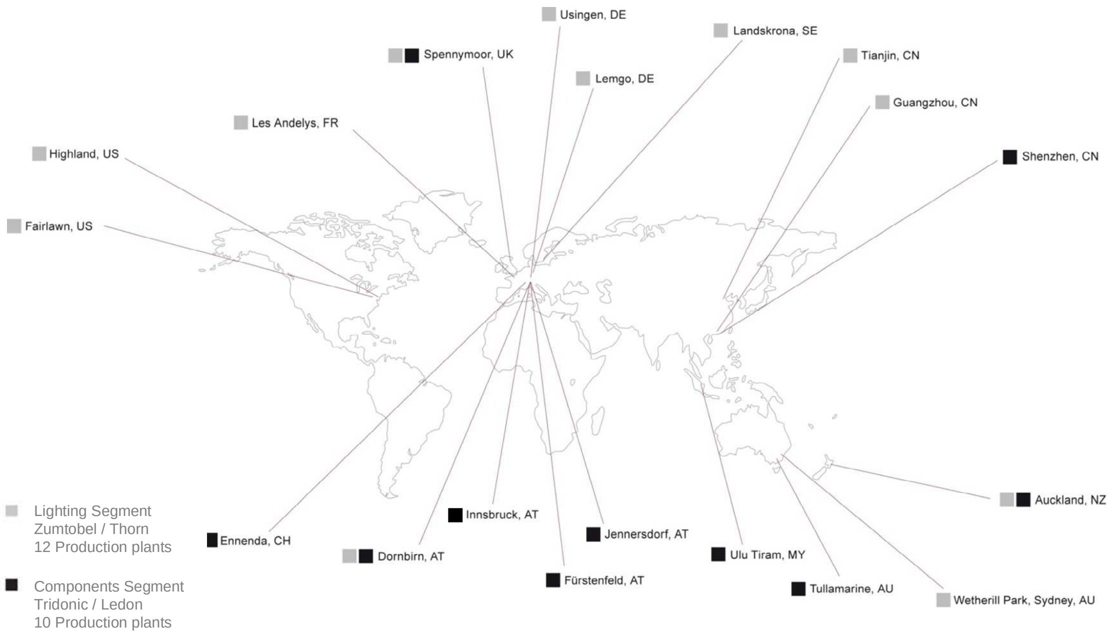
1.1.3 Products and production locations

The Zumtobel Group offers complete professional lighting solutions, luminaires, light management systems and lighting components for interior and exterior applications. The Group's business activities under the Zumtobel and Thorn brands cover the following areas of application in the lighting sector: office and communication, education and science, industry and engineering, presentation and retail, art and culture, sport and leisure, facade, hospitality and wellness, health and care, transit areas and car parks, orientation and safety as well as outdoor lighting for streets, tunnels and public areas. In the component business, the Group positions itself as an innovative supplier with a broad-based product range. The product line consists primarily of magnetic, electronic and digital dimmable luminaire control gear, ignition devices, light management systems, LED modules, LED converters, LED retrofit lamps and connection technology. The Zumtobel Group made a strategic decision many years ago not to invest in capital-intensive LED chip production and purchases these products from chip manufacturers such as CREE, LG Innotek, Toyoda Gosei and Epistar.

The five-step value added chain in the professional lighting sector is covered in full by the Zumtobel Group's brands. In the area of lighting sources, the Group has been active in LED technology since 2001. Conventional lighting sources are purchased as finished products.



Its size allows the Zumtobel Group to play a leading role in production as well as research and development (R&D). The Group currently operates 22 plants on four continents and cooperates with sales companies and partners in over 100 countries.



1.1.4 Key success factors for the Zumtobel Group

The Zumtobel Group is one of the few companies in the lighting industry that – with the exception of LED chips and conventional lighting sources – covers the entire value added chain in artificial lighting. The outstanding competitive position of the Zumtobel Group is based, above all, on wide-ranging market access, extensive know-how in lighting applications and strong technology position.

Focus on customer interfaces

The sales function, as a customer interface, plays a key role in the business model of the Zumtobel Group. The Group has 2,285 employees working in this area and follows different sales approaches. Sales activities for the Zumtobel brand concentrate entirely on project business in the commercial construction sector. The Thorn brand, whose projects are based in part on advance project specifications, sells mainly through wholesalers. One element that links the Thorn and Zumtobel brands is their participation in networks, for example with architects, lighting planners and wholesalers. These networks are developed over years and can only be maintained with appropriate investments in the sales structure. The importance of market access is also visible in the Components Segment. The global components industry is more consolidated, but products are sold in the fragmented luminaire manufacturers market. A particular strength of Tridonic is its long-term customer relationships with a large number of luminaire producers.

Know-how in lighting applications

Lighting solutions are products that require extensive consulting as well as in-depth knowledge of specific lighting applications. The Zumtobel Group offers solutions for both indoor and outdoor lighting. The sales staff must understand not only the technical and functional aspects of light, but also its aesthetic, emotional and ergonomic implications. Accordingly, detailed and wide-ranging education and continuous training are decisive for the quality of sales.

Strong technology position

The Zumtobel Group grows by developing and applying new technologies for innovative, energy-efficient and high-quality products. Product innovation is an important differentiating factor. In 2010/11 the Zumtobel Group invested EUR 62.7 million in R&D. The technological shift – from magnetic to electronic ballasts and from conventional lighting sources to LEDs – as well as the development of new and even more energy-efficient products represents the greatest challenge for R&D. That leads to increasing demands on capital and resources, but also creates numerous advantages for the Zumtobel Group in competition with the many small and mid-sized luminaire producers. An extensive patent portfolio underscores the company's innovative power: it is the safeguard for growth, competitive advantages and access to strategic cooperation with companies from the electronics industry. Additional information on this subject is provided in section 1.10 Research and Development.

1.1.5 Growth opportunities and mid-term strategy

Growth opportunities

The subject of energy-efficient lighting, with a special focus on comprehensive intelligent lighting solutions, as well as the opportunities offered by LED technology and the rising demand from established European and emerging global markets represent the major growth drivers for the professional lighting industry.

19% of global electricity production consumed by lighting

The subject of energy-efficiency is receiving greater attention in connection with energy savings and the reduction of CO_2 emissions, and has become a key growth driver for the Zumtobel Group. Lighting is currently responsible for 19% of worldwide electricity consumption. Of this amount, nearly two-thirds are used for commercial buildings and exterior lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group.

Energy savings of up to 80% through intelligent lighting solutions

Comprehensive intelligent lighting solutions can lead to a reduction of up to 80% in electricity consumption. In addition to the design of the luminaire, energy efficiency can best be improved through the use of intelligent control systems, electronic and dimmable electronic ballasts as well as new, innovative lighting sources such as LEDs. This energy savings potential can be realised by combining various optimisation measures, beginning with the design of a luminaire to improve thermal management and light distribution (reflector surfaces, reflector profiles, diffuser optics etc.) through the selection of the optimal lamp technology and materials to the exact calculation of reflectors and prisms (optical systems). Another important factor is the use of electronic and dimmable electronic ballasts as a substitute for their much less efficient magnetic counterparts. In addition, intelligent control systems regulate light levels as needed, for example based on presence detection and dependent on the available daylight and time.

In connection with the planning of lighting solutions, Zumtobel visualisation software can be used to simulate a modern and dynamic lighting concept for customers. It demonstrates the lighting quality and energy consumption of the planned solution under different scenarios. Customers can also use ecoCalc, a free-of-charge software programme that has been available since 2010. This software compares energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership).

Good lighting gives people a feeling of well-being

The Group's energy-efficient, innovative product portfolio is marketed with the support of broad-based communication campaigns such as the Humanergy Balance at Zumtobel, Performance, Efficiency & Comfort at Thorn and Ecolution at Tridonic. These campaigns focus on the balance between energy savings and optimal lighting quality. Good lighting can increase the sense of well-being and create ideal conditions for fitness, satisfaction and health. Light is also becoming more important in other areas, for example in retail stores, because it supports the emotionalisation and differentiation of selling areas.

Strong rise in demand for LED lighting

The potential of LED technology is one of the key issues that will define the future direction of the lighting industry. The growing importance of this technology in professional applications is a direct result of continued performance improvements and a parallel decline in the cost of LED chips as well as an increasing awareness of the need for energy efficiency and resource conservation. High-performance LEDs have already outpaced both the fluorescent lamp and the high pressure lamp with respect to energy efficiency and, with respect to effectiveness and light quality, currently represent the best source of white light.

For the Zumtobel Group, the innovative LED technology opens up a range of new opportunities for sustainable lighting solutions with a wide variety of applications. The most important LED applications by the Zumtobel brand are found in the areas of presentation and retail, art and culture, office and facades as well as emergency lighting. Thorn also offers innovative LED products for lighting streets and public areas. Tridonic has marketed LED modules for advertising lights and cooling equipment for many years, and recently expanded its product portfolio to also include high-performance LED components, converters and modules as well as LED retrofit lamps.

LED lighting sources and luminaires are relatively expensive due to their current high cost and comparatively low production volumes. However, the attractiveness of LED products should increase over the medium-term due to the expected decline in production costs and prices. In spring 2011 the Zumtobel Group launched its first LED flat-area luminaire at an attractive price-performance ratio. In many areas of application, the higher initial investment is justified by a significant reduction in energy costs, maintenance and operating expenses over the service life. The amortisation period ranges from two to eight years, depending on the application. The smaller size and other advantages such as robustness and long service life as well as the use of non-toxic materials and the lack of UV radiation are creating a wide range of new opportunities for product design and functionality.

Together with other international companies in the lighting industry, the Zumtobel Group has joined the ZHAGA initiative. The goal of this project is to develop a uniform standard for LED module interfaces.

Investments in OLED technology

In addition to extensive activities in the area of LEDs, the Zumtobel Group is investing in the future technology of OLEDs (organic light-emitting diodes). OLEDs generate wide-area light and differ from conventional LEDs, above all, through their use of organic material. In autumn 2009 the Zumtobel Group, together with the Fraunhofer Gesellschaft and several staff members of the Fraunhofer Institute for Photonic Microsystems in Dresden, founded a joint venture that will focus on this technology. The Group is also participating in a cooperation project with Durham University on the subject of thin organic polymeric, light emitting, semi-conducting surfaces.

Dynamic development in growth markets

Global economic growth is driven by the dynamic momentum in the developing and emerging countries, above all the BRIC states (Brazil, Russia, India and China). In 2010 the Brazilian and Russian economies expanded by 7.5% and 4.0%, respectively, while double-digit increases were recorded in India (+10.4%) and China (+10.3%). The Zumtobel Group intends to realise above-average benefits from the growth forecasted for these countries over the coming years. However, it should also be noted that economic performance in terms of absolute GDP in these countries will in no way match the level in the European Union or the USA in the coming years. The Group is therefore focusing for the medium-term on stronger penetration of the established markets in Europe as well as an expanded presence in the new growth markets.

Goals of medium-term planning

Long-term oriented, global growth strategy

The strategic corporate plan (medium-term planning) for the period up to the 2014/15 financial year was completed during the spring of 2011 and subsequently approved by the Supervisory Board. In keeping with this plan, the Zumtobel Group will concentrate on a dynamic global growth course. Organic growth of approx. 10% per year is targeted by 2014/15, which will place the Group significantly above the 4% annual increase expected for the professional lighting industry during this time[1].

Outstanding competitive position

The subject of energy-efficiency has become a key growth driver for the lighting industry. Important impulses for the near-term growth of the professional lighting industry will be provided, above all, by the trend toward comprehensive intelligent, energy-efficient lighting systems and by LED technology. These developments will be intensified by demand from growth markets such as China. Through its wide-ranging market access, extensive know-how in lighting applications and strong technology position, the Zumtobel Group is in an excellent position to benefit from the growth opportunities available in the industry.

Significant expansion of sales force

In order to increase its global market shares, significant investments will be made in sales activities and the development of new products over the coming years. The sales function, as a customer interface, plays a major role in the business model of the Zumtobel Group and will therefore be substantially expanded. The Lighting Segment will focus on stronger penetration of the established markets in Europe as well as a greater presence in emerging global markets. Particular opportunities for growth are expected in Asia, the Middle East and Eastern Europe, where the Zumtobel Group is currently underrepresented. The sales organisation in the Components Segment will also be enlarged. The Group's growth course will be supported by specially designed marketing activities, such as the expansion of the Zumtobel lighting centres.

Increase in R&D expenses and investments to strengthen technology position

The innovative expertise of the Zumtobel Group will continue to provide key support for above-average growth. Consequently, the Group is also setting a strong sign with increased investments in this area: the development team will be substantially enlarged over the next two years, and this will lead to higher absolute expenditures for R&D. Based on the expected growth, R&D as a per cent of revenues will remain constant at roughly 5%. The same applies to investments, which will amount to roughly 5.5% of revenues over the near-term. The increase in innovation costs is a result of shorter innovation cycles as well as parallel activities in the areas of LED and conventional lighting technology. In addition, the Zumtobel Group also makes specially directed investments in intelligent light management systems.

[1] Source – Zumtobel Group

Shift in Components Segment product portfolio

Future growth in the Components Segment will also be heavily influenced by the trend toward more energy-efficient, environmentally friendly lighting technology. The coming years are expected to bring a higher quality product mix due to the ongoing substitution of magnetic ballasts with more energy-efficient electronic ballasts and the expansion of the portfolio to include innovative LED modules, LED converters and LED systems. In the rapidly growing LED business, Tridonic is focusing on special LED converters as well as the development and expansion of a portfolio of LED light sources for professional applications.

New global organisational structure as of 1 May 2011

In order to optimally utilise the many attractive worldwide opportunities for growth, a global organisational structure is required. The new global matrix organization for the Lighting Segment was installed as of 1 May 2011 and forms the basis for the global roll-out of the successful European business model. This new structure also offers sufficient flexibility to allow for the differentiated development of local markets.

Focus on organic growth

The current medium-term plan calls for the financing of growth investments from ongoing cash flows. Activities will concentrate on organic growth, but may be supplemented by selective acquisitions. The Zumtobel Group has low gearing and a solid balance sheet structure, which will provide sufficient financial flexibility to generate additional growth through selective acquisitions.

Gradual improvement in profitability

The substantial investments in growth through the expansion of the sales force and the strengthening of the product portfolio will have a negative effect on the company's near-term earnings. However, there is a considerable potential for earnings improvement in the form of currently unused production capacity, increased efficiency through economies of scale and expectations of a sharp drop in the price of LED chips. The Management Board has therefore set a goal to steadily increase the adjusted EBIT margin to over 10% by 2014/15.

Sustainability strategy

"Through light, we care"

The global growth strategy is closely intertwined with the sustainability strategy of the Zumtobel Group "Through light, we care". An energy-efficient product portfolio, the know-how and commitment of employees, efficient business processes that conserve resources and integrity represent the four main focal points of action in the sustainability strategy as well as the basic requirements and key success factors for global growth.

Publication of second sustainability report

In order to improve the management and transparent communication of sustainability issues, the Zumtobel Group approved a sustainability strategy at the end of 2009. The Group published its first sustainability report on 29 July 2010, which was based on the requirements of the international "G3" guideline issued by the Global Reporting Initiative. The second sustainability report will be published at the same time as the annual financial report for 2010/11. It contains information on progress made during the past year and the current status of activities as well as future goals and measures planned as part of the Zumtobel Group's formal sustainability programme.

1.2 General Economic Environment

Sound recovery in global economy during 2010/11

Continued recovery in the global economy, but with downward risks

The reporting year of the Zumtobel Group (1 May 2010 to 30 April 2011) was characterised by the recovery of the global economy from the deep recession that was triggered by the worldwide financial crisis. Estimates by the International Monetary Fund (IMF) placed global economic growth at 5.0%[2] in 2010. While the economies of the industrialised nations expanded by 3.0%, the developing and emerging countries again produced dynamic momentum with an increase of 7.3%. The euro zone recorded growth of 1.7%, whereby the D/A/CH region, a key market for the Zumtobel Group, profited from strong exports. According to the IMF, Germany recorded economic growth of 3.5%, Austria 2.0% and Switzerland 2.6%. The USA and Japan also benefited from the general upturn with growth rates of 2.8% and 3.9%, respectively. The BRIC states stood out among the developing and emerging countries with a 7.5% increase in Brazil and 4.0% in Russia as well as double-digit growth in India (+10.4%) and China (+10.3%).

Experts are looking to the first months of 2011 and to the entire year with optimism, even though development is likely to proceed at two speeds: In its April 2011 report, the IMF forecasted global growth of 4.4% for 2011. The estimates show a strong 6.5% increase in the emerging countries, but a more moderate 2.4% for the industrialised nations. The earthquake in Japan on 11 March 2011 is also likely to produce negative economic effects, a risk that has led to strong downward revisions in projections for this country. The resulting influence on the global economy is still uncertain, but most experts expect only temporary problems. The USA can hope for growth of 2.8%. Forecasts for the euro zone show a plus of 1.6%. While the D/A/CH economies should grow by 2.4% to 2.5%, other EU states, above all in the Mediterranean region, are suffering from structural problems and massive sovereign debt. The BRIC nations should also be able to repeat their dynamic performance: this applies equally to Brazil (+4.5%), Russia (+4.8%), India (+8.2%) and, above all, to China (+9.6%).

However, global growth is connected with risks that include the high level of sovereign debt in a number of key industrialised nations, the expiration of many economic stimulus programmes, the global economic imbalances resulting from strong growth in the emerging countries and problems in several major industrialised states, the development of foreign exchange rates and prime interest rates and rising raw material prices. National banks are expected to begin with the cautious reversal of interest rate trends. For example, the European Central Bank raised its key interest rate by 0.25 percentage points to 1.25% at the beginning of April to limit the inflationary risk posed by the in part massive hikes in raw material prices. Additional economic risks are linked to the recent political unrest in North Africa and the Middle East. However, these countries are responsible for only a minor share of Zumtobel Group revenues. The positive economic signals for the Zumtobel Group currently dominate, but international developments are being monitored carefully.

[2] Source – IMF forecast, World Economic Outlook, April 2011

1.3 The Zumtobel Share

High volatility on international stock markets in 2010/11

Improvement on most international exchanges in 2010/11

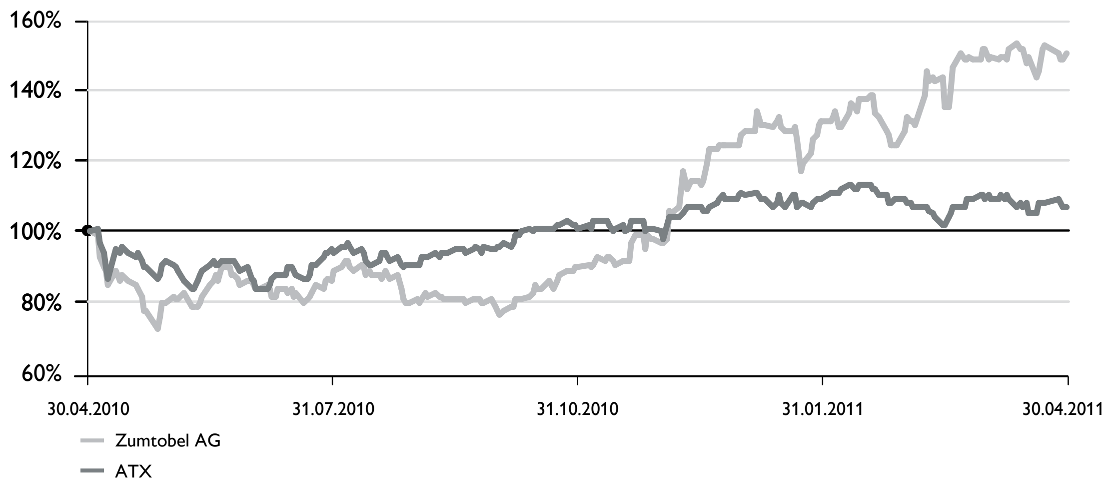
The debt crisis in several euro countries and the uncertainty associated with the development of the economy were responsible for a generally nervous mood on international markets during the 2010/11 financial year of Zumtobel AG (1 May 2010 to 30 April 2011). The start of the reporting period and the summer months of 2010, in particular, were characterised by slightly negative sideward movements. However, positive economic signals and rising corporate profits brought a sound improvement in the indexes of most international exchanges by the end of 2010. This development generally continued into 2011 up to the end of April, with the exception of a sharp drop following the earthquake and nuclear disaster in Japan at mid-March. The ATX (Austrian Traded Index), which also includes the Zumtobel share, rose by 7.4% from 2,650 to 2,846 points. Other major indexes were also clearly positive during this period, including the US Dow Jones (+16%) and the German DAX (+23%). However, the major exchanges have still not completely recovered from the 2008-2009 economic downturn and remain below the pre-crisis highs of 2007.

Zumtobel share gains nearly 50%

Share price again outperforms ATX average

Following strong performance of roughly 140% in the previous year, Zumtobel shareholders benefited from a further 50% increase in the share price during 2010/11. The share remained weak at the start of the reporting year, declining steadily from levels above EUR 16 at the beginning of May 2010 to an annual low of EUR 11.92 on 25 May. However, the announcement of first quarter results and a general increase in market activity gave the Zumtobel share added momentum. The share price climbed steadily and, following an upward revision to the annual forecast parallel to the announcement of half-year results in early December, again broke the EUR 20-mark. This upward trend continued into the 2011 calendar year, driven by positive corporate reports and a resulting increase in the target price set by analysts. At the beginning of April the share again reached EUR 25 for the first time since the end of 2007. The Zumtobel share closed the reporting year at a price of EUR 24.60 on 29 April 2011.

Development of the Zumtobel Share



Market capitalisation rises to over EUR 1 billion

The market capitalisation of Zumtobel AG increased parallel to the share price in 2010/11. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 1,066 million as of 30 April 2011. This represents an increase of approx. EUR 360 million in relation to the previous year. In the ATX, the index of the largest listed companies in Austria, the

Zumtobel share ranked 17th as of 30 April 2011 based on market capitalisation and 19th based on trading volume. The average daily turnover for the reporting year amounted to 151,004 shares during the reporting period (double-count, as published by the Vienna Stock Exchange).

Key Data on the Zumtobel Share for the FY 2010/11

Closing price at 30.04.10	EUR 16,34	Currency	EUR
Closing price at 29.04.11	EUR 24,50	ISIN	AT0000837307
Performance FY 2010/11	49,9%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Performance since IPO (11.05.2006)	19,5%	Market segment	Prime Market
Market capitalisation at 29.04.11	EUR 1.066 Mio	Reuters symbol	ZUMV.VI
Share price - high at 11.04.11	EUR 25,00	Bloomberg symbol	ZAG AV
Share price - low at 25.05.10	EUR 11,92	Datastream	O:ZAG
Ø Turnover per day (shares)	151.004	Number of issued shares	43.500.000

Shareholder structure

Balanced shareholder structure

Zumtobel AG has a balanced shareholder structure. With a stake of 35.4%, the Zumtobel family remains a stable core shareholder of Zumtobel AG. FMR LLC (Fidelity) informed Zumtobel AG as of 28 April 2011 that its holding in Zumtobel had increased from over 5% to over 10%. In addition to Fidelity, the British insurance company Aviva plc holds more than 5% of the shares in Zumtobel AG. The remainder of the shares is held predominately by institutional investors. The company estimates the share of private investors at less than 10%. As of the balance sheet date on 30 April 2011, the company held 678,553 treasury shares (2009/10: 774,957 shares).

Dividend

Dividend recommendation of 50 cents per share

The Zumtobel Group follows an earnings-oriented dividend policy that calls for the distribution of roughly 30% to 50% of annual profit to shareholders. Based on the company's sound operating development during the reporting year, the Management Board will make a recommendation to the Supervisory Board and subsequently to the Annual General Meeting of Zumtobel AG, which will be held on 22 July 2011, to increase the dividend from EUR 0.15 to EUR 0.50 for the 2010/11 financial year. This represents a payout ratio of approx. 40%.

Investor relations activities focus on transparency and dialogue

Extensive contacts with investors

The new Management Board of the Zumtobel Group places great importance on investor relations. Management views transparent communications with investors and analysts, the media and the general public as an important part of its responsibilities. This was reflected in the investor relations activities of the Zumtobel Group, which included over 260 one-on-one and group meetings with investors and analysts as well as numerous conference calls and company tours during the 2010/11 financial year. In addition to road shows and investor conferences in international financial centres like London, New York, Zurich, Frankfurt and Paris, events were also held in Edinburgh, Amsterdam, Vienna, Luxembourg, Toronto, Montreal and Boston. In 2010/11 ten well-known Austrian and international investment banks issued regular reports on the Zumtobel share with their estimates on the valuation of the company. Private investors were also provided with information on the development and outlook for the Zumtobel Group at special events organised for this target group.

Investors and other interested stakeholders are provided with information at the same time through the Internet. All publications and additional information on the Zumtobel Group can be reviewed on the corporate website under www.zumtobelgroup.com. The investor relations department is also available to answer specific questions and can be reached as follows:

Zumtobel AG
Investor Relations
Höchster Strasse 8
A-6850 Dornbirn
Tel. +43 (5572) 509-1125
investorrelations@zumtobel.com

1.4 Significant Events since 30 April 2010

AGM approves dividend for 2009/10

The 34th annual general meeting on 23 July 2010 approved the distribution of a EUR 0.15 dividend per eligible share for the 2009/2010 financial year. The dividend was paid on 30 July 2010.

Publication of first sustainability report

The Zumtobel Group published its first sustainability report on 29 July 2010. It represents a further milestone in the Group's focus on sustainable business activities. Reporting was based on the principles defined in the "G3" international guideline issued by the Global Reporting Initiative.

Application filed for liquidation of Space Cannon

In October 2010 the Zumtobel Group decided to terminate financial support for Space Cannon because of the company's substantial financial difficulties, and consequently filed an application for liquidation. The company was deconsolidated during the third quarter of 2010/11.

5% stake acquired in Tridonic Jennersdorf

The remaining 5% stake in the Austrian Tridonic Jennersdorf GmbH, which is headquartered in Jennersdorf, was acquired as of 29 November 2010.

LG Innotek and Zumtobel Group sign LED cooperation agreement

In December 2010 LG Innotek, a subsidiary of the Korean LG Group, and the Zumtobel Group signed an agreement for cooperation in the area of LEDs. The goal of this cooperation is to transfer the successful high volume business in LED backlights for LCD screens to the field of professional lighting. Both partners will contribute their respective expertise in technology, applications and production to the cooperation. One aspect of particular importance is the use of LEDs as point light sources to produce flat-area lighting.

Mathias Dähn is new CFO

In November 2010 the Supervisory Board appointed Mathias Dähn as the new chief financial officer of Zumtobel AG. Mr. Dähn was appointed for a period of three years and started work on 1 February 2011. He took over the responsibilities of Thomas Spitzenpfeil, who resigned from Zumtobel AG as of 30 September 2010.

Announcement of medium-term plan

The Zumtobel Group presented its strategic corporate plan (medium-term planning), which covers the period up to the 2014/15 financial year, to the public on 27 April 2011.

No other significant events occurred during the reporting period.

1.5 Related Party Transactions

Related parties include the Management Board and Supervisory Board of Zumtobel AG. As of the balance sheet date on 30 April 2011, there were no business relations with related parties.

The Group has concluded supply and delivery agreements with associated companies and joint ventures, which reflect normal market conditions.

1.6 Review of Operations

1.6.1 Restatement of prior year data

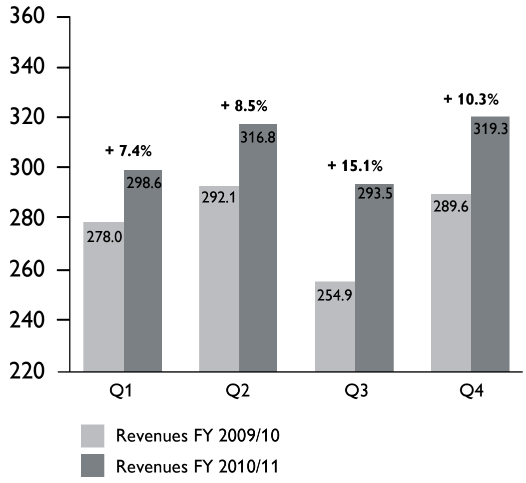
In connection with the preparation of the financial statements for 2010/11, the comparative prior year data were adjusted to reflect the discontinuation of the event lighting business (IFRS 5) as well as the reclassification of administrative costs by function and the correction of an error according to IAS 8.

The above-mentioned correction was required to rectify irregularities in the previous financial statements of an English subsidiary. These irregularities were the result of conscious errors by an employee in the recording of transactions, which did not lead to an outflow of funds but to the incorrect presentation of assets. The incident was clarified by a joint working group established by the company and the auditor, which was assisted by an additional auditing firm. The involved employee was suspended and the company reserves the right to take further legal steps in connection with this matter. The consolidated financial statements for 2009/10 were adjusted accordingly. Additional information is provided in section 2.6.3.3 of the notes.

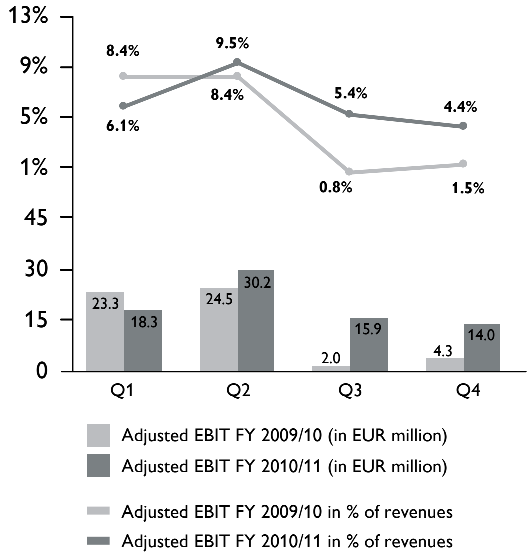
1.6.2 At a glance

The past crisis-related years were followed by a clear trend reversal in 2010/11. An analysis of revenues by quarter shows a steady improvement over the previous year. This development was supported by all key Zumtobel Group regions, in particular the D/A/CH region (Germany, Austria, Switzerland), Eastern Europe and Asia. The components business recorded a strong increase in demand during the last months of 2009/10, but the late cyclical lighting business of the Zumtobel Group only began to generate real revenue growth beginning in the third quarter of the reporting year. Revenues recorded by the Zumtobel Group rose by 10.2% to EUR 1,228.2 million in 2010/11.

Revenues (in EUR Mio)



Adjusted EBIT



Adjusted EBIT growth outpaced the development of revenues, increasing EUR 27.0 million or 52.4% to EUR 78.4 million (2009/10: EUR 51.4 million). As a per cent of revenues, this represents an EBIT margin of 6.4% (2009/10: 4.6%) after an adjustment for special effects.

1.6.3 Revenues

- >> Group revenues increase 10.2%
- >> Late cyclical Lighting Segment returns to growth course (plus 6.4%)
- >> Components Segment clearly exceeds prior year (plus 19.3%)
- >> Revenues with LED products rise by 52.2%
- >> Upward trend in all regions

Group revenues increase 10.2%

The Zumtobel Group recorded a 10.2% increase in revenues to EUR 1,228.2 million for the 2010/11 financial year, which covers the period from 1 May 2010 to 30 April 2011 (2009/10: EUR 1,114.6 million). This development was supported by EUR 52.6 million of positive currency translation effects. After an adjustment for these effects, revenues were 5.5% higher than 2009/10. The subject of energy efficiency became one of the central growth drivers for both segments of the Zumtobel Group during the reporting year.

Late cyclical Lighting Segment returns to growth course

Demand in the Lighting Segment was reserved during the first six months, but the signs of market recovery increased throughout the course of the year. Positive impulses from the renovation sector brought a return to real (FX-adjusted) revenue growth in the last two quarters. Segment revenues increased 6.4% to EUR 869.0 million for 2010/11 (2009/10: EUR 816.7 million).

Components Segment clearly exceeds prior year

The Components Segment recorded revenues of EUR 437.3 million in 2010/11, which represents a year-on-year increase of 19.3% (2009/10: EUR 366.6 million). The dynamic growth in this segment was supported by the ongoing substitution of less efficient magnetic ballasts with technologically more sophisticated electronic ballasts as well as the expansion of the portfolio to include LED products and light management systems (Controls & Systems).

Segment development in EUR million	2010/11	2009/10 *restated	Change in %
Lighting Segment	869.0	816.7	6.4
Components Segment	437.3	366.6	19.3
Reconciliation	(78.1)	(68.6)	13.8
Zumtobel Group	1,228.2	1114.6	10.2

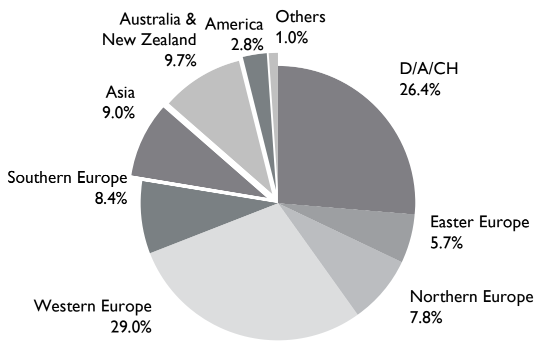
Revenues with LED products rise by 52.2%

In the area of future-oriented LED technology, the Zumtobel Group was able to continue its dynamic growth during the past financial year. Revenues from LED products and LED solutions rose by 52.2% to EUR 100.3 million. Innovative functions such as "tunable white" are playing an increasingly important role in this process. The new technology is now available in various LED downlights and spotlights, and allows for the selection of white light tones ranging from 2,700 to 6,500 Kelvin in a luminaire. The resulting effects, for example, are unique emotionalisation and the differentiation of sales rooms in shop lighting.

Development of revenues by region

2010/11	Revenues in EUR million	Change in %
D/A/CH	324.7	15.0
Eastern Europe	69.6	19.4
Northern Europe	96.1	5.4
Western Europe	356.5	1.0
Southern Europe	103.7	10.5
Europe	**950.6**	**8.2**
Asia	111.1	15.8
Australia & New Zealand	119.6	18.8
America	34.7	15.0
Others	12.3	29.7
Total	**1,228.2**	**10.2**

Distribution of revenues



Upward trend in all regions

Developments in the individual regions varied during the reporting year but, in total, a clear upward trend was visible. Revenues recorded by the Zumtobel Group in Europe increased 8.2% EUR 950.6 million in 2010/11 (2009/10: EUR 878.4 million). Higher growth rates in the non-European regions led to a decrease in the relative share of revenues generated in Europe from 78.8% to 77.4% of Group revenues. The D/A/CH region (Germany, Austria, Switzerland) registered growth of 15.0% for the reporting year. Austria was below this average, but momentum was sound above all in Switzerland and, beginning in the second half-year, also in Germany. In Western Europe (Great Britain, France, Benelux), the strongest sales region for the Zumtobel Group, as well as in Northern Europe the professional lighting market remained weak in spite of positive signals. Revenues in Northern Europe and Western Europe rose by 5.4% and 1.0%, respectively. In the growth market of Eastern Europe, revenues grew 19.4% to EUR 69.6 million. Southern Europe profited from sound development in Turkey and reported an increase of 10.5% to EUR 103.7 million.

Higher growth rates outside Europe

In Asia, revenues rose by 15.8% to EUR 111.1 million for the reporting year (2009/10: EUR 95.9 million). Slightly subdued development in individual areas of the Near East was offset by sound growth in China and India. The American region reported a 15.0% increase in revenues to EUR 34.7 million, despite a continuation of the unfavourable economic environment. The market in Australia/New Zealand benefited from an increase in the value of the local currency and recorded an 18.8% increase in revenues for 2010/11.

1.6.4 Earnings

- >> Adjusted EBIT margin rises to 6.4% (2009/10: 4.6%)
- >> Slight improvement in gross profit margin to 33.4%
- >> Growth initiatives increase selling expenses by EUR 18.0 million
- >> Stable financial results
- >> Net profit for the year increases to EUR 51.3 million

Income statement in EUR million	2010/11	2009/10 *restated	Change in %
Revenues	1,228.2	1,114.6	10.2
Cost of goods sold	(817.9)	(747.7)	(9.4)
Gross profit	410.3	366.9	11.8
as a % of revenues	*33.4*	*32.9*	
SG&A expenses adjusted for special effects	(331.9)	(315.5)	(5.2)
Adjusted EBIT	78.4	51.4	52.4
as a % of revenues	*6.4*	*4.6*	
Special effects	(2.4)	(83.7)	97.2
EBIT	76.0	(32.3)	>100
as a % of revenues	*6.2*	*(2.9)*	
Financial results	(16.2)	(15.5)	(4.5)
Profit before tax	59.8	(47.8)	>100
Income taxes	(7.0)	(6.0)	(16.5)
Net profit/loss from discontinued operations	(1.5)	(16.0)	90.5
Net profit/loss for the period	51.3	(69.8)	>100
Depreciation and amortisation	51.5	113.2	(54.4)
Earnings per share (in EUR)	1.19	(1.64)	>100

Note: EBITDA amounted to EUR 127.6 million in 2010/11 (2009/10: EUR 80.8 million[3]).

Adjusted EBIT margin rises to 6.4%

The development of earnings was influenced by the increase in revenues. EBIT after special effects grew by EUR 27.0 million, or 52.4%, to EUR 78.4 million (2009/10: EUR 51.4 million) and resulted in an improved return on sales of 6.4% (2009/10: 4.6%). The gross profit margin increased to 33.4%, above all due to a positive change in the product mix (2009/10: 32.9%). Development costs included in the cost of goods sold rose from EUR 37.8 million to EUR 46.3 million. This increase reflects the technological shift as well as the steady focus of the Zumtobel Group on innovation and new product development.

Growth initiatives increase selling expenses

The growth initiatives launched in 2010/11 led to an increase in selling expenses from EUR 287.2 million to EUR 305.2 million. These higher costs were related, above all, to additional marketing expenditures as well as the expansion of the sales force. Administrative expenses declined from EUR 40.0 million to EUR 36.5 million, primarily due to a reduction in external consulting expenses. Other operating result, excluding special effects, consists primarily of license income from the LED business and fell from EUR 11.7 million to EUR 9.7 million during the reporting year.

[3] EBITDA of EUR 80.8 million for the prior year equals EUR 77.5 million as published in the Annual Financial Report 2009/10 less an adjustment of EUR 2.7 million (IAS 8) plus an adjustment of EUR 6.0 million (IFRS 5).

Special effects in operating profit

The reporting year was affected by negative special effects totalling EUR 2.4 million. Positive special effects resulted mainly from the reversal of a EUR 3.5 million provision for legal proceedings following an out of court settlement as well as a EUR 2.0 million write-up to a building after the end of the reasons for a 2008/09 impairment charge. The negative special effects were related primarily to restructuring costs connected with the relocation of a sales office in Great Britain (EUR 2.5 million), rationalisation measures in the luminaire production at Landskrona/Sweden (EUR 0.8 million) and an impairment charge to non-current assets (EUR 2.8 million). The impairment charge was recognised to plant and equipment used by the Components Segment to manufacture magnetic ballasts. It reflected the declining demand for magnetic ballasts as well as rising raw material prices, which had an extremely strong impact on the recent profitability of this product group. Impairment testing in 2010/11 also led to write-downs of EUR 1.6 million to capitalised development costs. The high negative special effects of EUR 83.7 million in the prior year resulted, above all, from an impairment charge of EUR 67.1 million to goodwill as well as restructuring costs and rationalisation measures. Additional information is provided in section 2.6.4.3 of the notes.

The following table shows the adjustment of reported EBIT to reflect the above-mentioned special effects:

Adjusted EBIT in EUR million	2010/11	2009/10 *restated	Change in %
Reported EBIT	76.0	(32.3)	>100
thereof special effects	(2.4)	(83.7)	97.2
Adjusted EBIT	78.4	51.4	52.4
as a % of revenues	*6.4*	*4.6*	

Stable financial results

Financial results declined slightly year-on-year, falling EUR 0.7 million to minus EUR 16.2 million in 2010/11 (2009/10: minus EUR 15.5 million). Interest expense of EUR 9.8 million (2009/10: EUR 9.9 million) consisted chiefly of interest and bank charges for the current loan agreement. Other financial income and expenses amounted to minus EUR 8.8 million (2009/10: minus EUR 6.7 million) and were composed mainly of results from the measurement of forward exchange contracts at fair value as of the balance sheet date as well as effects from the valuation of foreign currency receivables and liabilities. This position also includes the interest component, less income on plan assets, in accordance with IAS 19. Additional information on this subject is provided in section 2.6.4.5 of the notes.

Financial result in EUR million	2010/11	2009/10 *restated	Change in %
Interest expense	(9.8)	(9.9)	1.2
Interest income	2.4	2.1	11.7
Net financing costs	(7.5)	(7.8)	4.7
Other financial income and expenses	(8.8)	(6.7)	(30.2)
Profit/loss from companies accounted for at-equity	0.0	(1.0)	>100
Financial results	(16.2)	(15.5)	(4.5)

Profit before tax rises to EUR 59.8 million

Profit before tax rose to EUR 59.8 million in 2010/11 (2009/10: minus EUR 47.8 million). Income tax expense amounted to EUR 7.0 million. The resulting tax rate of 12% represents a weighted average of all companies included in the consolidation range. In 2009/10 profit before tax was negative at EUR 47.8 million, but taxable income in the individual countries led to the payment of taxes. Changes in deferred taxes increased profit by EUR 1.5 million (2009/10: decrease of EUR 2.7 million).

Profit for the year totals EUR 51.3 million

Results from discontinued operations totalled minus EUR 1.5 million (2009/10: minus EUR 16.0 million). This amount includes the effects of the termination of the event lighting business (Space Cannon VH SRL) during the second quarter of 2010/11. The prior year data were adjusted accordingly. Additional information is provided in section 2.6.4.7 of the notes. Net profit (including non-controlling interests) after tax rose to a sound EUR 51.3 million (2009/10: minus EUR 69.8 million). For the shareholders of Zumtobel AG, earnings per share (basic EPS on 42.8 million shares) equalled EUR 1.19 (2009/10: minus EUR 1.64 on 42.7 million shares).

1.6.5 Economic position of Zumtobel AG and dividend

Function of Zumtobel AG

Zumtobel AG serves as the parent company of the Zumtobel Group, and provides corporate management and other services in its function as a strategic and financial holding company. These functions cover controlling, human resources, accounting, taxes and legal, internal audit, insurance, treasury (including central financing and liquidity management for the Group), IT, corporate communications and investor relations. In addition, the company manages the majority of the properties owned in Austria. Zumtobel AG had no branch offices during the reporting year.

Individual financial statements of Zumtobel AG

Net revenues of EUR 34.5 million for 2009/10 (2009/10: EUR 34.5 million) include IT services of EUR 19.6 million (2009/10: EUR 19.6 million), rental income of EUR 7.6 million (2009/10: EUR 7.6 million) and other services of EUR 7.3 million (2009/10: EUR 7.3 million).

Operating profit rose by EUR 4.6 million over the prior year to minus EUR 4.3 million. Income from subsidiaries amounted to EUR 36.0 million (2009/10: EUR 35 million). A total of EUR 15.0 million (2009/10: EUR 20.0 million) was withdrawn from Tridonic GmbH & Co KG (the parent company of the Components Segments) and EUR 1.0 million from Tridonic GmbH. The distribution from Zumtobel Lighting GmbH, the parent company of the Lighting Segment, equalled EUR 20.0 million (2009/10: EUR 15.0 million).

Net profit improved from minus EUR 43.0 million to plus EUR 28.3 million. The loss recorded in the previous year resulted primarily from an impairment charge of EUR 67.1 million recognised in the Lighting Segment. The equity ratio of Zumtobel AG equalled 82.0% as of 30 April 2011 (2009/10: 78.0%).

Dividend recommendation of 50 cents per share

Zumtobel AG had retained earnings of EUR 28.9 million as of 30 April 2011 (2009/10: EUR 7.0 million), which are available for distribution as dividends. Against the backdrop of the sound operating development during the reporting year, the Management Board will make a recommendation to the Supervisory Board, and subsequently to the annual general meeting, which will be held on 22 July 2011, calling for an increase in the dividend from EUR 0.15 to EUR 0.50 per share for the 2010/11 financial year.

The company held 678,553 treasury shares as of 30 April 2011 (2009/10: 774,957 shares).

1.6.6 Seasonality, cash flow and asset position

Seasonality of business

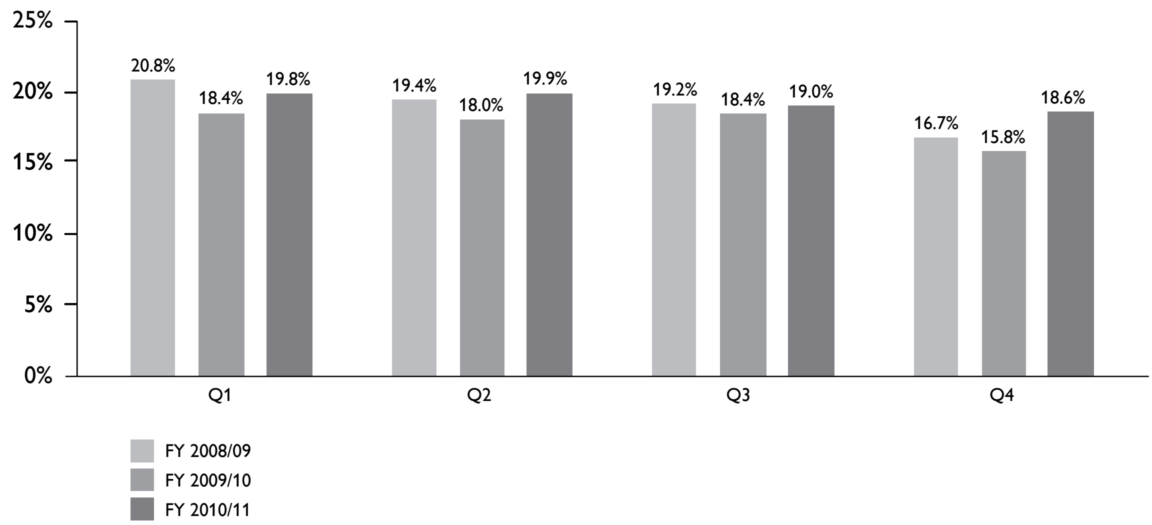
The development of business in the Zumtobel Group follows a seasonal pattern: during the first half of the financial year (1 May to 31 October) the volume of business is normally higher because most construction projects are concluded during the summer and autumn and the installation of the lighting represents one of the last steps prior to completion. During the third quarter (1 November to 31 January), revenues are substantially lower as a result of the Christmas and winter break in the construction industry. In the fourth quarter (1 February to 30 April) the pace of business begins to accelerate again. Earnings (based on adjusted EBIT) reflect the development of revenues and are also subject to seasonality, as is illustrated by the significantly lower results in the second half of the year. Additionally, earnings for the second half-year are negatively influenced by expenditures for lighting industry trade fairs.

Cash flows are translated at the average monthly exchange rate and then aggregated, while the balance sheet positions are translated at the exchange rate in effect on the balance sheet date. This can lead to significant differences between individual positions on the balance sheet and cash flow statement, above all under cash flow from operating activities.

Higher cash outflows for increase in working capital

The development of working capital again followed the seasonal pattern of business, amounting to EUR 228.8 million as of 30 April 2011 (2009/10: EUR 175.1 million). The year-on-year increase in working capital resulted chiefly from the rising volume of business and higher inventories. Inventories were increased above revenue growth in order to safeguard customer deliveries. Expressed as a per cent of rolling 12-month revenues, working capital remained within the Group's defined target corridor of 18 to 20% and equalled 18.6% as of 30 April 2011. The increase in working capital led to cash outflows of EUR 54.9 million (2009/10: cash inflows of EUR 36.0 million). Factoring rose to EUR 50.0 million as of the balance sheet date (2009/10: EUR 45.5 million). The increase in other current and non-current assets resulted mainly from a decline in other receivables from the cross-licensing agreement with the Philips Group and the sale of the former factory in Spennymoor during December 2008.

Working Capital as % of rolling 12-month revenues



Operating cash flow declines 16.0%

Cash flow from operating activities declined EUR 12.6 million to EUR 66.4 million (2009/10: EUR 79.0 million). This development was attributable primarily to the increase in working capital, which was only offset in part by the significant increase in cash flow from operating activities.

Cash flow for investments rises to EUR 61.5 million

Capital expenditure in the Zumtobel Group amounted to EUR 57.3 million for the reporting year (2009/10: EUR 48.7 million). These expenditures covered investments in the manufacture of tools for new products, expansion and maintenance investments as well as capitalised R&D costs of EUR 14.1 million (2009/10: EUR 14.1 million). The expansion investments were related to production equipment for the luminaire plants in Dornbirn, Lemgo and Spennymoor, capacity extensions for the production of electronic ballasts and assembling equipment for LED chains. The decrease in cash and cash equivalents resulting from changes in the consolidation range reflected the acquisition of the remaining non-controlling interests in Thorn Lighting India Ltd. (stake: 30%) and Tridonic Jennersdorf GmbH (stake: 5%).

Free cash flow declines to EUR 4.8 million

As a result of the increase in capital expenditure and working capital, free cash flow declined substantially to EUR 4.8 million in 2010/11 (2009/10: EUR 36.8 million). Cash flow of minus EUR 18.5 million from financing activities includes, in particular, the dividend for 2009/10 and interest expense of EUR 8.0 million.

Secure liquidity position

A major financing agreement was concluded on 12 June 2008 with a consortium of seven banks, which will support the Group's ability to meet its payment obligations at any time. This agreement has a maximum volume of EUR 480 million and a term ending in June 2013. The amount drawn as of 30 April 2010 remained unchanged in comparison with the prior year, i.e. EUR 186 million. This agreement requires compliance with specific financial covenants, i.e. a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%. These financial covenants were met in full as of 30 April 2011 with a debt coverage ratio of 1.11 (2009/10: 1.63) and an equity ratio of 37.1% (2009/10: 35.0%). Net liabilities rose to EUR 141.3 million as of 30 April 2011 due to the increase in working capital (2009/10: EUR 131.4 million), which is EUR 9.9 million higher than the comparable prior year value.

Balance sheet data in EUR million	30 April 2011	30. April 2010 *restated
Total assets	1,020.5	972.8
Net debt	141.3	131.4
Equity	378.7	340.4
Equity ratio in %	*37.1*	*35.0*
Gearing in %	37.3	38.6
Average capital employed	553.6	587.1
ROCE in %	*14.2*	*8.8*
Investments	57.3	48.7
Working capital	228.8	175.1
As a % of rolling 12 month revenues	*18.6*	*15.8*

Solid balance sheet structure

The quality of the balance sheet structure continued to improve during 2010/11. The positive development of total comprehensive income supported an increase in the equity ratio, which rose to 37.1% as of 30 April 2011 (2009/10: 35.0%). Gearing, the ratio of net debt to equity, improved slightly from 38.6% to 37.3%.

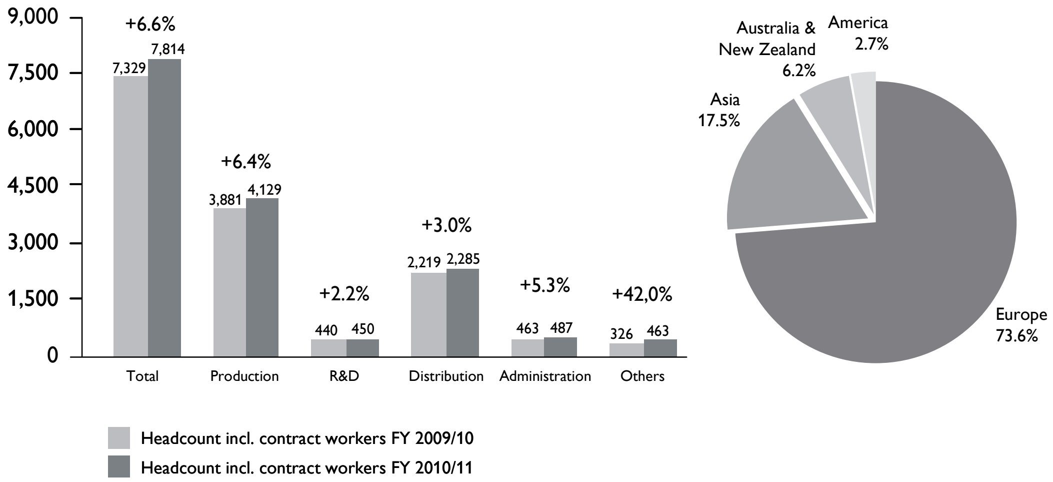
1.7 Human Resources

Committed and well-trained employees are the key to the success of the Zumtobel Group. Their expertise allows for the development and production of innovative lighting components, light management systems and luminaires. It is therefore important for the Zumtobel Group to attract qualified talents, to retain employees and to create a working environment in which each employee can contribute his or her full potential. The company meets these goals by establishing and maintaining a position as an attractive employer. In this way, the Zumtobel Group works to counteract demographic shifts, the increasing lack of specialists and internal changes brought about by the new global growth strategy. The most important elements of human resource activities are an extensive offering of training programmes, performance-based remuneration, a positive working climate, international career opportunities and measures to support the work-life balance.

6.6% increase in the workforce

The Zumtobel Group had 7,814 full-time employees (including contract workers) as of 30 April 2011, or 484 employees than in 2009/10. The increase in the workforce involved additional hiring in all areas of the business. The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region



The medium-term strategy of the Zumtobel Group calls for above-average growth through increased investments in the development of markets and new products. The R&D teams and the sales force will be expanded to support this planned improvement in technology expertise and market access.

Improvement in productivity

Labour productivity rose from 14.0% in 2009/10 to 19.7% for the reporting period due to the increase in operating results. Average revenues per employee (including contract workers) grew from EUR 153,000 to EUR 161,000.

Current challenges and strategies

The technology shift is creating new challenges for human resource management. The Group must attract an increasing number of employees with specialised know-how in the areas of electronics and LED. Cooperation with universities allows the Zumtobel Group to establish contacts with potential employees at an early stage. The internal and external training offered by both segments is currently focused on electronics and LED, and these programmes are being expanded continuously.

In order to roll out the successful European business model on a worldwide basis, additional international staff must be hired and the know-how transfer within the Group must be intensified. One effective way of meeting these objectives is the exchange of employees between local companies. That not only supports the Group's internationalisation, but also gives the employees an opportunity for personal development. Consequently, international exchange programmes will be expanded in the coming years. Employees who decide in favour of international relocation are assisted by individual measures such as language courses and cultural awareness training.

Employee training programmes and apprenticeships

Specialised brand academies

The sales function plays a key role for the Zumtobel Group, and good training is decisive for the quality of sales. The brand academies (Thorn Academy of Light, Zumtobel Academy of Light, Tridonic Academy) offer a wide range of specially designed training programmes, above all for sales and marketing staff. These courses focus, for example, on technologies, applications and customer requirements as well as energy efficiency and sustainable lighting solutions.

Lean Six Sigma for production employees

The implementation of Lean Six Sigma marked the start of regular training for production employees to ensure the continuous improvement of production processes. The training level is indicated by the colour of the so-called "belt". In 2010/11 185 employees (2009/10: 173) in the European luminaire plants and an additional 75 in the international plants of the Components Segment were certified as "belts". After seven successful years with this programme, the Group has a total of 600 "belt" experts. At the Zumtobel plant in Dornbirn, production employees can also attend a three-day internal training course to become production specialists. A total of 104 employees have received this certification to date and a further 400 will be added in the coming years.

Executive development

Corporate training supports the strengthening of management, methodology und social skills. The programmes offered by the Zumtobel Group cover general management, communications and moderation, trainer certification and project management. In 2010/11 employees and managers took part in 835 (2009/10: 1,076) training days.

Apprenticeship training in new professions

The number of apprentices increased from 147 in the previous year to 150. Internal professional training is an important factor for the Zumtobel Group because of the competition for top specialists. This applies, above all, to the corporate headquarters in Dornbirn. Against this backdrop, the Group even increased the number of apprentices during the economic crisis. The apprenticeship training programme is operated primarily in Germany and Austria, and includes the following nine professions: electronics, electrical engineering, machine mechanics, plastics engineering, production engineering, plant electronics, tool mechanics, machining and mechatronics.

Corporate Values and social responsibility

Identification of employees with shared values

The Corporate Values of the Zumtobel Group provide employees with guiding principles and orientation and for their actions, and promote a working climate that is characterised by openness, creativity, honesty and respect for each other and for customers. This forms the basis for high employee satisfaction and, subsequently, for good performance

Measures to support the work-life balance

The Zumtobel Group places high value on the compatibility of family and career and, for example, offers part-time and home office working models. In 2010/11, the number of part-time employees equalled 5.6% of the full-time equivalent workforce. Mothers and fathers who return to work after maternity or parental leave are actively supported in their reintegration.

Equal opportunity and diversity

The Code of Conduct of the Zumtobel Group prohibits all forms of discrimination. Accordingly, all personnel decisions are based on performance and qualifications. High value is placed on internationality and a multicultural orientation, two factors that will become increasingly important in connection with the new global growth strategy. Language is the key to the integration of employees, and language courses are offered at various locations – in German as well as English, French and Spanish.

At the Zumtobel headquarters in Dornbirn, a programme for the integration of young people with handicaps has been in operation since 1989. A two-year vocational training programme prepares young people with special needs for the working environment in a production facility and teaches them in special courses to work independently.

Achievement-oriented corporate culture

Performance-based remuneration

In order to strengthen motivation and identification with corporate goals, key employees and members of the sales force receive remuneration that comprises fixed and variable components. The variable component of annual income is dependent on the fulfilment of individual and segment or corporate targets that are established together with the responsible manager at the beginning of the year. The Zumtobel Group has also implemented a share-based remuneration programme for key employees, the Matching Stock Programme (MSP). Additional details are provided in section 2.6.8.4 of the notes.

Annual employee review

The annual review meeting represents an important instrument to support the development of employees and to bring their goals into line with the goals of the company. These employee-manager reviews take place annually and cover individual development, the establishment of goals for the coming year and training opportunities.

Workplace safety

Focus on workplace safety

Workplace safety and health protection represent an important focal point of activities for the Zumtobel Group. The TRI rate (Total Recorded Injuries = number of work accidents based on one million work hours) is monitored in all plants on a monthly basis. This statistic includes all incidents, independent of the resulting effects. The most frequent injuries involve cuts. The TRI rate in the European luminaire plants fell to 18.9 in 2010/11 (2009/10: 22.0) and rose slightly to 10.6 (2009/10: 8.3) in the components plants. The overall rate for the Group improved from 17.4 to 15.8, and the Zumtobel Group is aiming for a TRI rate of 10 over the long-term.

TRI Rate	2010/11	2009/10	2008/09
Lighting Segment	19.0	22.0	17.4
Components Segment	10.6	8.3	12.2
Zumtobel Group	15.8	17.4	17.5

The Zumtobel Group works continuously to increase workplace safety, e.g. through employee training, the improvement of protective clothing and the replacement of machines. In addition, continuous investments are made in the optimisation of working conditions.

1.8 Suppliers

Focus on quality, costs and secure supplies

The cooperation between the member companies of the Zumtobel Group and their suppliers is based on long-term mutual trust and fairness. This protects the supply chain, while ensuring the required high quality at an advantageous cost. Current developments such as the technological shift in the lighting industry and the rising prices and shortages of raw materials as well as the global growth strategy of the Zumtobel Group create continuous challenges for the procurement specialists.

"Lead buyer" concept

In both segments, procurement is based on the "lead buyer" concept. The bundling of procurement for specific groups of materials through specialised but decentralised buyers improves the negotiating position with suppliers who frequently also act on a global basis. Lead buyers are responsible for more than 80% of the total procurement volume. They define the strategy and supplier portfolio for the various material groups and support active risk management, which also includes the consistent application of the Group's second source strategy.

The most important material groups are purchased in different countries. Both segments buy key raw materials, e.g. steel, copper, aluminium and plastic granulate, in Central Europe. In contrast electronic and LED components are generally sourced in Asia, where the most competitive suppliers for these parts are located.

Long-term, reliable supplier relationships

The Components Segment has developed particularly long-standing relationships with its suppliers: business relationships with 60% of the roughly 350 suppliers have existed for more than ten years; a further 34% started sales to the Group five to ten years ago; and only 6% are less than five years old. A high degree of standardisation shows that almost 40 suppliers (12% of the total) are responsible for 80% of the procurement volume. The procurement process in the Lighting Segment is different: materials are purchased from a network of approx. 1,400 suppliers, whereby 120 are responsible for roughly four-fifths of the total volume.

The value of long-term, reliable supplier relationships was also confirmed during the latest worldwide financial crisis: in spite of limited capacity due to investment stops in the electronics industry, the Zumtobel Group was able to safeguard supplies for the production of electronic components.

Systematic quality testing and supplier audits

The Components Segment has developed and implemented a systematic, global process for the evaluation and auditing of suppliers. The same will apply for the Lighting Segment in the future. These systems permit the introduction of measures for the joint development of suppliers. The standard procedure includes a multilevel qualification process for the approval of new suppliers in which the supplier must, among others, demonstrate the availability of a verifiable environmental management system and confirm compliance with the Zumtobel Group's Code of Conduct. As part of this process, the supplier agrees to observe the ILO core labour standards and to prevent corruption. The ILO core labour standards include the right to collective bargaining as well as the prohibition of child labour and forced labour.

Semi-annual supplier assessments evaluate performance in the areas of product quality, adherence to delivery schedules and service. The criteria for supplier auditing are based on the supplier assessment. These audits are performed in accordance with a systematic audit plan or after a critical supplier assessment. As part of the audit process, ten internally trained employees in the Components Segment carry out roughly 25 audits each year. Measures are then defined together with the suppliers to eliminate any weak points and ensure the long-term quality of deliveries.

1.9 Environmental Protection

Integral element of sustainability strategy

Environmental protection represents a key focal point of activities for the Zumtobel Group, not only with respect to the development of energy-efficient products but also in connection with the goal to make production more environmentally compatible. These goals are also reflected in the sustainability strategy ("Through light, we care") of the Zumtobel Group and include the careful use of raw materials and the minimisation of emissions and waste in all steps of the value creation process – from product development to production and efficient packaging and transportation concepts.

Environmental management: global guidelines, local implementation

Environmental management in the Zumtobel Group is based on three main supports: environmental management systems that are certified according to ISO 14001, the application of the Lean Six Sigma method and compliance with internal and external guidelines. The goal of environmental management is to reduce the effects of production on the environment. Individual coordinators have been designated for the Lighting Segment (in Europe) and the Components Segment (global). They issue guidelines and define structures for measures to continuously improve environmental performance. Local responsibility lies with the respective environmental officers at the individual plants. As recognition for their continuing active protection of the environment, the components plant and the luminaire plant in Dornbirn were awarded the "ÖKOPROFIT® -Betrieb 2011" for the 14th time in 2010/11.

Environmental management certified under ISO 14001

The certification of an environmental management system under ISO 14001 requires, among others, systematic and continuous improvement in a company's environmental performance. The risks and effects of operations on the environment are identified and followed by the implementation of appropriate control measures. ISO 14001 certifications awarded during the reporting period included the luminaire plant in Les Andelys (France) as well as the Components Segments plants in Ennenda (Switzerland) and Spennymoor (UK) and the Controls & Systems organisational unit. Six of eleven production facilities in the Lighting Segment and seven of twelve in the Components Segment are now certified.

Lean Six Sigma

Both segments in the Zumtobel Group use a wide variety of methods and control measures to continuously improve process quality and thereby also product quality. The Lean Six Sigma Method has been successfully used by the Components Segment since 2003 and by the Lighting Segment since 2008. This management philosophy comprises resource-efficient production, the reduction of negative effects on the environment and an increase in safety for employees. The careful use of resources is an important part of the Lean Six Sigma philosophy that is reflected in the regular analysis of indicators, the identification of opportunities for improvement and the implementation of necessary measures.

Guidelines and laws

Environmental management is responsible for compliance with all relevant laws and directives. Within the Zumtobel Group, environmental protection is anchored in the Code of Conduct for employees and the environmental, health and workplace safety guideline as well as the quality policy of the Lighting Segment and the corporate policy of the Components Segment. The awareness of employees for the importance of environmental protection is also increased through training courses, which provide information on the avoidance of waste, waste separation, environmental awareness in product development and the selection of materials.

Parallel to this 2010/11 annual report, the Zumtobel Group will publish its second sustainability report with additional information, among others, on energy consumption, emissions, waste and recycling.

1.10 Research and Development

Key data on R&D

Significant rise in R&D expenditures

R&D represents a decisive element of the corporate strategy. These expenditures include expenses recognised to the income statement as well as capitalised development costs. In accordance with its goals to expand the outstanding technology position of the Zumtobel Group and to accelerate the development of new and more efficient products, expenses for R&D were increased by 16.2% to EUR 62.7 million in 2010/11. Energy efficiency, lighting quality and LED are the primary focal points of R&D activities in the Zumtobel Group. The significance of R&D and the Group's innovation culture is also reflected in the funds spent for these activities, which rose from 4.8% to 5.1 % of revenues for the reporting year.

Expenditures for research and development in EUR million	2010/11	2009/10 *restated	Change in %
R&D through P&L	48.6	39.8	22.0
Capitalised R&D	14.1	14.1	(0.3)
R&D total	62.7	53.9	16.2
as a % of revenues	*5.1*	*4.8*	
Headcount (full-time equivalent) Research and development	450	440	2.2

High innovation power

The company's innovative power is closely linked to R&D, as is demonstrated by the share of revenues generated by new products. In 2010/11 the Lighting Segment recorded 27.7% (2009/10: 23.5%) and the Components Segment 37.6% (2009/10: 37.3%) of revenues with products that are not older than three years. The number of patents also underscores the innovative power of the Zumtobel Group: The Lighting Segment registered 60 patents (2009/10: 73) and the Components Segment 75 patents (2009/10: 83) during the reporting year. Statistics published by the Austrian Patent Office for the 2010 calendar year rank the Zumtobel Group third for both patent and brand registrations. This extensive patent portfolio safeguards growth, competitive advantages and access to strategic cooperation with companies from the electronics industry. The Zumtobel Group holds approx. 5,300 active international industrial property rights, which include roughly 3,100 patents, 770 registered designs and nearly 1,400 brands.

Technological shift

Technological shift to more electronics and LED

The technological shift from magnetic to electronic ballasts and from conventional lighting sources to LEDs currently represents the greatest challenge for R&D. Research must be performed and new products must be developed not only in the area of conventional lighting sources, but also in LED and OLED. Product development must be fast to meet the short life cycles of LED products. This challenge to accelerate product development will be met with even closer cooperation between product management and R&D. The technological shift has also led to a change in the types of employees required for R&D. Consequently, the Group is now hiring men and women with specialised know-how in the areas of electronics, LEDs and software. New specialised expertise must also be developed to support the transition from a business that relied on more isolated elements to one that is focused on systematic components, and employees must be trained in this new systematic approach. The changeover will be supported by the Group's long-standing university contacts, which are based on joint research activities for independent R&D projects as well as sustainable innovation processes. The Zumtobel Group maintains contacts, among others, with the University for Applied Sciences in Karlsruhe, the Ilmenau, University of Technology, the University of Paderborn (all in Germany), the Technical Universities in Graz (Austria) and Lund (Sweden) as well as the University for Applied Sciences in Rapperswil (Switzerland).

The establishment of long-term, strategic partnerships with suppliers, research institutions and industrial partners has become a decisive factor for meeting the challenges created by the technological shift. The LED partnership established in 2010/11 with LG Innotek will provide new impulses and contribute to reducing the production cost for LED products over the long-term by allowing both partners to contribute their respective expertise in technology, production and applications to LED research. Strategic partnerships are also important because particularly extensive research projects can often only be carried out in cooperation with research institutes or other partners.

Research projects

Numerous research projects

The Zumtobel Group and its partners are continuously working on a wide variety of research projects. These projects focus on the development of new technical solutions and, above all, on the effects of light on people. The Zumtobel Group was a co-founder of the K-Licht competence centre in Innsbruck (Austria) in 2003 and has remained an active member since that time. The organisation's activities are complementary, and range from basic industrial research to demonstration projects. The research centre is currently working on projects to evaluate the effects of daylight-simulating lighting on dementia patients, the thermal management of LED and the impact of dynamic LED lighting and is also investigating opportunities to better utilise daylight.

Research activities in the area of light effects are actively pursued by the Zumtobel Group: The company is currently involved in studies and projects that, for example, investigate the possible glare created by LEDs as a point light source, the influence of LEDs and their relatively high blue light component on children's eyes and their effect on exhibition objects.

Application-oriented projects were also carried out during the reporting period: as a member of an interdisciplinary research team, the Zumtobel Group was able to prove with a study that dynamic interior lighting not only has a positive influence on the well-being of employees, but also on the quality of their sleep during the night. Various scenarios were tested to evaluate the effects of different levels of brightness on employees during shift work.

1.11 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2011 that would have led to a change in the financial position or the financial performance of the company.

1.12 Risk Management

Systematic approach for the early identification of opportunities and risks

The Zumtobel Group is well aware that an effective risk management system – as well as a system of internal controls – represents an important factor for maintaining and expanding its competitive position. Risk management in the Zumtobel Group covers the direct interaction and handling of risk to protect the asset, financial and earnings positions of the Group and to support the identification of opportunities and the evaluation of entrepreneurial decisions. The goal of risk management is to identify risks and opportunities through a systematic approach, and thereby permit the implementation of suitable measures to deal with changes in the operating environment. Risk management in the Zumtobel Group is an independent strategic process that forms an integral part of operational management. The basic instruments for the monitoring and management of risks are standardised planning and controlling processes, Group guidelines, regular reporting and the system of internal controls (see section 1.13).

Risk management based on recognised best practices and standards

The corporate financial analysis and risk management department, a section of the controlling department at corporate headquarters, is responsible for the continuous development of risk management processes as well as the coordination of Group-wide risk management and risk monitoring. The risk management system used by the Zumtobel Group is closely linked with corporate controlling processes and the system of internal controls. The underlying framework for these two systems is formed by the COSO model [4] "Enterprise Risk Management – Integrated Framework" (COSO II, 2004), an internationally recognised guideline for risk management and internal control. Risks and opportunities are systematically identified and assessed at least once each year by the "risk owners" at the operating unit level. Standardised tools and processes are used for this evaluation. The results of this evaluation and the potential effects on corporate performance as well as the probability of occurrence are also analysed with uniform methods defined by the Group. Measures to manage the major risks and opportunities are then developed and implemented. Corporate risk management accompanies these processes and routinely evaluates these measures. Any major unexpected risks that occur are reported immediately to corporate risk management, and the Management Board is informed accordingly. Standardised guidelines and process descriptions for risk management are available for all companies in the Zumtobel Group.

Most of the risks to which the Group is exposed are managed directly in the operating units. Individual risks that are relevant for the entire Group are handled centrally based on special guidelines, e.g. financing and foreign exchange risks.

Reporting plays a central role in the monitoring and management of economic risks. The operating units provide the Management Board with regular information on the current and expected development of business as well as the existing risks and available opportunities. The Supervisory Board is also regularly informed of the major risks faced by the Group. In addition to the monthly financial report, a performance and risk report analyses the critical success factors and short-term risks issues for the segments and the Group.

The tools used by the Group to identify and evaluate risk are continuously developed and improved with the support of internal audit and the auditor. In accordance with Rule 83 of the Austrian Corporate Governance Code, the auditor of the consolidated financial statements evaluates the effectiveness of risk management at Zumtobel on a regular basis and reports to the Supervisory and Management Boards on the results of this analysis.

[4] COSO = Committee of Sponsoring Organizations of the Treadway Commission (www.coso.org)

The opportunities for the Zumtobel Group are described extensively in section 1.1.5. The major risks and possible countermeasures are described in the following sections:

1.12.1 Market and competitive risks in the lighting industry

Economic crisis and cyclical patterns

The subject of energy efficiency has become a key growth driver for the Zumtobel Group. It has allowed the Group to disengage in part from the general trend in the construction industry, which is subject to strong cyclical fluctuations. Unfavourable conditions can have a negative influence on demand for the Zumtobel Group's products, on sales volumes and on price levels. Cyclical fluctuations in demand carry an inherent risk of excess capacity in the industry that can lead to increased pressure on prices, negative shifts in the product mix and a decline in margins. Through the development and strengthening of its presence in selected emerging countries, the Zumtobel Group is working to increase its independence from cyclical fluctuations in individual regions.

In addition, the luminaire business is heavily dependent on commercial construction. This can increase the risk of delays in the realisation of existing orders or the possible cancellation of ongoing projects in difficult economic times. New construction projects could also be postponed for an indefinite period or even terminated.

Technology shift through LED

The technological transformation process from conventional lighting to LED could lead to the entry of new competitors and/or accelerate the consolidation of the luminaire market. This technology shift requires higher research and development expenditures by individual luminaire producers and leads to increasing product and system complexity as well as shorter innovation cycles. Larger luminaire companies with direct customer contact and electronics know-how – such as the Zumtobel Group – have an advantage in this changing environment. Partnerships with universities and other companies help the Zumtobel Group to maintain its technological expertise as an innovation leader and, at the same time, to substantially reduce development cycles.

Competition from Asia

New suppliers, above all the Asian LED chip producers, are entering the professional lighting market. However, these companies currently lack specific application knowledge in the most important areas of indoor and outdoor lighting as well as the expertise to develop complete lighting solutions based on conventional and new LED lighting technology and a wide-ranging direct sales network.

Risks in personnel management

A lack of specialised personnel, especially in R&D and sales, could endanger the successful pursuit of a company's strategy over the long-term and prevent the full realisation of growth opportunities. The recruiting of new specialists has become more difficult due to the start of economic recovery. The Zumtobel Group ensures the availability of the necessary expertise through training and continuing education that take place in internal academies as well as external institutions. Other important elements of human resources work are performance-based remuneration, a positive working climate, international career opportunities and measures to support the work-life balance. However, it cannot be excluded that qualified employees may leave the company.

1.12.2 Business risks/sales/production

Dependency on business partners and opinion leaders

Access to a global network of opinion leaders and decision-makers is an important success factor in the project business. The Zumtobel Group uses highly qualified sales and marketing teams that have been trained in internal academies to optimally service this network. Training courses for customers form an additional part of the customer loyalty process. An extensive technological network with research institutes and universities allows the Zumtobel Group to defend its leading technical position and to remain a technological and design-oriented trendsetter.

IT risks

The Group uses state-of-the-art hardware and software, and has concluded appropriate maintenance contracts to minimise IT risk. In addition, firewalls and virus protection software have been installed as a precaution against hacker attacks. IT systems are protected by a modern high-security computing centre as well as a back-up facility that operates with the latest technology in a so-called "hot stand-by" mode. In order to ensure that the Group's information technology always meets the demands of the business, IT management has developed a wide variety of procedures, guidelines and measures. These processes and procedures are evaluated at least once each year, and adjusted whenever necessary. The routine replacement of hardware and software minimises the risk of breakdown and data loss. Databases are scanned continuously by anti-virus software and stored on a regular basis.

Political risks

The Zumtobel Group operates in a global business environment, whereby its activities are focused on the strategic core markets of Europe, Australia, the USA and China. Investments in property, plant and equipment are also concentrated in these regions, where political risks such as the expropriation of assets, restrictions on the transfer of capital, war and the like are considered to be low. In other countries the Group operates primarily through local sales organisations or agency contracts. The analysis of new investment projects also includes an assessment of the political risk at the target location. The latest political unrest in North Africa and the Middle East has created further economic risks. However, these countries are responsible for only a minor share of the Zumtobel Group's revenues.

Procurement risks

The sharp rise in the global demand for raw materials as a result of the economic recovery has led to worldwide supply shortages. In some cases, uninterrupted supplies can only be guaranteed by long-term contracts. Global market prices for the most important materials used by the Zumtobel Group – e.g. plastic granulate, aluminium, steel and copper – rose steadily throughout the reporting year. Energy sources such as electricity, gas and oil are less important for the Zumtobel Group, and the potential impact of higher energy prices on earnings is therefore low. Fluctuations in copper prices are hedged on a rolling basis through futures or options. Increases in material prices are passed on to customers whenever possible. The supply problems in the area of electronic components eased during the course of the year. The current technology shift will lead to a significant increase in LED products (LED chips, LED modules and LED light engines) as a share of total raw material requirements, and the Zumtobel Group expects a decline in the respective prices over the medium-term.

The Zumtobel Group is well known as a manufacturer of quality products, and sets the same high standards for its suppliers. Regular audits of supplying companies and the inspection of incoming goods help to identify quality risks at an early point in time and allow the Group to implement appropriate measures. Professional communications and cooperation with suppliers make it possible for the Group to identify and eliminate possible risks. Additional details are provided in section 1.8 Suppliers.

The earthquake and reactor disaster in Japan have not had any effects on the Group's business to date. However, future supply shortages cannot be excluded because the Components Segment, in particular, purchases materials from this country. The situation in Japan is being monitored continuously and regular contacts are maintained with suppliers. At the same time, the Group is evaluating other companies outside Japan as alternative sources for the involved components.

1.12.3 Asset risks

Regular maintenance and replacement investments

A policy that calls for regular maintenance and replacement investments reduces the risk of interruptions in production. Investments in key equipment are linked to maintenance contracts. The selection of suppliers is based on the criteria described in section 1.8.

A resident fire brigade at the main production locations as well as the regular review of technical safety standards by external experts minimises the risk of damage and business interruption. In addition, the Zumtobel Group has concluded comprehensive all-risk insurance, which will generally provide compensation for damage to assets. Risk management also works closely with the insurance department to identify other risks that can be insured and arrange for the appropriate coverage. The Group is currently working to successively achieve a "high protected risk status" (HPR) at all major production locations, e.g. through the installation of sprinkler systems. Three major production locations (Dornbirn/Austria, Spennymoor/UK and Sydney/Australia) are currently qualified as HPR.

Valuation of finished goods

The balance sheet risks arising from inventories are reduced by the use of a prudent valuation approach that also includes turnover rates.

1.12.4 Pension risks

The Zumtobel Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. The obligations remaining after the deduction of plan assets are recognised as provisions. The amount of the pension provision is primarily dependent on the market value of the invested assets, but also on the development of wages and salaries, life expectancy according to the applicable mortality tables and the discount rate. The largest pension plan (Great Britain) was closed for new registrations at the end of the 2008/09 financial year, and the related risk is therefore limited to established claims. Additional details on this subject are provided in the notes under section 2.6.6.11.

1.12.5 Product liability risks

These risks represent regress claims and the subsequent damage to the Group's image as a result of quality defects caused by errors in the internal and/or external supply chain. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. The Group has also concluded product liability insurance to provide coverage for related claims. The five-year warranty introduced by the Zumtobel brand in April 2010 could lead to higher warranty costs, and appropriate provisions will be created on a step-by-step basis.

1.12.6 Legal risks

Legal risks can arise from changes in labour laws, political risks or legal disputes as well as from changes in environmental regulations.

The legal department of the Zumtobel Group regularly reviews the legal environment in the core markets and evaluates all pending proceedings to ensure that appropriate actions are taken at the required time. The Group's intellectual property is considered a major competitive factor, and is therefore monitored and protected. Third party property rights are respected. There are no pending legal proceedings that could pose a substantial risk for the Zumtobel Group.

1.12.7 Financial risks

Market risk

The Zumtobel Group is exposed to a variety of financial risks from its global operations. Market risk is understood to mean the risk arising from changes in market prices that are denominated in foreign currencies as well as changes in interest rates and raw material prices that could have a negative influence on earnings and the market value of financial instruments used by the Group. The goal of market risk management is to evaluate the existing risks and to minimise these risks as far as possible with suitable measures. No derivatives are used for trading or speculative purposes. Group guidelines provide clear instructions for the interaction with risk. These guidelines are reviewed regularly by the Management Board, and any necessary adjustments are made and submitted to the Supervisory Board for approval. The Group treasury and risk management departments are responsible for the identification and assessment of these risks.

Liquidity risk

On 12 June 2008 an important financing agreement was concluded to support the liquidity of the Zumtobel Group. This consortium agreement with seven banks has a term extending to June 2013 and a maximum volume of EUR 480 million. There were no changes in the amount drawn during the reporting year, and the outstanding balance totalled EUR 186 million as of 30 April 2011. The remaining credit line of EUR 294 million is available to finance growth and acquisitions. This agreement requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2011 with a debt coverage ratio of 1.11 and an equity ratio of 37.1%. Any deterioration in these financial indicators and subsequent downgrading of the Group's credit rating by lenders could lead to an increase in the credit margin for bank liabilities. Furthermore, failure to comply with the covenants could cause the lending banks to call existing loans. In order to improve the efficiency and effectiveness of liquidity management, the Group uses a cash pooling system for the major European countries. This allows for the optimisation of interest income and expense on short-term cash surpluses and borrowings.

Liquidity management is based, among others, on the regular analysis of working capital turnover. Accounts receivable turnover averaged 53.2 days during the reporting year (2009/10: 52.3), inventory turnover 56.6 days (2009/10: 47.8) and accounts payable turnover 41.8 days (2009/10: 42.8). This results in an average working capital turnover of 68.0 days (2009/10: 57.3).

Interest rate risk

The interest rates on existing bank liabilities are variable. In order to reduce the resulting interest rate risk, the Zumtobel Group concluded interest rate swaps with various banks for a total volume of approx. EUR 102.0 million. The swaps represent approx. 55% of the long-term credit volume currently outstanding. These instruments are structured over various terms (up to June 2015 at the latest), and convert the variable interest payments on the financing into fixed interest payments or limit the interest rate to a maximum 3.34%. Additional information on the fair value of the instruments used to hedge interest rates is provided in section 2.6.11.3 of the notes.

Foreign exchange risk

The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when the local companies buy and/or sell their products in a currency other than their local currency. Intra-Group dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (euro) for the consolidation – is of lesser importance for the Zumtobel Group and is not hedged. The use of derivative financial instruments is regulated by a hedging policy that was approved by the Supervisory Board. Appropriate hedges (primarily forward exchange contracts) are concluded a rolling basis for a period of two to three quarters to cover planned cash flows that are subject to a risk of market fluctuations in exchange rates. This method leads to a relatively constant volume of hedges, but smoothes foreign exchange exposure. The most important currencies for the Group are the EUR, GBP, USD, CHF and AUD. Due to the continuing focus on issues that include divergent economic growth, rising interest rates and the stability of the euro, the uncertainty and volatility on foreign exchange markets remains high. Additional information is provided in section 2.6.11.3 of the notes.

1.12.8 Credit risk

The default risk associated with trade receivables is largely limited by credit management processes and appropriate merchandise credit insurance (also see section 2.6.11.1 of the notes). In cases where credit insurance companies have reduced or refused coverage, the Group carries out a careful risk assessment and, if necessary, sets its own limits after an internal approval procedure. The Zumtobel Group also requests bank guarantees or advance payments in specific cases. There were no material default cases in 2010/11 and, from the current point of view, the risk of default is not expected to increase during the coming year.

1.12.9 Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The asset and earnings positions of the Group are directly influenced by foreign exchange effects as well as the necessary use of estimates and judgment in valuing non-financial assets, deferred tax assets, inventories, receivables, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill from the Thorn acquisition in 2000/01, the valuation of capitalised development costs and the valuation of production equipment and machinery. Assets with an indefinite useful life are tested each year for signs of impairment, while assets with a finite useful life are tested when there are indications of impairment. The valuation effects of assets denominated in a foreign currency are recorded under equity without recognition through profit or loss.

1.12.10 Other risks

In many countries the Zumtobel Group is faced with extensive and increasingly strict environmental, health and safety regulations. The production facilities make regular investments to minimise the risk associated with these requirements, but additional investments to meet changing environmental regulations cannot be excluded in the future.

Overall risk evaluation of the Zumtobel Group

No recognisable risks that could endanger the continued existence of the Group

A general analysis of the above factors shows a concentration on market risks, which reflect the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. In contrast, internal production processes are associated with substantially lower risk. Financial risks can be controlled through hedging activities (also see section 2.6.11 of the notes). Group controlling and the system of internal controls are able to quickly identify all major risks with a high degree of probability.

Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

1.13 System of Internal Controls

COSO models and recognised best practice as basis

In designing its system of internal controls (and the risk management system), the Zumtobel Group relies on the COSO models. The system of internal controls covers all measures that are integrated into monitoring and management processes. This system is designed to protect the assets of the Zumtobel Group, to guarantee the completeness and reliability of information and systems, to ensure the efficiency and effectiveness of processes and to support the fulfilment of legal, internal and contractual regulations (compliance).

Responsibility for internal control system reflects business responsibility

Internal controls are implemented and monitored at different management levels (corporate or local), whereby the responsibility lies with the managers in charge of the individual business processes. The general framework and rules are defined by the Management Board for the entire Group and published in the corporate policy on internal control systems. Line management is responsible for the implementation of these rules in the individual business processes. Group internal audit, as a staff department reporting to the Management Board, supports management in the ongoing monitoring and improvement of the internal control system.

1.13.1 Principles of the internal control system

Recognised and accepted controls

The system of internal controls in the Zumtobel Group is based, among others, on the following key controls:

- A transparent organisation with clear assignment of roles and responsibilities
- Sufficient progressive levels for release and approval procedures
- Appropriate documentation of processes
- Dual controls and separation of functions
- Controls for completeness, plausibility, cross-comparisons and variance analyses
- Agreement procedures, verification of consistency and validity
- Analytical review by specialised departments and management
- IT process controls that include mandatory fields, check digits and logic queries
- Appropriate general IT controls.

Appropriateness of risks and controls

The following principles form the basis for the design of the individual control and management measures in the Zumtobel Group:

- Monitoring and control measures must reflect the scope and intensity of the relevant risk (cost-benefit analysis).Therefore, internal controls always follow a risk-oriented approach.
- The system of internal controls does not operate separately from business processes, but is much more an integral part of these processes.

>> Automatic control mechanisms (e.g. IT-operated controls) should be used wherever possible. In cases where this is not possible or reasonable, manual or organisational controls should be used.

Suitable written documentation

The written documentation for the system of internal controls is designed to give an expert third party a reliable view of processes, risks and controls within an appropriate period of time.

1.13.2 Internal control system in financial reporting

The corporate policy on internal controls includes a comprehensive description of the processes and systems used for financial reporting in the Zumtobel Group.

The Zumtobel Group has created a separate Intranet portal to document the processes and internal control system for financial reporting. This portal includes, among others, the so-called COSO matrix, which presents the major elements of the internal control system in the Zumtobel Group based on the five components of the COSO model (internal environment, risk management, control activities, information & communications, monitoring).

Internal environment

In the Zumtobel Group the corporate vision and values, the code of conduct as well as the organisational chart and role manuals (management functions and committees) are documented and, for the most part, are available in the Intranet. The same applies to the articles of association, the rules of procedure, plans for the distribution of duties among the Management Board members and other corporate directives.

Risk management

Risk management in the Zumtobel Group comprises two main elements: a separate risk management process directed by corporate headquarters that focuses on Group-wide risks and central risk reporting, and process-specific risk management that is integrated in the individual business processes by the respective process owners. An extensive description of risk management is provided in section 1.12 (Risk management) of this Group management report.

Control activities

Control activities in the Zumtobel Group are based, among others, on the corporate policies and corporate authorisation framework. Of special importance for the internal control system in financial reporting are the Group accounting manual and the closing checklist. This manual includes all major accounting and valuation principles applied by the Zumtobel Group. The closing checklist defines the duties and control steps that must be completed in connection with accounting processes. Another important component of the internal control system is the graphic presentation of the entire financial reporting process.

Information & communications

Centralised SAP systems are generally used to collect and process data in the Zumtobel Group. Data input and output is managed with these systems or the SAP Business Warehouse. The results subsequently flow into standardised monthly, quarterly and annual reports that assist the Management Board and management in exercising their monitoring and control functions.

Monitoring

Monitoring includes regular assessments of routine management activities as well as special evaluations by separate supervising functions. Management monitors the performance of the segments and subsidiaries based on monthly reviews. Corporate internal auditing and corporate controlling are responsible for the separate monitoring of the internal control system. The external review of the interim financial statements and the audit of the annual financial statements are carried out by a chartered accounting firm, whose international network guarantees the application of uniform auditing standards in all Group companies. The internal control system is also monitored by the Audit Committee of Zumtobel AG. At each meeting this committee receives a detailed report on the accounting process, the audit of the annual financial statements or the half-year review, the current status of risk management and the activities of corporate internal audit.

Further development

In order to improve its effectiveness and efficiency, the internal control system of the Zumtobel Group is continuously adapted to meet changes in the operating environment as well as newly identified risks and opportunities. Activities in 2010/11 focused on the migration of major parts of financial process documentation to the LightWeb Group-wide information platform (user-friendly, wiki-based technology) as well as an improvement in the content of individual controls. This approach will also be continued during the coming year. Special attention has been paid to the development of measures to improve weaknesses identified during the previous year (see section 1.6.1). These measures will involve additional control steps as well as structural-organisational changes.

1.14 Information pursuant to § 243a of the Austrian Commercial Code

1. The share capital of Zumtobel AG totals EUR 108,750,000 and is divided into 43,500,000 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.5 each in share capital. A total of 28,230,640 shares were securitised in a collective certificate and deposited with Österreichische Kontrollbank (OeKB). A further 15,269,360 shares were securitised through interim certificates and deposited with the company. As of 30 April 2011 the company held 678,553 shares as treasury stock.

2. AUGMENTOR private foundation (4,215,752 shares), ASTERIX private foundation (4,137,002 shares), GWZ private foundation (1,044,660 shares), Hektor private foundation (2,310,180 shares), ORION private foundation (3,090,752 shares), Ingrid Reder (264,088 shares), Fritz Zumtobel (176,210 shares) and Jürg Zumtobel (144.248 shares) are parties to a syndicate contract. This contract requires the parties to agree on a course of action prior to each annual general meeting, and to designate one party as a representative to vote on behalf of all parties in accordance with the decisions made by the syndicate.

The syndicate contract also requires the syndicate to hold at least 25% plus one share up to 31 December 2012. The company is not aware of any other limitations on voting rights or the transfer of shares.

3. Aviva plc. held a stake of over 5% and FMR LLC a stake of over 10% as of 30 April 2011. These investments are held through various funds. The company is not aware of any other holdings in excess of 5%.

4. None of the company's shares carry special control rights.

5. The Zumtobel Group has two employee stock participation programmes ("SOP" and "MSP") for key employees of Group companies. Neither of these programmes calls for the control of voting rights. Detailed information on the stock participation programmes is provided under section 2.6.8.4 of the notes.

6. If a member of the Supervisory Board resigns before the end of his/her term of office, a replacement will be elected at the next annual general meeting. However, vacant seats must be filled without delay by an extraordinary general meeting if the number of members on the Supervisory Board falls below three. New members are elected for the remaining term of office of the member who has resigned. The maximum age for members of the Management Board on the date of initial appointment or reappointment is 65 years. The maximum age for members of the Supervisory Board on the date of initial appointment or reappointment is 75 years. There are no other extra-legal regulations governing the appointment or dismissal of members of the Management Board and Supervisory Board or amendments to the articles of association of the company.

7. In accordance with a resolution of the annual general meeting on 7 April 2006 and a resolution of the Management Board on 29 June 2006, and in agreement with the Supervisory Board, 800,000 shares of

Zumtobel stock were repurchased up to 31 October 2006 to service the employee stock participation programmes.

A total of 1,943,555 shares were repurchased in accordance with §65 (1) 8 and §65 (1a) of the Austrian Stock Corporation Act based on a resolution of the Management Board on 29 July 2008 in accordance with a resolution of the annual general meeting on this same date and the approval of the Supervisory Board to repurchase up to 10% of share capital. Of these shares, 1,204,344 were withdrawn during 2009/10.

A total of 860,658 shares had been distributed to employees by 30 April 2011 as part of the employee stock participation programmes. A further 260,924 shares were distributed to employees in this connection on 2 Mai 2011.

8. On 12 June 2008 Group companies concluded a major financing agreement with a consortium of banks, which cover borrowings of EUR 480 million with a term of five years up to 12 June 2013. The outstanding liabilities resulting from these facilities totalled EUR 186 million as of 30 April 2011. The agreements include a change-of-control clause, which is linked to a change in the absolute majority of voting rights.

9. In the event of a mandatory offer or an offer that is directed to obtain a controlling interest as defined in the Austrian Takeover Act, all options to be granted under the "SOP" employee stock participation programme for the current financial year or the following financial year are considered to be granted in full. Moreover, the granted options (including options that are considered to be granted) will be classified as exercised on the last day of the relevant offer (with no additional notice required by the company). Every option classified as exercised entitles the holder to a cash payment, which equals the positive difference between the offer price and the exercise price (if applicable to the SOP participant). Any such difference is due and payable on the 15th calendar day after the announcement of the results of the offer.

In the event of a mandatory offer or an offer that is directed to obtaining a controlling interest as defined in the Austrian Takeover Act, the "MSP" employee stock participation programme will be terminated and settled in an appropriate manner to be decided by the Supervisory Board of Zumtobel AG based on a recommendation of the Management Board.

10. The Management Board contracts include a change of control clause. If the company is taken over by a new majority shareholder, the members of the Management Board have the right to terminate their contracts unilaterally. In this case, the member(s) of the Management Board would be entitled to receive the previously agreed fixed and variable remuneration up to the end of the originally agreed contract term, with a minimum payment covering a period of 12 months. The members of the Management Board have no other special claims or entitlements at the end of their function.

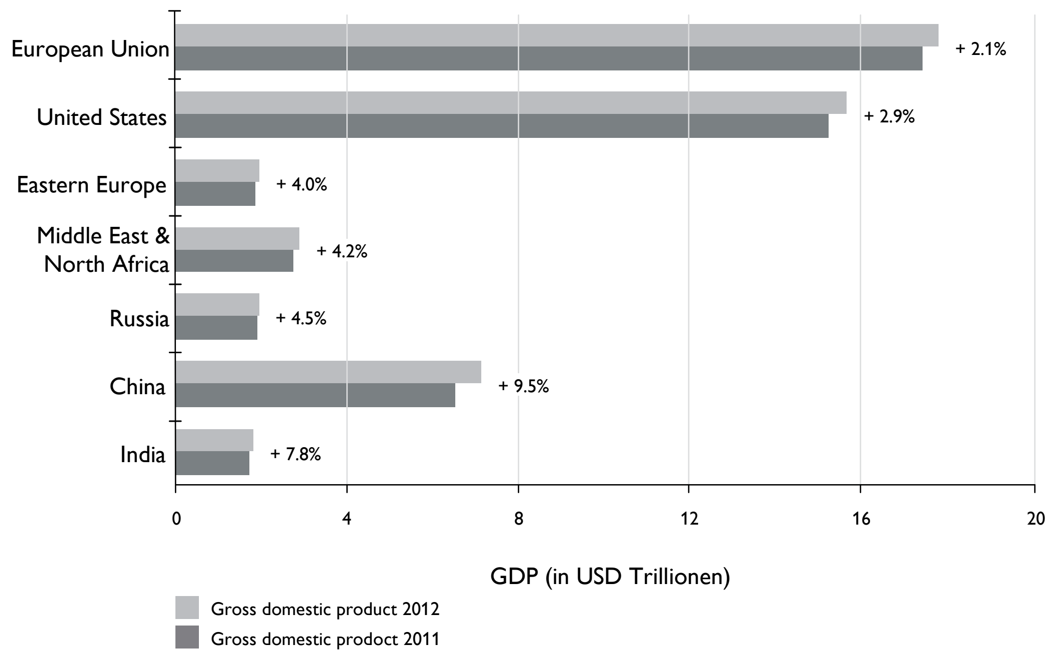
11. The most important elements of the risk management system and the internal control system are described in sections 1.12 and 1.13 of the Group Management Report.

1.15 Outlook and Goals

Healthy growth course for the global economy in 2011 and 2012

The International Monetary Fund (IMF)[5] is forecasting a stable upward trend for the global economy during the next two calendar years, with an increase of 4.4% in 2011 and 4.5% in 2012. The developing and emerging countries will again be responsible for a large part of this momentum, as indicated by expectations of a 6.5% rise in the gross national product during each of these years. As shown in the following graph, economic performance in terms of absolute GDP in these countries has not yet matched the European Union or the USA. The European Union is expected to generate only moderate growth of 1.8% in 2011 and 2.1% in 2012. Forecasts for the D/A/CH region, a key market for the Zumtobel Group, are friendlier. The IMF considers growth of 1.8 to 2.5% to be realistic for the economies in Germany, Austria and Switzerland due to their strength in exports.

Economic development outlook



Outlook: optimism for 2011/12 and the following years

As indicated in the new medium-term strategy that was presented at the end of April 2011, the Zumtobel Group is now targeting a global growth course. It includes the goal to generate average organic growth of approx. 10% per year by 2014/15. Energy-efficient lighting with a special focus on intelligent lighting solutions as well as the opportunities created by LED technology and above-average demand from growth markets will provide key impulses for the professional lighting industry over the coming years. The Zumtobel Group has wide-ranging access to markets, extensive know-how in lighting applications and a strong technology position. These factors place the Group in an excellent position to realise above-average benefits from the expected opportunities. Plans call for one-third of Group revenues to be generated with LED products by 2014/15 (LED share in 2010/11: 8.2%). The focus for the coming years will also turn to increasing

[5] Source – IMF Forecast, World Economic Outlook, April 2011

penetration of the established markets in Europe and the significant expansion of activities in growth markets. The Zumtobel Group will make substantial upfront investments in selling activities markets and development of new products to further strengthen its worldwide market shares. Due to these high growth investments, the improvement in earnings will only be gradual. The Management Board has therefore set a goal to steadily increase the EBIT margin, adjusted for special effects, to over 10% by 2014/15. The medium-term strategy calls for financing the organic growth investments from ongoing cash flows, while also distributing 30% to 50% of net profit as dividends.

For the 2011/12 financial year (beginning on 1 May 2011), the Management Board expects an increase of roughly 10% in revenues. The adjusted EBIT margin will improve only slightly in comparison with the reporting year (6.4%) due to the significant upfront investments to drive the planned revenue growth.

Dornbirn, 6 June 2011

The Management Board

Harald Sommerer	Mathias Dähn	Martin Brandt
Chief Executive Officer	Chief Financial Officer	Chief Operating Officer

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2. Consolidated Financial Statements

2.1 Income Statement

in TEUR	Notes	2010/11	2009/10 *restated	Change in %
Revenues	2.6.4.1	1,228,204	1,114,648	10.2
Cost of goods sold	2.6.4.2	(817,866)	(747,725)	(9.4)
Gross profit		**410,338**	**366,923**	**11.8**
as a % of revenues		*33.4*	*32.9*	
Selling expenses	2.6.4.2	(305,168)	(287,189)	(6.3)
Administrative expenses	2.6.4.2	(36,502)	(39,983)	8.7
Other operating results	2.6.4.3	7,335	(72,069)	>100
thereof special effects		*(2,386)*	*(83,738)*	97.2
Operating profit/loss		**76,003**	**(32,318)**	**>100**
as a % of revenues		*6.2*	*(2.9)*	
Interest expense	2.6.4.4	(9,810)	(9,934)	1.2
Interest income	2.6.4.4	2,358	2,111	11.7
Other financial income and expenses	2.6.4.5	(8,771)	(6,735)	(30.2)
Profit/loss from companies accounted for at-equity	2.6.6.4	12	(959)	>100
Financial results		**(16,211)**	**(15,517)**	**(4.5)**
as a % of revenues		*(1.3)*	*(1.4)*	
Profit/loss before tax		**59,792**	**(47,835)**	**>100**
Income taxes	2.6.4.6	(6,952)	(5,965)	(16.5)
Net profit/loss from continuing operations		**52,840**	**(53,800)**	**>100**
Net profit/loss from discontinued operations	**2.6.4.7**	**(1,512)**	**(15,957)**	**90.5**
Net profit/loss for the period		**51,328**	**(69,757)**	**>100**
as a % of revenues		*4.2*	*(6.3)*	
thereof due to non-controlling interests		*303*	*188*	*61.3*
thereof due to shareholders of the parent company		*51,025*	*(69,945)*	*>100*
Average number of shares outstanding - basic (in 1000 pcs.)		42,788	42,715	
Average diluting effect (stock options) (in 1000 pcs.)		52	74	
Average number of shares outstanding - diluted (in 1000 pcs.)		42,840	42,789	
Earnings per share (in EUR)	**2.6.4.8**			
Basic earnings per share		1.19	(1.64)	
Diluted earnings per share		1.19	(1.63)	
Earnings per share from continuing operations (in EUR)				
Basic earnings per share		1.23	(1.26)	
Diluted earnings per share		1.23	(1.26)	
Earnings per share from discontinued operations (in EUR)				
Basic earnings per share		(0.04)	(0.37)	
Diluted earnings per share		(0.04)	(0.37)	

* See section 2.6.3.3 – "Restatement of prior year data" in the notes.

2.2 Statement of Comprehensive Income

in TEUR	Notes	2010/11	2009/10 *restated	Change in %
Net profit/loss for the period		**51,328**	**(69,757)**	**>100**
Currency differences	2.6.5.1	(1,720)	22,898	<(100)
Currency differences arising from loans	2.6.5.2	(932)	4,474	<(100)
Hedge accounting		1,537	(1,427)	>100
Actuarial loss / gain	2.6.5.3	(4,825)	(18,090)	73.3
Taxes	2.6.5.4	(652)	(11,294)	94.2
thereof IAS 19		*(268)*	*(11,651)*	*97.7*
thereof Hedge Accounting		*(384)*	*357*	*<(100)*
Subtotal other comprehensive income		**(6,592)**	**(3,439)**	**(91.7)**
thereof due to non-controlling interests		*(293)*	*141*	*<(100)*
thereof due to shareholders of the parent company		*(6,299)*	*(3,580)*	*(76.0)*
Total comprehensive income		**44,736**	**(73,196)**	**>100**
thereof due to non-controlling interests		*9*	*329*	*(97.3)*
thereof due to shareholders of the parent company		*44,727*	*(73,525)*	*>100*

* See section 2.6.3.3 – "Restatement of prior year data" in the notes.

2.3 Balance Sheet

in TEUR	Notes	30 April 2011	in %	30. April 2010 *restated	in %
Goodwill	2.6.6.1	183,869	18.0	183,451	18.9
Other intangible assets	2.6.6.2	50,818	5.0	48,913	5.0
Property, plant and equipment	2.6.6.3	233,843	22.9	231,385	23.8
Financial assets accounted for at-equity	2.6.6.4	4,889	0.5	4,112	0.4
Financial assets	2.6.6.5	5,749	0.6	11,236	1.2
Other assets	2.6.6.6	4,137	0.4	4,163	0.4
Deferred taxes	2.6.6.7	34,151	3.3	33,894	3.5
Non-current assets		**517,456**	**50.7**	**517,154**	**53.1**
Inventories	2.6.6.8	190,341	18.7	146,052	15.0
Trade receivables	2.6.6.9	186,549	18.2	172,585	17.7
Financial assets	2.6.6.5	15,051	1.5	16,706	1.7
Other assets	2.6.6.6	24,834	2.4	32,499	3.3
Liquid funds	2.6.6.10	86,255	8.5	87,841	9.0
Current assets		**503,030**	**49.3**	**455,683**	**46.9**
ASSETS		**1,020,486**	**100.0**	**972,837**	**100.0**
Share capital		108,750	10.7	108,750	11.2
Additional paid-in capital		335,387	32.9	334,597	34.4
Reserves		(119,818)	(11.7)	(36,814)	(3.8)
Net profit/loss for the period		51,025	5.0	(69,945)	(7.2)
Capital attributed to shareholders of the parent company		375,344	36.8	336,588	34.6
Capital attributed to non-controlling interests		3,308	0.3	3,825	0.4
Equity	**2.6.8**	**378,652**	**37.1**	**340,413**	**35.0**
Provisions for pensions	2.6.6.11	57,390	5.6	57,268	5.9
Provisions for severance compensation	2.6.6.11	33,297	3.3	32,639	3.4
Provisions for other defined benefit employee plans acc. to IAS19	2.6.6.11	12,332	1.2	11,513	1.2
Other provisions	2.6.6.13	719	0.1	813	0.1
Borrowings	2.6.6.14	212,507	20.8	214,448	22.0
Other liabilities	2.6.6.17	4	0.0	45	0.0
Deferred taxes	2.6.6.7	11,627	1.1	11,552	1.2
Non-current liabilities		**327,876**	**32.1**	**328,278**	**33.7**
Provisions for taxes		22,381	2.2	20,988	2.2
Other provisions	2.6.6.13	25,141	2.5	33,056	3.4
Borrowings	2.6.6.14	17,301	1.7	4,807	0.5
Trade payables		140,742	13.8	130,560	13.3
Other liabilities	2.6.6.17	108,393	10.6	114,735	11.8
Current liabilities		**313,958**	**30.8**	**304,146**	**31.2**
EQUITY AND LIABILITIES		**1,020,486**	**100.0**	**972,837**	**100.0**

* See section 2.6.3.3 – "Restatement of prior year data" in the notes.

2.4 Cash Flow Statement

in TEUR	Notes	2010/11	2009/10 *restated
Operating profit/loss from continuing and discontinued operations	2.1	74,491	(48,275)
Depreciation and amortisation	2.6.4.2	51,550	113,152
Gain/loss from disposal of fixed assets		748	656
Results from discontinued operations		(3,609)	14,842
Cash flow from operating results		**123,180**	**80,375**
Inventories		(47,251)	11,078
Trade receivables		(11,252)	6,808
Trade payables		10,170	17,592
Prepayments received		(6,546)	518
Change in working capital		**(54,879)**	**35,996**
Non-current provisions		(7,591)	(5,686)
Current provisions		(4,978)	(4,492)
Other current and non-current assets and liabilities		14,204	(20,381)
Change in other operating items		**1,635**	**(30,559)**
Taxes paid		**(3,578)**	**(6,821)**
Cash flow from operating activities		**66,358**	**78,991**
Proceeds from the sale of non-current assets		684	5,714
Capital expenditures on non-current assets		(57,304)	(48,691)
Change in non-current and current financial assets		(3,314)	(1,486)
Change in liquid funds from acquisition of non-controlling interests		(1,600)	0
Cash flow from investing activities		**(61,534)**	**(42,220)**
FREE CASH FLOW		**4,824**	**36,771**
Change in net borrowings		(5,775)	(298)
thereof restricted cash		*(269)*	*416*
Dividends		(6,977)	(485)
exercise of options		790	89
Interest paid		(7,961)	(7,713)
Interest received		1,456	1,157
Cash flow from financing activities		**(18,467)**	**(7,250)**
Effects of exchange rate changes on cash and cash equivalents		(298)	6,395
CHANGE IN CASH AND CASH EQUIVALENTS		**(13,941)**	**35,916**
Cash and cash equivalents at the beginning of the period	2.6.7.1	84,698	48,782
Cash and cash equivalents at the end of the period	2.6.7.1	70,757	84,698
Change absolute		**(13,941)**	**35,916**

* See section 2.6.3.3 – "Restatement of prior year data" in the notes.

2.5 Statement of Changes in Equity

2010/11 Financial Year

in TEUR	Share capital	Additional paid-in capital	Other Reserves *restated	Currency reserve *restated	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the period	Total	Non-controlling interests	Total equity
	Attributed to shareholders of the parent company										
30 April 2010	**108,750**	**334,597**	**52,105**	**(48,737)**	**(2,594)**	**17,270**	**(54,858)**	**(69,945)**	**336,588**	**3,825**	**340,413**
+/- Additions to reserves	0	0	(69,945)	0	0	0	0	69,945	0	0	0
+/- Total comprehensive income	0	0	0	(2,359)	1,153	0	(5,092)	51,025	44,727	9	44,736
+/- Stock options - exercises	0	790	0	0	0	0	0	0	790	0	790
+/- Stock options - addition/reversal	0	0	0	0	0	1,148	0	0	1,148	0	1,148
+/- Dividends	0	0	(6,418)	0	0	0	0	0	(6,418)	(559)	(6,977)
+/- Capital increase minority interest	0	0	0	0	0	0	0	0	0	142	142
+/- Acquisition of non-controlling interests	0	0	(1,491)	0	0	0	0	0	(1,491)	(109)	(1,600)
30 April 2011	**108,750**	**335,387**	**(25,749)**	**(51,096)**	**(1,441)**	**18,418**	**(59,950)**	**51,025**	**375,344**	**3,308**	**378,652**

* See section 2.6.3.3 – "Restatement of prior year data" in the notes.

2009/10 Financial Year

in TEUR	Share capital	Additional paid-in capital	Other Reserves *restated	Currency reserve *restated	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the period	Total	Non-controlling interests	Total equity
	Attributed to shareholders of the parent company										
30 April 2009	**111,761**	**331,497**	**47,007**	**(75,807)**	**(1,524)**	**17,717**	**(25,118)**	**13,426**	**418,959**	**1,962**	**420,921**
Restatement	0	0	(8,328)	(160)	0	0	0	0	(8,488)	0	(8,488)
30 April 2009	**111,761**	**331,497**	**38,679**	**(75,967)**	**(1,524)**	**17,717**	**(25,118)**	**13,426**	**410,471**	**1,962**	**412,433**
+/- Additions to reserves	0	0	13,426	0	0	0	0	(13,426)	0	0	0
+/- Total comprehensive income	0	0	0	27,230	(1,070)	0	(29,740)	(69,945)	(73,525)	329	(73,196)
+/- Capital decrease through withdrawal of own shares	(3,011)	3,011	0	0	0	0	0	0	0	0	0
+/- Stock options - exercises	0	89	0	0	0	0	0	0	89	0	89
+/- Stock options - addition/reversal	0	0	0	0	0	(447)	0	0	(447)	0	(447)
+/- Dividends	0	0	0	0	0	0	0	0	0	(484)	(484)
+/- Change in consolidation method	0	0	0	0	0	0	0	0	0	2,018	2,018
30 April 2010	**108,750**	**334,597**	**52,105**	**(48,737)**	**(2,594)**	**17,270**	**(54,858)**	**(69,945)**	**336,588**	**3,825**	**340,413**

* See section 2.6.3.3 – "Restatement of prior year data" in the notes.

2.6 Notes to the Consolidated Financial Statements

2.6.1 General Information

The consolidated financial statements were prepared in accordance with § 245a of the Austrian Commercial Code and the provisions of IFRS/IAS that were issued by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and Standing Interpretations Committee that were valid as of the balance sheet date, to the extent that these regulations have also been adopted by the European Union through its endorsement proceedings. Therefore, the consolidated financial statements of Zumtobel AG reflect all International Financial Reporting Standards (IFRS) that are applicable in the European Union for the 2010/11 financial year.

The Management Board of Zumtobel AG released the consolidated financial statements for distribution to the Supervisory Board on 6 June 2011. The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement that indicates whether or not it approves the consolidated financial statements. The relevant Supervisory Board meeting is scheduled for 22 June 2011 in Dornbirn.

Zumtobel is an international lighting group. The headquarters of the parent company, Zumtobel AG, are located at Höchster Strasse 8, A-6850 Dornbirn, Austria, and the Company is registered with the Provincial and Commercial Court in Feldkirch, Austria, under FN 62309g. The balance sheet date is 30 April, and the reporting year covers the period from 1 May 2010 to 30 April 2011. The reporting currency is the euro. The business activities of the Group are carried out primarily through the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic and magnetic lighting components, LED lighting components, LED lamps and connection technology).

The annual financial statements of the companies included in the consolidated financial statements were prepared on the basis of uniform accounting and valuation principles. The income statement was prepared in accordance with the cost of sales method. In order to improve the transparency and explanatory power of these financial statements, certain items were combined on the balance sheet and income statement, and are presented separately in the notes. The amounts in the tables are presented in thousand euros (TEUR), unless stated otherwise. The use of automatic data processing equipment can lead to rounding differences.

In sections 2.6.4 to 2.6.12 of the notes to individual items in the consolidated financial statements, all references to prior year data relate to the restated amounts. Information on the effects of the restatement of prior year data is provided in section 2.6.3.3.

The consolidated financial statements were prepared on the basis of historical acquisition cost, with the exception of the following positions:

- Derivative financial instruments (measurement at fair value)
- Financial instruments carried at fair value through profit or loss

2.6.2 Consolidation Range and Methods

2.6.2.1 Consolidation range

The consolidated financial statements for 2010/11 include 94 (2009/10: 96) fully consolidated companies in which Zumtobel AG exercises management control or directly or indirectly owns the majority of shares. Six companies were included in the consolidation at equity (2009/10: six), and no companies were included using the proportional method. Sixteen companies (2009/10: 16) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial.

IFRS interim financial statements were prepared as of 30 April for companies that have a different balance sheet date.

Any additional obligations to prepare subgroup financial statements based on local requirements are met with the publication of these consolidated financial statements.

The consolidation range changed as follows during the reporting year:

	Consolidation Method		
Consolidation Range	full	at equity	TOTAL
30 April 2010	**96**	**6**	**102**
Deconsolidated during reporting period	(1)	0	(1)
Merged during reporting period	(1)	0	(1)
30 April 2011	**94**	**6**	**100**

Thorn Lighting (Guangzhou) Ltd. was merged with Thorn Lighting (Guangzhou) Operations Ltd.) during the first quarter of 2010/11.

The remaining 30% of Thorn Lighting India Private Limited was acquired during the second quarter of 2010/11.

The event lighting business was discontinued during the second quarter of 2010/11. In this connection, the Zumtobel Group decided to terminate financial support for Space Cannon VH – S.R.L. and consequently filed an application to begin liquidation proceedings for this company. Space Cannon VH – S.R.L. was deconsolidated during the third quarter of 2010/11 (also see section 2.6.4.7).

In the third quarter of 2009/10 the majority shareholders of z-werkzeugbau gmbh exercised their option to acquire the remaining 30% of the company. The shares have not yet been transferred.

The remaining 5% stake in the Austrian Tridonic Jennersdorf GmbH, which is headquartered in Jennersdorf, was acquired as of 29 November 2010.

2.6.2.2 Consolidation methods

Basis of consolidation

For subsidiaries included using the full consolidation method, the principles set forth in IFRS 3 are used to eliminate the investment and equity. In accordance with this method, the identifiable assets, liabilities and contingent liabilities of the subsidiary are recognised at fair value as of the acquisition date. If the acquisition price exceeds the fair value of purchased identifiable assets and liabilities, the difference is recognised as goodwill. In accordance with IFRS 3, any negative differences are recognised immediately to profit or loss.

Non-controlling interests are carried at the respective proportion of the fair value of recognised assets and liabilities.

The profit or loss recorded by a subsidiary that is acquired or sold during the year is included in the Group income statement as of the effective date of acquisition or up to the effective date of disposal.

The equity method is applied to associated companies over which the Zumtobel Group generally exercises significant influence – as a rule, based on a 20 – 50% share of voting rights. Companies valued at equity are consolidated in accordance with the proportional share of equity owned by the Zumtobel Group, whereby the carrying amount as of the balance sheet date is adjusted to reflect the proportional share of profit or loss for the reporting period less any distribution of profits, major interim profits and impairment charges to goodwill. All adjustment items are recognised to a separate position in the income statement.

Other consolidation principles

During the consolidation of liabilities, trade receivables are netted out with the corresponding liabilities. Revenue and expenses arising from transactions between Group companies are eliminated during the consolidation.

Interim profits from inventories as well as the production and transfer of fixed assets between Group companies are eliminated if they are not immaterial.

Foreign currency translation
The functional currency method is used to translate the financial statements of foreign companies included in the consolidation. The local currency represents the functional currency for all these companies because the entities operate independently from a financial, economic, and organisational standpoint. Assets and liabilities are translated using the average rate as of the balance sheet date. On the income statement, revenues and expenses are translated using the average exchange rate for the year. The same applies to income and expenses recognised directly in equity. The resulting differences are shown on the statement of comprehensive income.

The most important currencies for the Zumtobel Group are shown in the following table:

	Average exchange rate Income Statement		Closing rate Balance sheet	
1 EUR equals	30 April 2011	30 April 2010	30 April 2011	30 April 2010
AUD	1.3954	1.6328	1.3560	1.4292
CHF	1.3265	1.4950	1.2867	1.4341
USD	1.3309	1.4158	1.4860	1.3315
SEK	9.2168	10.2756	8.9140	9.6217
GBP	0.8501	0.8837	0.8917	0.8703

2.6.3 Accounting and Valuation Methods

2.6.3.1 Effects of new and amended standards

The following new or amended standards and interpretations are relevant for the Zumtobel Group and were applied for the first time in the reporting year:

IFRS 2 includes new rules for the accounting treatment of a group's share-based payment transactions with cash settlement. The changes define how share-based payments between group entities must be accounted for in the separate financial statements of the respective entities.

The most important changes to IFRS 3 "Business Combinations" involve the introduction of an extended definition for business operations and an option for the valuation of non-controlling interests. In addition, contingent consideration must now be reported as part of the purchase price and acquisition-related costs must be expensed as incurred.

IAS 27 "Consolidated and Separate Financial Statements" was amended in coordination with IFRS 3. Changes in the investment without a loss of control must be recognised in equity and, in cases where control is lost, the remaining investment must be remeasured at fair value through profit or loss. Furthermore, the allocation of losses cannot exceed the carrying amount of non-controlling interests and lead to a negative position.

The change in IAS 39 "Financial Instruments: Recognition and Measurement" deals with the rules governing qualified underlying transactions.

The improvements to IFRS 2009 led to changes in a number of standards and interpretations. These changes are intended to make the standards and interpretations more precise and to eliminate inconsistencies.

The above-mentioned changes had no effect on the consolidated financial statements for 2010/11.

The new interpretations IFRIC 12 "Service Concession Arrangements", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 17 "Distributions of Non-cash Assets to Owners" and IFRIC 18 "Transfers of Assets from Customers" also have no effect on the consolidated financial statements for 2010/11.

The following new or amended IAS / IFRIC interpretations were not applied prematurely and are therefore not relevant for the 2010/11 consolidated financial statements of the Zumtobel Group:

Revised standards and interpretations		Mandatory application in financial years beginning after
IAS 12	Deferred taxes – realisation of underlying assets	01 January 2012*
IAS 24	Related Party Disclosures	01 January 2011
IFRS 7	Changes to disclosures on financial instruments	01 July 2011*
IFRIC 14	Voluntary payments in connection with minimum funding requirements	01 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

* These standards have not yet been adopted by the European Union through its endorsement proceedings.

These new regulations are not expected to have any material impact on the consolidated financial statements for 2011/12.

2.6.3.2 Major accounting and valuation methods

Goodwill

Goodwill represents the excess cost for the acquisition of an entity over the fair value of identifiable assets and liabilities of a subsidiary, associated company or joint venture purchased by the Group at the date of acquisition.

Goodwill is recognised as an asset and tested for impairment with the relevant cash-generating unit at least once each year. Any impairment is recognised immediately to the income statement (also see the section "Discretionary decisions and estimation uncertainty").

Other intangible assets

Patents, licenses and similar rights are recognised initially at acquisition or production cost, and amortised on a straight-line basis over their presumed useful life (4 – 10 years).

Internally generated intangible assets that result from product development or the implementation of software by the Group are only capitalised when the requirements defined in IAS 38.57 – above all the following conditions – are met:

>> The internally generated asset is identifiable
>> It is probable that the asset will generate a future economic benefit
>> The costs of the asset can be reliably estimated.

Internally generated intangible assets are recognised on a straight-line basis (4 - 8 years). If the recognition of an internally generated intangible asset is not permitted, the relevant development costs are expensed in the period incurred. Research costs are expensed as incurred.

Property, plant and equipment

Acquired and internally generated property, plant and equipment are recognised at acquisition or production cost and, if depreciable, are depreciated over their presumed useful life on a straight-line basis. Production costs include direct costs as well as an appropriate part of material and production overheads. Interest costs are capitalised if material and not recognised as expenses of the period incurred.

Straight-line depreciation is based on the following depreciation rates:

Straight-line depreciation	Depreciation rate per year
Buildings	2 –3.3%
Technical equipment and machinery	14.3 –20%
Other equipment, furniture, fixtures and office equipment	14.3 –33.3%

Leases

Leases are classified as finance leases when the conditions of the relevant agreement substantially transfer all risks and rewards associated with the ownership of an asset to the lessee. All other leases are classified as operating leases.

Lease payments on operating leases are recognised as expenses on a straight-line basis over the lease term.

At the commencement of the lease term, assets held under finance leases are recognised on the balance sheet at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is reported on the balance sheet under current or non-current financial liabilities as an obligation arising from a finance lease. The lease payments are apportioned between a finance charge and amortisation of the outstanding liability to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised directly to the income statement.

Inventories

Inventories are measured at the lower of purchase or production cost (based on the average price method) and the net realisable value. The purchase or production cost of finished goods and work in process also includes an appropriate part of fixed and variable manufacturing and material overheads based on the normal use of capacity. Production cost does not include interest expense or administrative and selling overheads. Appropriate discounts are recorded to reflect the risks arising from the length of storage or reduced opportunities for use or sale; these discounts are standardised throughout the Group and are based on inventory turnover. Additionally, the respective items are tested for signs of impairment in order to determine whether the carrying amount must be reduced to the net realisable value.

Financial instruments

The Zumtobel Group distinguishes between the following classes of financial instruments:

- Securities and similar rights
- Trade receivables and trade payables
- Other liabilities
- Loans received and originated
- Finance leases
- Positive market values of derivatives held for trading
- Positive / negative market values of derivatives (hedge accounting)
- Liquid funds

- Securities and similar rights
  Securities and similar rights (e.g. investments in other companies) are initially recognised at acquisition cost, which also includes any related transaction expenses. They are then classified as held for trading and measured at fair value through profit and loss in subsequent periods.

- Trade receivables
  Receivables are generally carried at amortised cost, whereby recognisable risks are reflected in allowances for bad debts.

- Originated loans, other receivables (financial assets)
  Originated loans and other receivables are carried at amortised cost.

- Loans, finance leases (financial liabilities)
  Loans and finance lease liabilities are carried at their repayment amount or nominal value including transaction costs (amortised cost). Non-current liabilities are recognised at their present value.

Derivative financial instruments are principally recorded at fair value.

- Market value of derivatives held for trading
  Changes in the value of derivative instruments that are not part of hedge accounting are shown on the income statement under financial results.

- Market value of derivatives (hedge accounting)
  Increases or decreases in the fair value of derivative instruments that qualify for hedge accounting as defined in IAS 39 (cash flow hedges) and are highly effective are credited or charged to equity. The ineffective portion is recognised immediately through profit or loss. The amounts accumulated under equity are recognised as gains or losses of the same period in which the hedged item is recognised to the income statement.

- Market value of a net investment in a foreign operation
  Derivative instruments concluded to hedge a net investment in a foreign operation (IAS 21) are recorded on the balance sheet as derivatives (hedge accounting). Accordingly, all changes in the fair value of these instruments as well as related cash income and expenses are recognised directly in equity.

- Determination of fair value
  The determination of fair value is based on a three-level hierarchy that reflects the valuation certainty.

  Level 1: Listed prices on active markets for identical instruments
  Level 2: Valuation based on input factors that can be monitored on the market
  Level 3: Valuation based on input factors that cannot be monitored on the market

  In the Zumtobel Group, the calculation of fair value is based primarily on market value. The market value of non-current receivables and other non-derivative financial instruments reflects present value discounted at the market interest rate. The market value of current financial instruments reflects the carrying amount due to their short term.

The determination of the fair value of derivative financial instruments can be reliably determined as of each balance sheet date because these measurements are based primarily on external data sources (stock exchange prices or bank statements). Therefore, all instruments represent Level 1 or 2 valuations.

The financial instruments classified under Level 2 represent the derivatives included under financial assets and financial liabilities (positive market value: TEUR 5,817, 2009/10: TEUR 7,715, negative market value: TEUR -12,516, 2009/10: TEUR -10,647; also see section 2.6.10).

Current and non-current assets and liabilities

Assets and liabilities whose realisation or payment is expected within a 12-month period are classified as current. All other assets and liabilities are classified as non-current.

Share-based remuneration

The stock option programmes of Zumtobel AG represent share-based remuneration that is paid in the form of equity instruments. The value of the compensation for services provided by employees is derived from the market value of the issued equity instruments at the grant date, and is based on accepted option valuation models. Additions to and reversals from the reserve are recognised to profit or loss. The reserve is not adjusted through profit or loss to reflect the options actually exercised. These items are reported on the balance sheet under reserves.

Provisions

Other provisions are created to reflect current obligations to third parties that result from past events. The outflow of resources to meet the obligation must be probable, and a reliable estimate of the total obligation must be possible. If these conditions are not met, a provision is not recognised. In cases where the nominal value of a provision differs substantially from the present value (based on a market interest rate), the present value is used as the carrying amount. If the outflow of resources is not probable and the amount of the obligation cannot be estimated, the item is reported as a contingent liability.

Provisions are only created for restructuring costs if the general criteria for recognition are met and there is a legal or constructive obligation to carry out the restructuring (IAS 37.70 ff).

Provisions for guarantees are created on an individual basis as required by specific circumstances. Lump-sum provisions for guarantees are also created in accordance with standard Group guidelines. The basis for the calculation of provisions was refined during the reporting year and resulted in the application of product group-based percentage rates to the respective product revenues for the period.

A provision for onerous contracts is recognised when the unavoidable costs of meeting an obligation exceed the revenues expected from the respective agreement. The provision is recognised at the lower of the costs that would arise on exiting from the contract and the net costs for fulfilling the obligation. Before a separate provision is created for an onerous contract, an impairment charge is recognised to the related assets.

Employee benefits

>> Post-employment benefits include long-term provisions for pensions and severance compensation.

>> Other long-term employee benefits are comprised primarily of the provisions for service anniversary bonuses and rules governing part-time work for older employees in Austria and Germany as well as long-service leave in Australia.

>> Defined benefit plans

The present value of a defined benefit obligation (DBO) is calculated as of each balance sheet date in accordance with actuarial principles based on the projected unit credit method. This method separates the interest cost – i.e. the amount by which the obligation has increased during a particular year because benefits have moved closer to settlement – from the service cost – i.e. the new entitlements that have arisen during a particular year. The interest rate used to discount future obligations is a current market rate. The assumptions used to measure the amount of obligations include expected future increases in salaries or wages as well as benefit commitments. Changes in claims may arise from new commitments or the adjustment of existing benefits, and are reported as past service cost.

Plan assets represent assets that are held by a fund and netted out with pension obligations. These assets are valued each year by certified actuaries.

Defined benefit plans are measured as of each valuation date based on current best assumptions, which may change from one valuation date to the next. The financial effects of changes in these valuation assumptions are classified as actuarial gains or losses. Actuarial gains and losses are recorded under equity after the deduction of deferred taxes in the period incurred, without recognition through profit or loss.

Interest costs and income on plan assets are reported under financial results, while the other components are shown under operating results.

>> Defined contribution plans

Under a defined contribution plan, a company has no obligations above or beyond the payment of contributions to a fund. These contributions are recognised as personnel expenses in the period incurred.

Income taxes

The calculation of tax expense for the current period is based on taxable income for the financial year. Taxable income differs from net profit on the income statement because it excludes income and expenses that will become taxable in later years, or never become taxable or deductible for tax purposes. The Group's obligations from current tax expense are calculated at the relevant local tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred taxes include the expected tax charges and/or tax recovery that result from differences between the carrying amount of assets and liabilities in the annual financial statements and the relevant tax bases used to calculate taxable income as well as from tax loss carry forwards. The balance sheet-oriented liability method forms the basis for these calculations. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised only to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced accordingly when it is not probable that sufficient taxable profit will be available to utilise the deferred tax assets in full or in part within the foreseeable future. The calculation of deferred taxes is based on the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Income taxes are generally recognised to the income statement, unless they relate to transactions that were recognised directly in equity during the reporting year or another financial year.

Revenue recognition

Revenue from the sale of goods and services is recognised when the group transfers the major risks and opportunities associated with ownership to the buyer. Rebates and discounts are deducted from this figure. Operating expenses are recognised to profit or loss when a service is used or an expense is incurred.

Interest income is recognised proportionately over time in accordance with the effective interest paid on the asset. This represents the interest rate used to discount the estimated future cash payments over the term of the financial asset to the net carrying amount of the asset.

Dividend income is recognised when a legal claim to payment arises.

Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect on the date of the transaction, while monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date. Realised and unrealised gains and losses arising from foreign currency transactions are generally reported under financial results. The measurement effects of non-current loans, which qualify as part of a net investment in a foreign operation as defined in IAS 21, are recorded directly in equity.

Discretionary decisions and estimation uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions by management, which have an influence on the amount and reporting of recognised assets and liabilities, income and expenses, and contingent liabilities for the financial period. The principle of providing a "true and fair view" is also followed without limitation in the use of estimates.

Actual values may differ from the relevant assumptions and estimates when the operating environment does not develop as expected by the balance sheet date. The assumptions and estimates used by the Group are reviewed regularly. Significant changes are reflected in an adjustment of the premises and subsequent recognition through profit or loss.

Estimates and assumptions are related above all to the following areas:

>> Impairment of goodwill, other intangible assets and property, plant and equipment

Property, plant and equipment as well as intangible assets are tested for indications of impairment as of each balance sheet date. If such indications are identified, the recoverable amount of each asset is estimated in order to determine the potential impairment charge. If the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit containing the asset is estimated. As a rule, this involves an entire production facility.

Intangible assets with an indefinite useful life, intangible assets that are not yet available (e.g. development projects still in progress) and goodwill are tested each year for impairment – even when there are no such indications.

The recoverable amount represents the higher of fair value less costs to sell and the value in use. The value in use is determined by discounting the estimated future cash flows from the asset, whereby a weighted average cost of capital (WACC) of 7.9% (2009/10: 7.2%) is applied to research and development costs.

In 2010/11 the reorganisation of the internal reporting structure led to the reallocation of goodwill from the acquisition of the Thorn Lighting Group to smaller cash-generating units (CGU) for impairment testing purposes in accordance with the requirements of IAS 36.87. These units represent operating segments as defined in IFRS 8.5, which are aggregated under

"Lighting Brands" for segment reporting. The goodwill assigned entirely to the operating "Lighting Segment" in the previous year was accordingly reallocated to the new regional operating segments in 2010/11 based on the reorganised reporting structure (see section 2.6.6.1). Individual WACC rates were determined and applied in calculating the respective values in use of these new regional operating segments.

A standard WACC of 7.8% was applied in the previous year, while the WACC rates shown below were used for the following CGUs in 2010/11:

CGU Lighting Brands – Europe: WACC 7.9%
CGU Lighting Brands – MENA and Asia: WACC 10.2%
CGU Lighting Brands – Australia and New Zealand: WACC 8.4%
CGU Lighting Brands – USA: WACC 7.4%

The regional interest rates were based, above all, on the inflationary trends of the individual countries in relation to the risk-free basis interest rate, country risk premiums and the applicable national tax rates.

The value in use serves as a benchmark for the impairment testing of goodwill. It is calculated as the discounted cash flows produced by the relevant cash-generating unit. The estimates of future cash inflows are based on internal forecasts, which were prepared in detail for 2011/12 and with minor simplifications for a further three years. A regional growth rate that reflects the varying inflation trends was applied to the periods after the detailed forecast range. The quality of the forecast data is regularly compared with actual results through a variance analysis. Cash flows are estimated on the basis of regional assumptions for the development of the market. Cost structures are generally forecasted on the basis of experience and then extrapolated. All impairment charges are recognised immediately to profit or loss.

There would be no need to recognise an impairment charge, if the regional growth rate and the WACC rate varied by more than 10%.

If the regional WACC rates rose by 4.7% or more, the value in use would equal the carrying amount of the regionally allocated goodwill.

>> Provisions for employee benefits
The actuarial measurement of employee benefits requires the use of assumptions for interest rates, expected income on plan assets, wage/salary and pension increases, the retirement age and life expectancy.

>> Other provisions
The determination of provisions for restructuring requires the estimation of workforce reductions and the resulting costs as well as expenses connected with the cancellation of contracts. The provisions for legal proceedings are based on management's estimates of the possible outcome of these proceedings. The provision for warranties is based on past experience. These assumptions are connected with uncertainty, and actual payments may vary from the estimates.

>> Deferred tax assets
The capitalisation of deferred taxes is based on expected future tax rates as well as estimates for the utilisation of these deferred taxes against future earnings. Possible changes in tax rates or income that differs from the assumed level could lead to the write-down of deferred tax assets.

>> Stock option programmes
The determination of option values under the Black-Scholes method involves the use of assumptions for the interest rate, the expected volatility and the dividend policy.

As of the balance sheet date on 30 April 2011, the Group was unaware of any major circumstances that could lead to a significant variance in the carrying amount of an asset or liability during the next financial year.

Special effects

In accordance with IAS 1.98, circumstances outside a company's ordinary activities must be disclosed separately if these items are of a scope, nature or incidence that their disclosure is relevant to explain financial performance. Examples of such items are results from non-recurring events such as restructuring, significant expenses for legal proceedings, the sale of property not used in business operations, the reversal of material provisions and impairment charges to assets. These special effects are disclosed separately in the consolidated financial statements, and are designated as "thereof" on the income statement.

Government grants

Government grants related to income, which are provided as compensation for expenses, are generally recognised as income of the period in which they are granted. These grants are capitalised as a liability if they are connected with future expenses. Grants related to assets are recognised to profit or loss over the useful life of the related asset.

2.6.3.3 Restatement of prior year data

Correction of errors

The preparation of the 2010/11 financial statements also included the correction of errors in accordance with IAS 8.41. The tables on the following pages show the positions on the income statement, balance sheet, cash flow statement and statement of changes in equity that were restated because the respective current assets reported by an English company for 2009/10 were non-existent or did not reflect the actual value. The adjustments to the balance sheet as of 30 April 2010 totalled TEUR 11,208. Of this amount, TEUR 2,720 were restated through profit or loss in 2009/10. The remainder of TEUR 8,488 is related to earlier financial years and was recorded under equity as of 1 May 2009.

Discontinuation of the event lighting business

In addition, the prior year data were restated in accordance with IFRS 5 to reflect the discontinuation of the event lighting business during the second quarter of 2010/11 (also see section 2.6.4.7).

Reclassification of administrative expenses

In order to further improve the informative value of the financial statements and to achieve conformity with the internal reporting structure, the costs for decentralised management are no longer included under administrative expenses but are allocated by function to the cost of goods sold or selling expenses. The prior year data were adjusted accordingly (also see section 2.6.4.2).

Reconciliation of adjustments to prior year data

The following tables show the income statement, balance sheet and cash flow statement as published in the 2009/10 financial statements as well as the data presented for 2009/10 in this report – differentiated by the reason for restatement.

>> Reconciliation of the income statement for the 2009/10 financial year

in TEUR	2009/10 (published)	Error correction	Discontinuation of event lighting	Reclassification of administrative expenses	2009/10 *restated
Revenues	1,117,301		(2,653)		1,114,648
Cost of goods sold	(732,057)	(2,635)	3,597	(16,630)	(747,725)
Gross profit	**385,244**	**(2,635)**	**944**	**(16,630)**	**366,923**
Selling expenses	(275,285)	(85)	1,276	(13,095)	(287,189)
Administrative expenses	(70,002)		294	29,725	(39,983)
Other operating results	(85,133)		13,064		(72,069)
thereof special effects	*(96,692)*		*12,954*		*(83,738)*
Operating profit/loss	**(45,176)**	**(2,720)**	**15,578**	**0**	**(32,318)**
Interest expense	(10,187)		253		(9,934)
Other financial income and expenses	(6,749)		14		(6,735)
Financial results	**(15,784)**	**0**	**267**	**0**	**(15,517)**
Profit/loss before tax	**(60,960)**	**(2,720)**	**15,845**	**0**	**(47,835)**
Net profit/loss from continuing operations	**(66,925)**	**(2,720)**	**15,845**	**0**	**(53,800)**
Net profit/loss from discontinued operations	**(112)**		**(15,845)**		**(15,957)**
Net profit/loss for the period	**(67,037)**	**(2,720)**	**0**	**0**	**(69,757)**
thereof due to shareholders of the parent company	*(67,225)*	*(2,720)*	*0*	*0*	*(69,945)*

>> Reconciliation of the balance sheet for the 2009/10 financial year

in TEUR	30 April 2010 (published)	Error correction	30 April 2010 *restated
Inventories	146,077	(25)	146,052
Trade receivables	173,649	(1,064)	172,585
Other assets	32,603	(103)	32,499
Financial assets	16,706	0	16,706
Liquid funds	97,308	(9,467)	87,841
Current assets	**466,343**	**(10,660)**	**455,683**
ASSETS	**983,497**	**(10,660)**	**972,837**
Reserves	(28,326)	(8,488)	(36,814)
Net profit/loss for the period	(67,225)	(2,720)	(69,945)
Capital attributed to shareholders of the parent company	347,796	(11,208)	336,588
Equity	**351,621**	**(11,208)**	**340,413**
Other liabilities	114,186	549	114,735
Current liabilities	303,597	549	304,146
EQUITY AND LIABILITIES	**983,497**	**(10,660)**	**972,837**

>> Reconciliation of the cash flow statement for the 2009/10 financial year

in TEUR	2009/10 (published)	Error correction	Discontinua-tion of event lighting	2009/10 *restated
Operating profit/loss from continuing and discontinued operations	(45,288)	(2,720)	(267)	(48,275)
Depreciation and amortisation	122,703		(9,551)	113,152
Gain/loss from disposal of fixed assets	665		(9)	656
Results from discontinued operations	(472)		15,314	14,842
Cash flow from operating results	**77,608**	**(2,720)**	**5,487**	**80,375**
Inventories	10,105	(1)	974	11,078
Trade receivables	6,696	645	(533)	6,808
Trade payables	17,682		(90)	17,592
Prepayments received	552		(34)	518
Change in working capital	**35,035**	**644**	**317**	**35,996**
Non-current provisions	(5,715)		29	(5,686)
Current provisions	(1,291)		(3,201)	(4,492)
Other current and non-current assets and liabilities	(16,539)	(18)	(3,824)	(20,381)
Change in other operating items	**(23,545)**	**(18)**	**(6,996)**	**(30,559)**
Taxes paid	**(7,135)**		**314**	**(6,821)**
Cash flow from operating activities	**81,963**	**(2,094)**	**(878)**	**78,991**
Proceeds from the sale of non-current assets	5,830		(116)	5,714
Capital expenditures on non-current assets	(49,391)		700	(48,691)
Cash flow from investing activities	**(42,804)**	**0**	**584**	**(42,220)**
FREE CASH FLOW	**39,159**	**(2,094)**	**(294)**	**36,771**
Change in net borrowings	(584)		286	(298)
Interest paid/received	(6,562)		6	(6,556)
Cash flow from financing activities	**(7,542)**	**0**	**292**	**(7,250)**
Effects of exchange rate changes on cash and cash equivalents	6,594	(199)		6,395
CHANGE IN CASH AND CASH EQUIVALENTS	**38,211**	**(2,293)**	**(2)**	**35,916**
Cash and cash equivalents at the beginning of the period	55,953	(7,171)		48,782
Cash and cash equivalents at the end of the period	94,164	(9,466)		84,698
Change absolute	**38,211**	**(2,295)**		**35,916**

The restatement of the prior year data on the statement of comprehensive income and the statement of changes in equity can be derived directly from the above reconciliations and is therefore not presented separately in this section.

The effects of the error correction on basic and diluted earnings per share for the prior year are immaterial.

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment of TEUR 48,954 (2009/10: TEUR 43,791) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,277,158 (2009/10: TEUR 1,158,439).

2.6.4.2 Expenses

The income statement was prepared in accordance with the cost of sales method. The following categories of income and expenses are included in the cost of goods sold (incl. development costs), selling expenses (incl. research costs), administrative expenses and other operating results:

2010/11 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(517,448)	(4,863)	(58)	0	(522,369)
Personnel expenses	(209,839)	(156,811)	(27,708)	(3,106)	(397,464)
Depreciation	(42,898)	(5,510)	(803)	(2,339)	(51,550)
Other expenses	(74,135)	(131,646)	(14,847)	3,015	(217,613)
Own work capitalised	15,263	489	17	0	15,769
Internal charges	6,610	(12,199)	5,608	(19)	0
Total expenses	**(822,447)**	**(310,540)**	**(37,791)**	**(2,449)**	**(1,173,227)**
Other income	**4,581**	**5,372**	**1,289**	**9,784**	**21,026**
Total	**(817,866)**	**(305,168)**	**(36,502)**	**7,335**	**(1,152,201)**

2009/10 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(482,642)	(4,849)	(236)	(56)	(487,783)
Personnel expenses	(189,388)	(143,201)	(26,988)	(7,357)	(366,934)
Depreciation	(38,124)	(5,741)	(894)	(68,393)	(113,152)
Other expenses	(70,757)	(126,381)	(17,419)	(8,735)	(223,292)
Own work capitalised	15,250	0	35	0	15,285
Internal charges	5,938	(10,463)	4,646	(121)	0
Total expenses	**(759,723)**	**(290,635)**	**(40,856)**	**(84,662)**	**(1,175,876)**
Other income	**11,998**	**3,446**	**873**	**12,593**	**28,910**
Total	**(747,725)**	**(287,189)**	**(39,983)**	**(72,069)**	**(1,146,966)**

The cost of materials includes TEUR 21,287 (2009/10: TEUR 18,405) of third party services.

Other operating results include a positive amount of TEUR 3,015 that is reported under other expenses. In particular, it comprises the release of a TEUR 3,477 provision for legal proceedings.

Own work capitalised that is included under selling expenses for 2010/11 is related primarily to the renovation of two customer showrooms in Austria and Germany.

In order to further improve the informative value of the financial statements, the costs for decentralised management are no longer included under administrative expenses but are allocated by function to the cost of goods sold or selling expenses. These costs include personnel expenses as well as allocated overheads. The restatement of prior year data involved the reclassification of costs totalling TEUR 29,725 from administrative expenses to the cost of goods sold (TEUR 16,630) and to selling expenses (TEUR 13,095).

Other income includes government grants of TEUR 4,493 (2009/10: TEUR 2,276) which were provided primarily for research activities. Of this total, TEUR 2,801 (2009/10: 905) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 46,322 (2009/10: TEUR 37,764). Capitalised development costs totalled TEUR 14,086 for the reporting year (2009/10: 14,130), while the related amortisation amounted to TEUR 10,356 (2009/10: TEUR 8,417). Capitalised development costs were reduced by impairment charges of TEUR 1,552 (2009/10: TEUR 1,586).

Administrative expenses include TEUR 1,460 (2009/10: TEUR 1,370) for auditing services performed by the KPMG network for the Zumtobel Group.

Selling expenses include TEUR 2,258 (2009/10: TEUR 2,047) of research costs.

Production, selling and administrative expenses include the following personnel costs:

in TEUR	2010/11	2009/10
Wages	(78,227)	(70,421)
Salaries	(223,385)	(207,127)
Expenses for severance compensation	(3,268)	(669)
Expenses for pensions	(3,947)	(3,485)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(60,459)	(56,758)
Other employee benefits	(11,772)	(10,726)
Contract workers	(13,225)	(10,287)
Expenses from restructuring	(3,181)	(7,461)
Personnel expenses	**(397,464)**	**(366,934)**

2.6.4.3 Other operating results

in TEUR	2010/11	2009/10
Government grants	2,801	905
License revenues	6,958	11,387
Special effects	(2,386)	(83,738)
Impairment charges to non-current assets (including goodwill)	*(4,311)*	*(68,504)*
Write- up to non-current assets	*1,972*	*0*
Restructuring	*(3,351)*	*(11,218)*
Losses on sale	*(173)*	*(26)*
Litigation	*3,477*	*(3,990)*
Miscellaneous	(38)	(623)
Total	**7,335**	**(72,069)**

The government grants represent subsidies that were recognised to profit or loss.

License revenues consist chiefly of revenues from the LED business, with approx. TEUR 3,000 representing a non-recurring effect from a cross-licensing agreement.

License revenues were also unusually high in the previous year because of an agreement entered into by the Zumtobel Group and the Philips Group in May 2009. This agreement covers an extensive worldwide cross-licensing agreement for current and future patents in the areas of lighting technology and solid state lighting. The Zumtobel Group will be required to make regular revenue-based license payments to the Philips Group in the future, which will be included under the cost of goods sold. These payments are included under the cost of goods sold.

Special effects as defined by IAS 1 include the following major items:

The amount shown under "impairment charges to non-current assets" consists mainly of a TEUR 2,759 write-down to non-current assets during the fourth quarter of 2010/11. It involves plant and machinery used by the Components Segment to manufacture magnetic ballasts. This impairment charge was recognised to reflect the declining demand for magnetic ballasts as well as rising raw material prices, which had an extremely strong impact on the profitability of this product group. Impairment testing in 2010/11 also led to write-downs of TEUR 1,552 to capitalised development costs.

"Write-ups to non-current assets" include an increase of TEUR 1,972 in the value of a building. This adjustment reflects the fact that the reasons for the impairment charge recognised in 2008/09 had ceased to exist.

In the prior year "impairment charges to non-current assets" consisted chiefly of impairment charges to goodwill in the Thorn Lighting Group (TEUR 66,630) and to goodwill in Thorn India (TEUR 470).

Restructuring expenses are related primarily to costs connected with the relocation of a sales office in Great Britain (TEUR 2,518) and rationalisation measures in the luminaire production in Landskrona/Sweden (TEUR 816). The costs reported in the prior year are attributable to the extensive cost reduction programme that was launched during the second half of 2008/09 as a reaction to the economic crisis.

"Losses on sale" in 2010/11 resulted entirely from the premature disposal of intangible assets, which led to a loss of TEUR 173.

An out of court settlement in 2010/11 led to the reversal of a TEUR 3,477 provision for legal proceedings.

Miscellaneous items represent the net total of income and expenses arising from ordinary business operations, which cannot be clearly allocated to other functional areas.

2.6.4.4 Interest income and expense

Interest expense is related primarily to the current credit agreement. Interest income and expense changed only slightly in relation to the previous year because of the fairly constant interest rate levels in a comparatively stable market environment as well as the nearly unchanged debt structure of the Zumtobel Group. This position also includes the interest component of the lease for the plant in England (TEUR 1,889; 2009/10: TEUR 1,801).

2.6.4.5 Other financial income and expenses

in TEUR	2010/11	2009/10
Interest component as per IAS 19 less income on plan assets	(3,450)	(4,151)
Foreign exchange gains and losses	(2,349)	642
Market valuation of financial instruments	(2,989)	(3,225)
Gains/losses on sale	17	(1)
Total	**(8,771)**	**(6,735)**

Foreign exchange gains and losses are composed mainly of unrealised losses from the valuation of outstanding foreign currency receivables and liabilities.

The market valuation of financial instruments shows the results from the measurement of forward exchange contracts at the relevant market value as of the balance sheet date.

2.6.4.6 Income taxes

The classification of income taxes between current and deferred taxes is as follows:

in TEUR	2010/11	2009/10
Current taxes	(8,487)	(3,265)
thereof current year	(8,147)	(3,640)
thereof prior years	(340)	375
Deferred taxes	1,535	(2,700)
Income taxes	**(6,952)**	**(5,965)**

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 12% for 2010/11. Although profit before tax was negative in the prior year, taxable income in the individual jurisdictions resulted in the payment of taxes. The restatements made in accordance with IAS 8.41 have no effect on income tax expense because the English companies are assessed as part of a tax group and have high temporary differences that were not capitalised.

The reasons for the difference between the theoretical tax rate and actual tax rate for the Group are shown in the following table:

Difference between calculated and actual tax expense / income

in TEUR	2010/11	2009/10
Profit/loss before tax	**59,792**	**(47,835)**
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	**(14,948)**	**11,959**
Difference between calculated / actual tax expense	**(7,996)**	**17,924**
Increase in taxes based on	(12,493)	(26,826)
Non-deductible expenses	*(5,333)*	*(21,084)*
Foreign tax rates	*(1,949)*	*(2,551)*
Subsequent payments	*(513)*	*(178)*
Other items	*(4,698)*	*(3,013)*
Decrease in taxes based on	9,376	10,716
Investment allowances and research grants	*(1)*	*318*
Foreign tax rates	*2,616*	*3,642*
Tax-free income	*1,398*	*1,576*
Other items	*5,363*	*5,180*
Valuation discounts for deferred taxes	11,113	(1,814)
Total tax expense	**(6,952)**	**(5,965)**

2.6.4.7 Results from discontinued operations

Results from discontinued operations comprise the effects from the termination of the event lighting business during the second quarter of 2010/11. The prior year data were adjusted accordingly.

The related results from the discontinuation of this business are as follows:

	2010/11	2009/10
Revenues	1,894	2,653
Ongoing expenses	(3,335)	(5,277)
Impairment charges	0	(12,954)
Operating profit/loss	(1,441)	(15,578)
Financial results	(71)	(267)
Net profit/loss from discontinued operations	(1,512)	(15,845)

The prior year impairment charges consist mainly of a write-down to a building in Italy (TEUR 4,720), the write-down of the SpaceCannon brand (TEUR 3,415), the write-down of goodwill in SpaceCannon (TEUR 1,221) and the addition to a provision for guarantees (TEUR 3,200).

The prior year data also include a subsequent effect (TEUR 112) from the termination of residential lighting activities at the end of the 2008/09 financial year.

2.6.4.8 Earnings per share

The calculation of earnings per share was based on profit recorded for the reporting period.

The distribution to shareholders from reserves and annual results may not exceed the total profit reported on the individual financial statements of Zumtobel AG, which are prepared in accordance with Austrian corporate law (TEUR 28,885; 2009/10: TEUR 7,000 – also see section 2.6.8.5).

Reconciliation of the number of Zumtobel shares outstanding (in 1,000):

2010/11 Financial Year

in 1000 pcs.	Balance Sheet Date	Average
1 May 2010	**42,725**	**42,725**
Stock options - exercises	90	62
30 April 2011	**42,815**	**42,787**

2009/10 Financial Year

in 1000 pcs.	Balance Sheet Date	Average
1 May 2009	**42,713**	**42,713**
Stock options - exercises	12	2
30 April 2010	**42,725**	**42,715**

2.6.5 Notes to the Statement of Comprehensive Income

2.6.5.1 Foreign exchange differences

Foreign exchange differences occur when companies do not report in the euro and, in this connection, when the historical exchange rate applied on the date of initial consolidation differs from the rate in effect on the balance sheet date. In addition, foreign exchange differences result from the translation of income statement items at the average monthly exchange rate and the rate on the balance sheet date. In 2010/11 these differences include TEUR 418 of currency-related adjustments to goodwill. The comparative prior year data include TEUR 22,898 from the retrospective application of IAS 21 and a related adjustment to goodwill. The currency reserve under equity contains foreign exchange-related effects of TEUR 293 from non-controlling interests.

2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR -932 (2009/10: TEUR 4,474) on loans reflect long-term loans granted by the Group in SEK and GBP, which are classified as net investments in foreign operations in accordance with IAS 21.

2.6.5.3 Actuarial gain / loss

The actuarial loss is related primarily to the provision for pensions in Great Britain. It resulted chiefly from an increase in the present value of the defined benefit obligation (DBO) following the application of lower interest rates and an adjustment to the mortality tables. The actuarial loss for 2009/10 was also largely related to the change in the interest rate and mortality tables applied to the pension provision in Great Britain.

2.6.5.4 Taxes

The prior year change (TEUR 15,674) resulted above all from an impairment charge to deferred tax assets, which was recognised in accordance with IAS 19. These deferred tax assets were recognised in earlier years for actuarial losses related to the pension provision and will not be offset by sufficient taxable profit over the medium-term.

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

in TEUR	"CGU Lighting Brands - Europe"	"CGU Lighting Brands - MENA und Asien"	"CGU Lighting Brands - Australien und Neuseeland"	"CGU Lighting Brands - USA"	“Tridonic Jennersdorf”	Total
30 April 2010	**154,445**	**10,970**	**11,028**	**5,285**	**1,722**	**183,451**
FX effects	355	25	25	12	0	418
30 April 2011	**154,800**	**10,995**	**11,054**	**5,297**	**1,722**	**183,869**

Goodwill in the Thorn Lighting Group and the Staff Group, which was previously assigned to the Region Europe, was reclassified by region in 2010/11 (see section 2.6.12).

This goodwill is now allocated to the following cash-generating units (CGU):

CGU Lighting Brands – Europe
CGU Lighting Brands – MENA and Asia
CGU Lighting Brands – Australia and New Zealand
CGU Lighting Brands – USA
Tridonic Jennersdorf

The allocation of goodwill in the Thorn Lighting Group to new CGUs was made necessary by the change in the reporting structure during 2010/11. In accordance with IAS 36.87, the change in the focus of monitoring to financial information that is classified by region also requires the reallocation of goodwill based on the relative fair value of the CGU.

The 2008/09 and 2009/10 financial years were shaped by the massive effects of the most severe global recession in more than 60 years. These developments had a particularly strong impact on the late cyclical lighting business of the Zumtobel Group and were reflected in an impairment charge of TEUR 66,630 to goodwill in 2009/10. The cumulative impairment charges to goodwill in the Thorn Lighting Group from earlier reporting periods, i.e. before the reallocation, amount to TEUR 338,278.

In 2009/10 the goodwill in Thorn Lighting India Ltd (TEUR 470) and the remaining goodwill in SpaceCannon (TEUR 1,221) were written off in full.

2.6.6.2 Other intangible assets

The change in this position is related primarily to the capitalisation of development projects.

2010/11 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2010	**39,641**	**67,744**	**107,385**
Foreign currency translation	(7)	433	426
Additions	1,453	14,651	16,104
Disposals	(4,432)	(2,048)	(6,480)
Transfers	86	0	86
30 April 2011	**36,741**	**80,780**	**117,521**
Accumulated amortisation			
30 April 2010	**(32,746)**	**(25,726)**	**(58,472)**
Foreign currency translation	(32)	(69)	(101)
Scheduled depreciation	(2,312)	(10,385)	(12,697)
Impairment	0	(1,552)	(1,552)
Disposals	4,421	1,698	6,119
30 April 2011	**(30,669)**	**(36,034)**	**(66,703)**
Net carrying amount 30 April 2010	**6,895**	**42,018**	**48,913**
Net carrying amount 30 April 2011	**6,072**	**44,746**	**50,818**

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38. The additions to acquisition cost are composed almost entirely of capitalised development expenses (TEUR 14,086, 2009/10: TEUR 14,130). The development projects involve work on luminaries and controls, whereby TEUR 12,124 (2009/10: TEUR 12,540) were not yet available for use as of the balance sheet date.

The impairment charges in the above table are related entirely to development costs.

2009/10 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2009	**38,772**	**54,886**	**93,658**
Foreign currency translation	148	634	782
Additions	1,582	14,130	15,712
Disposals	(861)	(1,906)	(2,767)
Transfers	(1)	0	(1)
30 April 2010	**39,641**	**67,744**	**107,385**
Accumulated amortisation			
30 April 2009	**(27,797)**	**(16,192)**	**(43,989)**
Foreign currency translation	(79)	(258)	(337)
Scheduled depreciation	(2,737)	(8,417)	(11,154)
Impairment	(3,415)	(1,351)	(4,766)
Depreciation in discontinued operations	0	(235)	(235)
Disposals	1,282	727	2,009
30 April 2010	**(32,746)**	**(25,726)**	**(58,472)**
Net carrying amount 30 April 2009	**10,975**	**38,694**	**49,669**
Net carrying amount 30 April 2010	**6,895**	**42,018**	**48,913**

The impairment charges in the above table represent the write-off of the SpaceCannon brand (TEUR 3,415) and development costs (TEUR 1,351) based on impairment tests.

2.6.6.3 Property, plant and equipment

2010/11 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2010	**203,465**	**370,176**	**107,755**	**14,058**	**695,454**
Foreign currency translation	689	827	1,144	(69)	2,591
Additions	4,822	6,881	6,776	22,721	41,200
Disposals	(3,269)	(6,167)	(7,579)	(2,962)	(19,977)
Transfers	860	18,354	3,259	(22,559)	(86)
30 April 2011	**206,567**	**390,071**	**111,355**	**11,189**	**719,182**
Accumulated amortisation					
30 April 2010	**(81,926)**	**(290,753)**	**(88,428)**	**(2,962)**	**(464,069)**
Foreign currency translation	(704)	(605)	(972)	0	(2,281)
Scheduled depreciation	(7,049)	(22,046)	(7,451)	0	(36,546)
Impairment	0	(2,759)	0	0	(2,759)
Write- up to non-current assets	2,004	0	0	0	2,004
Disposals	2,757	5,310	7,283	2,962	18,312
30 April 2011	**(84,918)**	**(310,853)**	**(89,568)**	**0**	**(485,339)**
Net carrying amount 30 April 2010	**121,539**	**79,423**	**19,327**	**11,096**	**231,385**
Net carrying amount 30 April 2011	**121,649**	**79,218**	**21,787**	**11,189**	**233,843**

The transfers shown under acquisition costs represent the reclassification of construction in progress to other asset categories.

The consortium credit agreement does not include the pledge of property, plant and equipment as security for loans.

The Group has incurred obligations of TEUR 6,115 (2009/10: TEUR 3,234) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings TEUR 1,436 (2009/10: TEUR 19), plant and machinery TEUR 3,643 (2009/10: TEUR 2,875), other non-current assets TEUR 1,036 (2009/10: TEUR 340).

Construction in progress and prepayments made are classified as follows: land and buildings TEUR 527 (2009/10: TEUR 2,569), plant and machinery TEUR 10.276 (2009/10: TEUR 8,173), other non-current assets TEUR 386 (2009/10: TEUR 354).

The impairment charges are related to plant and machinery used for the production of magnetic ballasts. Further information is provided in section 2.6.4.3.

2009/10 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2009	**197,438**	**351,665**	**104,272**	**11,958**	**665,333**
Foreign currency translation	4,150	6,909	2,304	225	13,588
Changes in the consolidation range	0	0	250	0	250
Additions	3,317	7,920	5,350	17,092	33,679
Disposals	(1,849)	(10,022)	(5,525)	0	(17,396)
Transfers	409	13,704	1,104	(15,217)	0
30 April 2010	**203,465**	**370,176**	**107,755**	**14,058**	**695,454**
Accumulated amortisation					
30 April 2009	**(73,412)**	**(273,930)**	**(84,564)**	**0**	**(431,906)**
Foreign currency translation	(1,463)	(5,380)	(1,639)	0	(8,482)
Changes in the consolidation range	0	0	(136)	0	(136)
Scheduled depreciation	(6,702)	(19,797)	(7,191)	0	(33,690)
Impairment	(1,758)	(18)	(33)	(2,962)	(4,771)
Disposals	1,409	8,372	5,135	0	14,916
30 April 2010	(81,926)	(290,753)	(88,428)	(2,962)	(464,069)
Net carrying amount 30 April 2009	**124,026**	**77,735**	**19,708**	**11,958**	**233,427**
Net carrying amount 30 April 2010	**121,539**	**79,423**	**19,327**	**11,096**	**231,385**

Changes in the consolidation range that affect property, plant and equipment resulted from a change in the accounting method applied to Thorn Gulf, which was previously classified as an associated company.

In 2009/10 impairment testing resulted in a TEUR 4,720 write-down to a building in Italy. This impairment charge included TEUR 1,758 to "land and buildings" and TEUR 2,962 to "construction in progress and prepayments".

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in six companies, in which it has significant influence over major financial and/or operating policies but does not exercise control. Therefore, companies are included in the consolidated financial statements at equity.

in TEUR	Staff Iberica 50,00%	Tridonic South Africa 49,99%	OLED GmbH & Co KG 51,00%	OLED Verwaltungs GmbH 49,00%	Thorn Gulf 60,00%	z-werkzeugbau gmbh 30,00%	Total
30 April 2009	**2,559**	**1,207**	**0**	**0**	**3,182**	**913**	**7,861**
Additions	0	0	935	6	0	0	941
Change in method	0	0	0	0	(3,182)	0	(3,182)
Net profit/loss for the period	(145)	82	(416)	(1)	0	(13)	(493)
Impairment charge	0	0	0	0	0	(900)	(900)
Dividends	0	(276)	0	0	0	0	(276)
Foreign currency translation	0	161	0	0	0	0	161
30 April 2010	**2,414**	**1,174**	**519**	**5**	**0**	**0**	**4,112**
Capital increases	0	0	1,403	0	0	0	1,403
Net profit/loss for the period	75	9	(505)	1	0	0	(421)
Dividends	0	(211)	0	0	0	0	(211)
Foreign currency translation	0	7	0	0	0	0	7
30 April 2011	**2,488**	**978**	**1,417**	**6**	**0**	**0**	**4,889**

The stake owned in OLED GmbH & CO KG totals 51%, but the share of earnings amounts to 85%. The requirements for control are not met because this company is managed by OLED Verwaltungs GmbH, a company in which the Zumtobel Group only holds 49%. The Zumtobel Group is therefore not able to exercise a controlling influence over OLED Verwaltungs GmbH or OLED GmbH & CO KG.

Thorn Gulf LLC, Dubai, was included in the consolidated financial statements at equity up to 30 April 2009. This company was fully consolidated as of 1 May 2009 following a change in the structure of voting rights and the subsequent attainment of control.

The sale of the tool production segment ("Werkzeugbau") in 2005 generated an interim profit of TEUR 2,600, which was initially recorded as deferred income and was now amortised in full through financial results under profit/loss from financial assets accounted for at equity (carrying amount TEUR 0; 2009/10: TEUR 433). The majority owners of z-werkzeugbau GmbH exercised their option to acquire the remaining 30% of the company during the third quarter of 2009/10. The shares have not yet been transferred.

The valuation of Lexedis Lighting GmbH at equity was discontinued because of the losses accumulated to date. The profit generated in 2010/11 was offset against these losses. This valuation will be resumed if / when profits exceed the accumulated losses.

Profit / loss from financial assets accounted for at equity comprise the following:

in TEUR	2010/11	2009/10
Net profit/loss for the period	(421)	(493)
Impairment charge	0	(900)
Interim profits on the sale of the tool production segment ("Werkzeugbau")	433	434
Total	**12**	**(959)**

Current trade receivables due from associated companies totalled TEUR 2,356 as of 30 April 2011 (2009/10: TEUR 1,963); no impairment charges were recognised to these assets. The respective parent companies have concluded agreements with companies included at equity for the provision of goods and services.

Key indicators for the associated companies are presented in the following table:

in TEUR	Staff Iberica 50,00%	Tridonic South Africa 49,99%	OLED GmbH & Co KG 51,00%	OLED Verwaltungs GmbH 49,00%	z-werkzeugbau gmbh 30,00%	Lexedis Lighting GmbH 50,00%
30 April 2011						
Assets	3,441	1,382	872	12	2,006	1,506
Liabilities	953	404	59	0	1,667	2,984
Equity	2,488	978	813	12	339	(1,478)
Revenues	3,389	2,419	57	0	4,192	7,492
Net profit/loss for the period	75	9	(505)	0	(171)	71

in TEUR	Staff Iberica 50,00%	Tridonic South Africa 49,99%	OLED GmbH & Co KG 51,00%	OLED Verwaltungs GmbH 49,00%	z-werkzeugbau gmbh 30,00%	Lexedis Lighting GmbH 50,00%
30 April 2010						
Assets	3,066	1,487	384	6	3,362	1,964
Liabilities	652	313	84	(6)	2,670	3,514
Equity	2,414	1,174	300	12	692	(1,550)
Revenues	2,168	2,144	32	0	1,870	7,482
Net profit/loss for the period	(145)	82	(416)	(1)	(13)	20

Deferred tax liabilities of TEUR 245 (2009/10:TEUR 400) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39.

2.6.6.5 Financial assets

Non-current financial assets resulted primarily from the sale of the former plant in Spennymoor during December 2008 (TEUR 3,992; 2009/10: TEUR 7,948). The proceeds on sale of GBP 20.4 million will be paid in five annual instalments, whereby the third instalment of GBP 3.4 million was transferred in March 2011. The receivable is secured by a mortgage on the sold property.. In the prior year, this position also included the non-current component of the cross-licensing agreement with the Philips Group.

Current financial assets consist primarily of the current portion of the proceeds from the sale of the Spennymoor factory (TEUR 4,232) and the current portion of the cross-licensing agreement with the Philips Group.

Detailed information is presented in section 2.6.10.1.

2.6.6.6 Other assets

Other non-current and current assets are classified as follows:

in TEUR	30 April 2011	30 April 2010
Coverage capital for Group life insurance	3,488	3,350
Other	649	813
Other non-current assets	**4,137**	**4,163**
Prepaid expenses and deferred charges	5,185	5,574
Amounts due from tax authorities	7,452	17,463
Prepayments made	1,185	1,231
Other	11,012	8,231
Other current assets	**24,834**	**32,499**

The coverage capital for Group life insurance is related to the Zumtobel companies in Germany. This item represents assets held to cover pension obligations, which do not qualify as plan assets under IAS 19.

The decline in amounts due from tax authorities resulted primarily from lower corporate income tax prepayments in the previous year.

The amounts due from tax authorities consist chiefly of receivables arising from value added tax. The position "other" comprises maintenance materials and receivables arising from part-time work for older employees in Germany.

2.6.6.7 Deferred taxes

Deferred tax assets and deferred tax liabilities shown on the balance sheet include timing differences that resulted from the use of different amounts for the valuation of assets and liabilities in the Group financial statements and for tax purposes. The resulting deferred taxes are shown below:

	30 April 2011		30 April 2010	
in TEUR	Assets	Liabilities	Assets	Liabilities
Other intangible assets	5	9,131	4	8,225
Property, plant and equipment	3,979	5,166	4,780	16,644
Financial assets	479	254	322	74
Inventories	3,916	272	3,865	177
Trade receivables	1,342	714	1,249	799
Other receivables	822	432	271	1,313
Non-current provisions	2,598	2,637	5,786	3,127
Other provisions	2,035	595	4,517	1,618
Trade payables	13	6,667	6	6,000
Loss carryforwards	107,237	0	109,753	0
Deferred tax credits or liabilities	**122,426**	**25,868**	**130,553**	**37,977**
Valuation discounts for deferred taxes	(74,034)	0	(70,234)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(14,241)	(14,241)	(26,425)	(26,425)
Deferred taxes	**34,151**	**11,627**	**33,894**	**11,552**

Deferred taxes were not capitalised on loss carry forwards and other temporary differences of TEUR 295,264 (2009/10: TEUR 310,047) because their utilisation is not sufficiently certain. Tax loss carry forwards of TEUR 15,984 (2009/10: TEUR 16,705) will expire within 10 years. In agreement with IAS 12.39, deferred tax liabilities were not recognised on timing differences related to shares in subsidiaries. The applicable national tax rate was used to calculate deferred taxes for Group companies. Deferred taxes on loss carry forwards are only capitalised if they are offset by deferred tax liabilities or if the utilisation of the loss carry forwards is sufficiently certain.

Deferred taxes of TEUR -652 (2009/10: TEUR -11.294) were recognised in equity during 2010/11. This amount includes TEUR -268 related to actuarial losses on the provisions for pensions and severance compensation as required by IAS 19 as well as TEUR -384 for the hedging reserve.

2.6.6.8 Inventories

The various components of inventories classified by gross value and impairment charges are as follows:

in TEUR	30 April 2011	30 April 2010
Raw materials	66,063	42,862
Gross value	*75,966*	*52,073*
Impairment charges	*(9,904)*	*(9,211)*
Work in process	4,052	3,686
Semi-finished goods	13,220	11,807
Gross value	*14,184*	*13,465*
Impairment charges	*(964)*	*(1,658)*
Merchandise	20,042	20,445
Gross value	*21,905*	*23,099*
Impairment charges	*(1,862)*	*(2,654)*
Finished goods	86,964	67,252
Gross value	*99,631*	*77,979*
Impairment charges	*(12,667)*	*(10,727)*
Inventories	**190,341**	**146,052**

Changes in the valuation adjustments to inventories that led to a decrease in income totalled TEUR 1,147 (2009/10: TEUR 2,439). The Australian Tridonic companies have pledged inventories with a combined value of TEUR 9,007 (2009/10: TEUR 7,784) as security for short-term borrowings. This pledge will end with the scheduled expiration of the short-term facility in January 2012. The extension of the short-term credit agreement will include a change in the provisions governing collateral.

The Group has an off balance sheet commitment of TUSD 20,624 with a supplier to purchase LED modules, which must be fulfilled by 28 February 2012.

2.6.6.9 Trade receivables

in TEUR	30 April 2011	30 April 2010
Trade receivables gross	217,251	201,106
Valuation adjustments to receivables	(10,726)	(9,874)
Provision for customer bonuses and discounts	(19,976)	(18,648)
Trade receivables	**186,549**	**172,585**

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts amounted to TEUR 49,980 as of 30 April 2011 (2009/10:TEUR 45,465).

2.6.6.10 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of total bank deposits, TEUR 269 (2009/10: TEUR 2) are not available for discretionary use. The carrying amount of cash and cash equivalents corresponds to market value because of the terms of these funds.

2.6.6.11 Employee benefits (IAS 19)

The provisions for pensions and severance compensation represent post-employment benefits. Other provisions include miscellaneous non-current employee benefits as defined in IAS 19.

The reconciliation from the beginning balances to the ending balances is as follows:

	Post-employment benefits					
Defined benefit plans as per IAS 19	**Pensions**		**Severance compensation**		**Other**	
in TEUR	**2010/11**	**2009/10**	**2010/11**	**2009/10**	**2010/11**	**2009/10**
Beginning balance, net liability	**57,268**	**47,371**	**32,639**	**30,758**	**11,513**	**9,813**
Foreign currency translation & reclassification	(493)	994	0	0	156	540
Change in consolidation range & reclassifications	0	0	(276)	0	73	1
Changes recognised through profit or loss	2,814	3,279	3,055	2,913	1,879	2,455
thereof service cost	*1,295*	*1,228*	*1,543*	*1,523*	*1,328*	*1,178*
thereof past service cost	*0*	*0*	*0*	*0*	*172*	*699*
thereof plan reductions and settlements	*0*	*(182)*	*0*	*(170)*	*0*	*(40)*
thereof interest expense	*8,835*	*8,278*	*1,512*	*1,560*	*419*	*373*
thereof expected income from plan assets	*(7,316)*	*(6,046)*	*0*	*0*	*0*	*0*
thereof actuarial loss	*0*	*0*	*0*	*0*	*(40)*	*245*
Payments	(9,268)	(7,490)	(1,094)	(3,221)	(1,289)	(1,295)
Actuarial loss / gain recognised to equity	7,068	13,115	(1,027)	2,189	0	0
Ending balance, net liability	**57,390**	**57,268**	**33,297**	**32,639**	**12,332**	**11,513**

The changes recognised through profit or loss are included in the income statement. Interest expense and the expected income from plan assets are reported under "Other financial income and expenses", while the remainder is accounted for under operating results as part of personnel expenses. The column "other" consists mainly of provisions for service anniversary bonuses and part-time work for older employees in Austrian and Germany as well as provisions for long service leave in Australia.

Detailed information on the actuarial losses recognised in equity is provided in the section on the IAS 19 reserve.

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Germany	5.1%	5.3%	-	-	3.0%	2.0%	1.8%	1.8%	1)	1)
Great Britain	5.5%	5.7%	6.5%	7.5%	3)	3)	3.4%	3.5%	65/65	65/65
Switzerland	2.8%	3.4%	2.5%	3.0%	1.5%	1.5%	0.1%	0.1%	64/65	64/65
Norway	4.1%	4.1%	5.0%	5.8%	3.8%	3.8%	1.0%	1.4%	67/67	67/67
Sweden	4.5%	3.5%	-	-	-	-	2.0%	2.0%	65/65	65/65
Austria	5.1%	4.8%	-	-	3.3%	3.3%	-	-	2)	2)
France	5.1%	4.8%	-	-	3.0%	3.0%	-	-	62(65)	60/65
Italy	5.1%	4.8%	-	-	3.0%	3.0%	-	-	60/65	60/65
Australia	4.7%	5.1%	6.6%	6.6%	4.0%	3.5%	-	-	-	-

These calculations reflect the mortality and invalidity tables as well as employee turnover rates applicable to each country.

Note 1): Pension obligations 60/65 years, service anniversary obligations 60/62 years and obligations arising from part-time work for older employees 57 years.

Note 2): The earliest possible retirement age was used as the basis for pension calculations, in keeping with legal transition rules.

Note 3): The salary/wage trend is no longer applicable due to the closing of the pension plan at Thorn Lighting Ltd., Great Britain.

Pension obligations

The Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. The German and Swedish plans are not financed through external funds; all other plans are financed through external funds. These funds are legally independent of the respective Group company, and are only used to meet performance obligations. The obligation remaining after the deduction of plan assets is recorded as a provision.

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value this defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 418 for the reporting year (2009/10: TEUR 444). The asset coverage calculated in accordance with Swedish law equalled 144% as of March 2011 (2009/10: 143%) for all plan participants. This coverage represents the difference between the insurance obligations and the fair value of the relevant assets, which was determined on the basis of information provided by the pension fund programme.

The carrying amount of the net obligations and net assets is shown below:

Net obligations and net assets

in TEUR	30 April 2011	30 April 2010
Obligations not financed through funds	*25,713*	*25,864*
Obligations financed through funds	*150,291*	*140,863*
Present value of defined benefit obligation (DBO)	176,004	166,727
Fair value of plan assets	(118,614)	(109,459)
Net liability as per balance sheet	**57,390**	**57,268**

The provision for pensions is allocated to the following countries:

Net liability

in TEUR	30 April 2011	30 April 2010
Germany	22,737	22,678
Sweden	2,976	3,186
Great Britain	30,813	31,044
Other	864	360
Net liability as per balance sheet	**57,390**	**57,268**

The change in the defined benefit obligation and plan assets from the beginning to the end of the financial year is as follows:

		2010/11		2009/10
in TEUR	DBO	Plan assets	DBO	Plan assets
30 April 2010	**166,727**	**109,459**	**136,724**	**89,354**
Foreign currency translation	(1,801)	(1,309)	4,090	3,097
Service cost	1,295	0	1,228	0
Interest expense / income	8,835	7,316	8,278	6,046
Actuarial loss / gain recognised to equity	6,869	(200)	25,171	12,056
Plan reductions and settlements	0	0	(182)	0
Payments	(5,921)	3,348	(8,583)	(1,093)
30 April 2011	**176,004**	**118,614**	**166,727**	**109,459**

As of 30 April 2011 the plan assets consisted of international stocks (31%), fixed-interest securities (39%), alternative investments (16%) and cash and cash equivalents / real estate (14%). The actual income on plan assets equalled TEUR 7,116 (2009/10: TEUR 18,102).

The development of the present value of pension obligations and plan assets is shown in the following table:

in TEUR	30 April 2011	30 April 2010	30 April 2009	30 April 2008	30 April 2007
Present value	176,004	166,727	136,724	143,710	175,381
Plan assets	(118,614)	(109,459)	(89,354)	(107,948)	(120,064)
Deficit	**57,390**	**57,268**	**47,370**	**35,762**	**55,317**

Experience-based adjustments represent the actuarial gains and losses caused by variances between the individual employee-related parameters and the parameters applied to the entire calculation base. Examples of these parameters are trends in salaries and wages as well as the number of deaths, early retirements or terminations. The following table shows the decrease in the present value of the pension obligation as a result of experience-based adjustments:

in TEUR	30 April 2011	30 April 2010	30 April 2009	30 April 2008	30 April 2007
Decrease in present value of pension obligation	134	(180)	440	223	597

Severance compensation obligations

These obligations are defined by law and require the company to make a lump-sum payment to employees on termination under certain circumstances.

The obligations relate to the following countries:

in TEUR	30 April 2011	30 April 2010
Austria	30,019	29,231
France	2,206	2,162
Italy	1,072	1,247
Severance compensation obligation	**33,297**	**32,639**

The transition of the present value of the defined benefit obligation (DBO) from the beginning to the end of the financial year is shown below:

in TEUR	2010/11	2009/10
30 April 2010	**32,639**	**30,758**
Changes in the consolidation range	(276)	0
Service cost	1,543	1,523
Interest expense / income	1,512	1,560
Actuarial loss / gain recognised to equity	(1,027)	2,189
Plan reductions and settlements	0	(170)
Payments	(1,094)	(3,221)
30 April 2011	**33,297**	**32,639**

The development of the present values of severance compensation obligations is shown below:

in TEUR	30 April 2011	30 April 2010	30 April 2009	30 April 2008	30 April 2007
Present value	33,297	32,639	30,758	29,931	28,962

The following table shows the increase in the present value of the severance compensation obligation as a result of experience-based adjustments:

in TEUR	30 April 2011	30 April 2010	30 April 2009	30 April 2008	30 April 2007
Increase in present value of severance compensation obligations	520	208	490	469	381

IAS 19 Reserve

The following table shows the development of actuarial gains and losses, including deferred taxes, which were recognised in equity:

	Pensions	Severance compensation	Total
30 April 2009	**24,773**	**345**	**25,118**
Actuarial loss / gain	13,115	2,189	15,304
Foreign currency translation	2,786	0	2,786
Deferred taxes	12,127	(477)	11,650
30 April 2010	**52,801**	**2,057**	**54,858**
Actuarial loss / gain	7,068	(1,027)	6,041
Foreign currency translation	(1,217)	0	(1,217)
Deferred taxes	(1)	269	268
30 April 2011	**58,651**	**1,299**	**59,950**

Deferred taxes of TEUR -268 were recorded directly in equity during the reporting year (2009/10: TEUR -11,650). In 2009/10 deferred tax assets were reversed because the involved Group company is not expected to generate sufficient taxable profit over the medium-term to utilise these items. The deferred tax assets were recognised in earlier years on actuarial losses relating to the pension provision in Great Britain.

Other long-term employee benefits

These obligations total TEUR 12,332 (2009/10: TEUR 11,513) and comprise the provisions for service anniversary bonuses and part-time work for older employees in Austria and Germany as well as special leave in Australia and the provisions for legally required profit sharing and bonus payments for long-standing service in France.

Experience-based adjustments during the reporting year led to an increase of TEUR 67 (2009/10: TEUR 64) in the obligation.

The past service cost reflects changes in the rules governing part-time work for older employees in the German companies.

2.6.6.12 Defined contribution obligations

Payments of TEUR 5,740 (2009/10: TEUR 5,093) were made during the reporting year in connection with various defined contribution plans. The effects of the new severance compensation directive in Austria are also included here.

2.6.6.13 Other provisions

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in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2010	**15,211**	**6,606**	**5,505**	**450**	**6,097**	**33,869**
Addition	6,744	1,770	78	978	5,164	14,734
Utilisation	(3,026)	(4,455)	(227)	(369)	(4,462)	(12,539)
Reversal	(1,567)	(952)	(4,016)	0	(716)	(7,251)
Changes in the consolidation range	(3,200)	0	0	0	0	(3,200)
Reclassifications	0	(920)	0	920	0	0
Foreign currency translation	175	122	24	(77)	2	246
30 April 2011	**14,338**	**2,171**	**1,364**	**1,902**	**6,085**	**25,860**
thereof current	*14,338*	*2,171*	*1,364*	*1,902*	*5,366*	*25,141*
thereof non-current	*0*	*0*	*0*	*0*	*719*	*719*

Provision for guarantees
The provisions for guarantees are classified into separate provisions of TEUR 10,937 (2009/10: TEUR 12,637) for individual items as well as experience-based provisions of TEUR 3,401 (2009/10: TEUR 2,574) for cases not recognised individually or not known. This provision is determined by applying separate percentage rates for the various product groups to product revenues for the respective period.

Provisions for restructuring
The change in this position resulted primarily from the use of a provision created in 2009/10 for measures implemented as part of the "Excellerate" efficiency improvement programme. The additions made in 2010/11 consist chiefly of accruals for restructuring measures in production and sales at two Group locations.

Provisions for legal proceedings
This item consists primarily of a TEUR 548 claim by a social security carrier that is pending at court and a TEUR 545 provision for pending legal proceedings in Australia.

Onerous contracts
The addition to the provision for onerous contracts is related to office space that is affected by the closing of a sales office in Great Britain.

Other current provisions include accruals for licenses, commissions, customs duties, freight and professional associations as well as consulting and auditing fees. The comparable position under **other non-current provisions** is comprised chiefly of settlements due to sales representatives.

2009/10 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2009	**7,798**	**17,163**	**2,302**	**1,316**	**6,859**	**35,438**
Addition	11,012	3,775	4,162	219	4,758	23,926
Utilisation	(3,620)	(13,173)	(1,083)	(986)	(4,745)	(23,607)
Reversal	(190)	(1,329)	0	(101)	(888)	(2,508)
Foreign currency translation	211	170	124	2	113	620
30 April 2010	**15,211**	**6,606**	**5,505**	**450**	**6,097**	**33,869**
thereof current	*15,211*	*6,606*	*5,505*	*450*	*5,284*	*33,056*
thereof non-current	*0*	*0*	*0*	*0*	*813*	*813*

2.6.6.14 Financial liabilities

in TEUR	30 April 2011	30 April 2010
Loans from financial institutions	386	681
Finance leases	125	183
Loans from public authorities	1,521	745
Loans from other third parties	40	57
Working capital credits	15,229	3,141
Current borrowings	**17,301**	**4,807**
Loans from financial institutions	191,930	192,509
Finance leases	19,044	19,497
Loans from public authorities	1,099	2,308
Loans from other third parties	434	134
Non-current borrowings	**212,507**	**214,448**
Borrowings	**229,808**	**219,255**

The Group concluded a major financing agreement with a consortium of seven banks on 12 June 2008, which has a maximum volume of EUR 480 million and a term ending in June 2013. The amount drawn as of 30 April 2011 remained unchanged in comparison with the prior year, i.e. EUR 186 million. The remaining credit line of EUR 294 million is available to finance growth projects and acquisitions, but is not in use at the present time.

2.6.6.15 Finance leases

		Minimum lease payments				
		Future payments				
in TEUR	Expenses 2010/11	< 1 year	1 - 5 years	> 5 years	Total Liability	Net carrying amount assets
Patents, licenses and similar items	70	70	70	0	140	339
Land & buildings	1,885	1,794	8,087	33,087	42,968	11,689
Plant & machinery	50	49	44	0	93	93
Other equipment	2	0	0	0	0	1
Total minimum lease payments	**2,007**	**1,913**	**8,201**	**33,087**	**43,201**	**12,122**
Less: finance charge = Interest expense	1,889	1,788	7,061	15,184	24,032	
Present value of net minimum lease payments	**118**	**125**	**1,140**	**17,903**	**19,169**	

There are no conditional lease payments for finance leases.

In 2008/09 a GBP 15.7 million finance lease was concluded for the plant building in Spennymoor. This lease has a term of 21 years, whereby no payments were due in the first year. The net present value of the minimum lease payments totalled TEUR 18,937 as of 30 April 2011 (2009/10: TEUR 19,401).

2.6.6.16 Operating leasing

The following table shows the total future minimum lease payments arising from non-cancellable operating leases for the next financial year and subsequent periods as well as the total future minimum lease revenues expected from non-cancellable sub-leases, and payments from leases and sub-leases that were recognised as income:

		Future payments to third parties			
in TEUR	Expenses 2010/11	< 1 year	1 - 5 years	> 5 years	Total
Minimum lease payments based on non-cancellable leases	19,224	14,302	29,264	8,620	52,186
Less payments received from leases and sub-leases	553	323	806	0	1,129
Net minimum lease payments	**18,671**				

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from 12 months to 70 years, depending on the object and contract.

The Zumtobel Group signed an operating lease with an external lessee for the mothballed luminaire plant in Romania. This non-cancellable lease began on 1 May 2010 and has a term of five years and six months. The lessee has received an option to extend the contract. The lease payment amounts to TEUR 38 per month in the first year, payable beginning in the seventh month of use, and will be adjusted as of 1 May each year based on the development of the harmonised EU consumer price index.

		Future payments from third parties			
in TEUR	Income 2010/11	< 1 year	1 - 5 years	> 5 years	Total
Minimum lease payments based on non-cancellable leases	230	477	1,668	0	2,375

2.6.6.17 Other liabilities

The major components of other current liabilities are as follows:

in TEUR	30 April 2011	30 April 2010
Vacations, comp. in free time, special payments to employees	42,965	41,318
Amounts due to employees	10,500	13,642
Miscellaneous taxes	15,315	17,189
Social security	5,620	5,573
Prepayments received	7,377	12,949
Accrued interest	17	18
Deferred income	1,050	1,332
Derivatives (hedge accounting)	4,493	5,219
Derivatives held for trading	8,023	5,428
Customs	2,218	1,789
Other liabilities	10,815	10,278
Other current liabilities	**108,393**	**114,735**

Other liabilities consist primarily of accruals for expenses and customers with credit balances, which do not represent financial instruments.

2.6.7 Notes to the Cash Flow Statement

Cash flow was determined on a monthly basis in accordance with the indirect method. The resulting monthly cash flows were translated at the average monthly exchange rate and then aggregated, while the balance sheet positions were translated at the exchange rate in effect on the respective closing date. Individual positions on the cash flow statement therefore differ significantly from the respective balance sheet positions, above all under cash flow from operating activities.

In agreement with the indirect method, operating profit is adjusted for the effects of non-cash transactions (e.g. depreciation and amortisation) as well as income and expenses that relate to investing or financing activities. Depreciation and amortisation include the respective scheduled expenses for the reporting period (TEUR 49,211) as well as impairment charges (TEUR 4,311) and the reversal of an impairment charge from the previous year (TEUR 1,972).

The amounts recognised under equity in accordance with IAS 19, IAS 21 and IAS 39 are included in the cash flow statement under the changes to the relevant balance sheet items.

Cash flow from operating activities fell by TEUR 12,633 year-on-year. This decline is attributable primarily to an increase in working capital that more than offset a substantial improvement in gross cash flow. The positive change in other current and non-current assets and liabilities resulted above all from a decrease in other receivables from the cross-licensing agreement and the sale of the old factory in Spennymoor.

Cash flow from investing activities was TEUR 19,314 higher than the comparable prior year value. This change resulted, above all, from higher cash outflows for the purchase of non-current assets in 2010/11, from the capitalisation of research and development costs and from investments in production equipment for the plants in Dornbirn, Lemgo and Spennymoor. No investments were made in financial assets during the reporting year or prior year. The change in cash and cash equivalents through the acquisition of non-controlling interests is related chiefly to the purchase of the remaining shares in Tridonic Jennersdorf GmbH during 2010/11.

The change in cash flow from financing activities from TEUR -7,250 in 2009/10 to TEUR -18,467 for the reporting year reflected the payment of the dividend for 2009/10 as well as the change in non-current and current financial liabilities.

Liquid funds comprise cash and cash equivalents. The latter are held for the purpose of meeting short-term cash obligations. They 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.

Bank deposits, demand deposits and other similar items are presented on the balance sheet under "liquid funds". Overdrafts are reported under current financial liabilities as part of working capital credits.

The balance sheet position "liquid funds" also includes the above-mentioned bank deposits that are not available for discretionary use as well as smaller deposits with a term over three months. These items are not considered to be part of liquid funds.

2.6.7.1 Reconciliation to cash and cash equivalents

in TEUR	30 April 2011	30 April 2010
Liquid funds	86,255	87,841
Not available for disposal	(269)	(2)
Overdrafts	(15,229)	(3,141)
Cash and cash equivalents	**70,757**	**84,698**

Cash and cash equivalents do not include funds that are subject to restrictions on disposal.

2.6.8 Notes to the Statement of Changes in Equity

2.6.8.1 Share capital

Share capital amounts to EUR 108,750,000 and is divided into 43,500,000 bearer shares with zero par value. Zumtobel shares are traded in the Prime Market segment of the Vienna Stock Exchange. The stock market abbreviation of Zumtobel AG is ZAG and the international security identification number (ISIN) is AT 0000837307. The company has no shares that carry special preferred rights or control rights. A total of 42,821,447 shares were outstanding as of 30 April 2011 (2009/10: 42,725,043). As part of the employee stock participation programme, 96,404 options were exercised during 2010/11 (2009/10: 11,810). The company held 678,553 treasury shares as of 30 April 2011 (2009/10: 774,957).

2.6.8.2 Additional paid-in capital

Additional paid-in capital includes the appropriated and non-appropriated capital of Zumtobel AG. This item also includes transactions in treasury shares, e.g. the cash change resulting from the exercise of stock options (exercise price).

2.6.8.3 Reserves

Other reserves
This position includes profit carried forward.

Currency translation reserve

This reserve includes the currency differences resulting from the application of the historical exchange rate on the date of initial consolidation and the exchange rate in effect on the balance sheet date for companies that do not report in the euro as well as differences resulting from the translation of the income statement at the monthly average exchange rate and the exchange rate in effect on the balance sheet date. Also included here are the currency differences arising from long-term Group loans granted in SEK and GBP, which are classified as net investments in foreign operations in accordance with IAS 21 (also see sections 2.6.5.1 and 2.6.5.2) as well as the foreign exchange effects from an interest rate hedge. Foreign exchange-based adjustments to goodwill are also recorded under this position.

Hedge accounting

The increases or decreases in equity from the application of hedge accounting reflect the changes in the fair value of derivative contracts that are recorded directly in equity as well as amounts transferred from equity to profit or loss following the exercise or realisation of contracts and the related deferred taxes (also see section 2.2).

Reserve for stock options

Additional information on the reserve for stock option is provided in section 2.6.8.4.

IAS 19 reserve

Also see section 2.6.6.11 for information on IAS 19 actuarial losses.

2.6.8.4 Stock option programme

The Zumtobel Group has a share-based compensation programme for key managers, the Matching Stock Programme (MSP). A stock option programme (SOP) was also in effect up to 2008

SOP (Stock Option Programme)

The Zumtobel Group had a share-based compensation programme from 2004 to 2008, the Stock Option Programme (SOP), which was replaced by the MSP in 2008. Options are no longer granted under the SOP, but the exercise period is open until 2015. This exercise period contains a number of exercise slots, whereby the company has reserved the right to close the exercise periods prematurely. Each option carries the right to purchase one share at a fixed price.

MSP (Matching Stock Programme)

The MSP was introduced in connection with the initial public offering of Zumtobel AG on 1 May 2006. In order to participate in the MSP, an eligible manager must deposit a certain number of shares ("MSP shares") in blocked deposit; these shares represent the individual investment. The maximum total investment by the key managers in the MSP is limited to EUR 2.2 million. The MSP is divided into three individual programmes (MSP I, MSP II, MSP III), whereby each individual programme is subdivided into five segments. The term of each programme equals seven years beginning on the starting date, while the terms of the individual segments equal two years. Each segment granted to the key managers comprises eight-times the value of the shares invested in the respective programme. This multiplied value is credited to a bank account opened for the participants in the form of so-called phantom shares, and a base price (60-day average share price on the date of granting + 10%) is assigned. The options are granted at the beginning of the financial year. They are exercised automatically two years after granting, whereby the base price of the segment is compared with the 60-day average share price (strike price) on the exercise date. The difference multiplied by the number of phantom shares represents the MSP gross profit. This profit is used to purchase shares at the strike price, which are credited to the managers. If the increase in value is less than or equals zero, no shares are granted. The manager may dispose freely over the shares after a waiting period of two years.

The SOP and MSP options are not transferrable. There is no retention period for shares purchased with SOP options, but a retention period of two years under the MSP.

The options are valued in accordance with the Black-Scholes model.

The major parameters for the MSP are as follows:

- Market price per share: EUR 14.13 (2009/10: EUR 7.26)
- Base price MSP: EUR 17.41 (2009/10: EUR 6.69)
- Expected volatility: 54.06% (2009/10: 52.03%) p.a.
- Risk-free interest rate: 1.417% per year (2009/10: 1.728% per year)
- Dividend yield: 0% per year
- Exercise price SOP EUR 7.50 for eligible participants FY 03/04; EUR 11.55 and 14.22 FY 04/05; EUR 16.60 FY 05/06 and FY 06/07
- Term SOP: up to 30 April 2015

The expected volatility was calculated on the basis of the historical volatility over the past two years.

The development of treasury shares for the stock option programmes is shown in the following table:

in pcs.	Total
Share buyback (to 30 April 2010)	1,539,211
Exercised (to 30 April 2010)	(764,254)
30 April 2010	**774,957**
Exercised	(96,404)
30 April 2011	**678,553**

The exercise price payable by employees in 2010/11 was TEUR 790 (average price of EUR 8.19 per share). A total of TEUR 6,719 was paid for the 860,658 shares previously exercised (average price of EUR 7.80 per share). This amount was credited to additional paid-in capital.

Reserve for stock options

The reserve for stock options, which is included under reserves, changed as follows during the reporting year:

in TEUR	SOP	MSP	Total
30 April 2010	**15,985**	**1,285**	**17,270**
Addition through profit or loss	0	1,148	1,148
30 April 2011	**15,985**	**2,433**	**18,418**

The addition to the MSP through profit or loss is accrued over two years, whereby the accrual for the 2010/11 financial year equalled TEUR 1,148.

The change in the number of outstanding options from the beginning to the end of the financial year is shown in the following table:

	SOP		MSP	
	2010/11	**2009/10**	**2010/11**	**2009/10**
Granted options - beginning balance	**239,550**	**276,073**	**448,176**	**568,584**
New grants	0	0	497,312	675,488
Exercised	(96,404)	(11,810)	0	0
Cancelled	(19,000)	(24,713)	(156,864)	(280,840)
Forfeited	0	0	0	(515,056)
Granted options - ending balance	**124,146**	**239,550**	**788,624**	**448,176**
Thereof eligible for exercise	*124,146*	*239,550*	*0*	*0*

The following table shows the exercise prices for the options that were granted from the SOP, but not yet exercised:

	2007/08	**2006/07**	**2005/06**	**2004/05**	**2003/04**	**Total**
Exercise price 7.5	21,468	35,866	23,032	10,320	15,672	106,358
Exercise price 11.5	320	640	640	384	0	1,984
Exercise price 14.2	3,480	6,960	3,120	364	0	13,924
Exercise price 16.6	840	1,040	0	0	0	1,880
Total options granted	**26,108**	**44,506**	**26,792**	**11,068**	**15,672**	**124,146**

2.6.8.5 Dividend

The annual general meeting on 23 July 2010 authorised the payment of a EUR 0.15 dividend per share for the 2009/10 financial year. The resulting distribution for the 42,788,363 shares outstanding (43,500,000 shares less 711,637 treasury shares) as of 30 July 2010 amounted to TEUR 6,418. A dividend was not paid in 2008/09.

The Management Board of the Zumtobel Group is optimistic concerning developments in 2011/12 and will therefore make a recommendation to the Supervisory Board, and subsequently to the annual general meeting on 22 July 2011, calling for the distribution of a EUR 0.50 dividend per share for 2010/11 financial year.

2.6.9 Capital management

The goals of equity management in the Zumtobel Group are to protect the continued existence of the member companies of the Group and to optimise the return for shareholders by optimising the use of equity and debt. The capital structure is monitored continuously, including the cost and the risks connected with each type of capital. The procedures used to manage equity include an increase or decrease in financial liabilities and dividend payments as well as new issues and share buybacks. The Zumtobel Group follows a policy to pay dividends whenever possible based on a payout ratio of 30 – 50% of Group profit.

The financial framework for the Group's actions is defined, above all, by a credit agreement concluded in June 2008, which provides for a maximum line of EUR 480 million. The actual borrowings under this credit line remained unchanged compared with the previous year and totalled EUR 186 million as of 30 April 2011. This financing requires compliance with financial covenants, i.e. a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%. These covenants were met in full as of 30 April 2011 with a debt coverage ratio of 1.11 (2009/10: 1.63) and an equity ratio of 37.1% (2009/10: 35.0%).

2.6.10 Financial instruments

2.6.10.1 Categories of financial instrument as defined in IAS 39

The financial instruments used by the Zumtobel Group are classified as follows, based on the categories defined in IAS 39:

- Initially recognised at fair value through profit or loss (at fair value through P&L)
- HFT – held for trading
- HTM – held to maturity
- L&R – loans and receivables
- Hedge Accounting
- Cash – liquid funds
- at amortised cost – financial instruments measured at amortised cost

Various balance sheet positions also include assets and liabilities that are not classified as financial instruments in accordance with IAS 32 (non-FI). Examples of such items are accruals, suppliers with debit balances and social security or tax payments.

The fair value of current financial instruments reflects the carrying amount of these items because of their short term. Since the interest rates on all loans from financial institutions were converted to variable rates as of 30 June 2008, the carrying amount of non-current financial liabilities also reflects fair value.

2010/11 Financial Year

Assets			At fair value through P&L				
in TEUR	Carrying amount	Fair value	Upon initial recognition	HFT	HTM	L&R	Cash
Non-current financial assets	5,749	5,749	415	-	3	5,331	-
Securities and similar rights	*418*	-	*415*	-	*3*	-	-
Loans originated and other receivables	*5,331*	-	-	-	-	*5,331*	-
Current financial assets	15,051	15,051	3	5,817	5	9,226	-
Securities and similar rights	*26*	-	*3*	-	*5*	*18*	-
Loans originated and other receivables	*6,825*	-	-	-	-	*6,825*	-
Positive market values of derivatives held for trading	*5,817*	-	-	*5,817*	-	-	-
Other	*2,383*	-	-	-	-	*2,383*	-
Trade receivables	186,549	186,549	-	-	-	186,549	-
Liquid funds	86,255	86,255	-	-	-	-	86,255
Total	**293,604**	**293,604**	**418**	**5,817**	**8**	**201,106**	**86,255**

The position "other" under current financial assets includes a financial receivable of TEUR 2,248 that is due from an associated company.

Liabilities

in TEUR	Carrying amount	Fair value	HFT	At amortised cost	Hedge accounting	Non-FI
Non-current borrowings	212,507	212,507	-	212,507	-	-
Loans received	*193,463*	*-*	*-*	*193,463*	*-*	*-*
Finance leases	*19,044*	*-*	*-*	*19,044*	*-*	*-*
Current borrowings	17,301	17,301	-	17,301	-	-
Loans received	*17,176*	*-*	*-*	*17,176*	*-*	*-*
Finance leases	*125*	*-*	*-*	*125*	*-*	*-*
Trade payables	140,742	140,742	-	140,742	-	-
Other current liabilities	108,393	108,393	8,023	1,617	4,493	94,260
Negative market values of derivatives held for trading	*8,023*	*-*	*8,023*	*-*	*-*	*-*
Negative market values of derivatives (hedge accounting)	*4,493*	*-*	*-*	*-*	*4,493*	*-*
Other	*95,877*	*-*	*-*	*1,617*	*-*	*94,260*
Total	**478,943**	**478,943**	**8,023**	**372,167**	**4,493**	**94,260**

The carrying value of non-current loans reflects fair value because most of these items (TEUR 186,000; 2009/10: TEUR 186,000) have a variable interest rate, i.e. the rate does not differ from the current market rate. Non-current fixed-interest loans include TEUR 1,099 (2009/10: TEUR 2,308) of subsidised loans, whose interest rates differ immaterially from the current market rate. The differences between the interest rates on the remaining fixed-interest rate loans and the current market interest rates are negligible.

Information on the other current liabilities is provided in section 2.6.6.17.

2009/10 Financial Year

Assets

in TEUR	Carrying amount	Fair value	At fair value through P&L: Upon initial recognition	At fair value through P&L: HFT	HTM	L&R	Hedge accounting	Cash
Non-current financial assets	11,236	11,236	546	-	11	10,679	-	-
Securities and similar rights	*557*	-	*546*	-	*11*	-	-	-
Loans originated and other receivables	*10,679*	-	-	-	-	*10,679*	-	-
Current financial assets	16,706	16,706	2	6,209	8	8,981	1,506	-
Securities and similar rights	*27*	-	*2*	-	*8*	*17*	-	-
Loans originated and other receivables	*7,145*	-	-	-	-	*7,145*	-	-
Positive market values of derivatives held for trading	*6,209*	-	-	*6,209*	-	-	-	-
Positive market values of derivatives (hedge accounting)	*1,506*	-	-	-	-	-	*1,506*	-
Other	*1,819*	-	-	-	-	*1,819*	-	-
Trade receivables	172,585	172,585	-	-	-	172,585	-	-
Liquid funds	87,841	87,841	-	-	-	-	-	87,841
Total	**288,368**	**288,368**	**548**	**6,209**	**19**	**192,245**	**1,506**	**87,841**

Liabilities

in TEUR	Carrying amount	Fair value	HFT	At amortised cost	Hedge accounting	Non-FI
Non-current borrowings	214,448	214,448	-	214,448	-	-
Loans received	*194,951*	-	-	*194,951*	-	-
Finance leases	*19,497*	-	-	*19,497*	-	-
Current borrowings	4,807	4,807	-	4,807	-	-
Loans received	*4,624*	-	-	*4,624*	-	-
Finance leases	*183*	-	-	*183*	-	-
Trade payables	130,560	130,560	-	130,560	-	-
Other current liabilities	114,735	114,735	5,428	18	5,219	104,070
Negative market values of derivatives held for trading	*5,428*	-	*5,428*	-	-	-
Negative market values of derivatives (hedge accounting)	*5,219*	-	-	-	*5,219*	-
Other	*104,088*	-	-	*18*	-	*104,070*
Total	**464,550**	**464,550**	**5,428**	**349,833**	**5,219**	**104,070**

2.6.10.2 Income / expense on financial instruments (IAS 39 valuation categories)

in TEUR	2010/11	2009/10
Net gains or net losses	**(5,321)**	**(2,584)**
Financial instruments measured at amortised cost	(2,349)	642
Held for trading	(2,989)	(3,225)
At fair value through P&L	17	(1)
Interest expense	**(9,810)**	**(9,934)**
Interest expense for financial assets measured at amortised cost	(7,743)	(8,230)
Interest expense hedge accounting	(2,063)	(1,704)
Interest expense held for trading	(4)	0
Interest income	**2,358**	**2,111**
Interest income at amortised cost	1,772	1,982
Interest income hedge accounting	347	0
Interest income held for trading	239	129
Decrease in value	**(1,610)**	**(2,214)**

Other financial income and expense (TEUR -8,771; 2009/10: TEUR -6,735) includes net income or expense (TEUR -5,321; 2009/10: TEUR -2,584) as well as the interest component as defined in IAS 19 less the income on plan assets (TEUR -3,450; 2009/10:TEUR -4,151).

Net income / expense as well as the total interest expense and income are included under financial results, while impairment charges on loans and receivables is reported under operating earnings.

No additional impairment charges were recognised to the other classes of financial instruments.

2.6.11 Information on Risk Management

The use of financial instruments exposes the Group above all to the following risks:

- Credit risk
- Liquidity risk
- Market risk

Risk management is regulated by Group guidelines. The Management Board is responsible for the preparation of appropriate guidelines and the monitoring of risk management throughout the Group. A detailed description of other financial and non-financial risks as well as risk management is provided in section 1.12 of the management report.

2.6.11.1 Credit risk

- Trade receivables

Group companies have not concluded any general settlement agreements with customers, and the total amounts reported under assets therefore represent the maximum credit and default risk. However, this risk is considered to be low because it is distributed over a large number of customers and financial institutions. As in the prior year, losses on receivables amounted to less than 0.1% of Group revenues in 2010/11. The 10 largest customers were responsible for 22% of revenues in the reporting year (2009/10: 20%).

The Group has arranged for credit insurance to cover the risk of default on specific trade receivables, and an application is filed to cover every new customer with a balance of TEUR 100 or more. The deductible on this credit insurance amounted to 15% of the insured receivables as of 30 April 2011. Group managers are authorised to approve credit limits for customers, whereby the amount of the credit limit is matched to the management level.

The valuation adjustments to trade receivables reflect actual cases or experience, and developed as follows:

in TEUR	30 April 2011	30 April 2010
Beginning balance	**9,874**	**8,555**
Addition	2,910	3,471
Utilisation	(722)	(1,614)
Reversal	(1,336)	(537)
Ending balance	**10,726**	**9,874**

In individual cases, valuation adjustments were recognised to reflect possible default. These individual charges are based on the classification of receivables into doubtful and non-doubtful. Impairment charges of between 20 and 50% are recognised to non-doubtful receivables that are overdue more than 60 days. Doubtful receivables are generally written down by at least 60%. In addition, a 1% valuation adjustment of TEUR 956 (2009/10: TEUR 962) was recognised to cover losses on receivables, which had occurred but were not yet known. Insured receivables are deducted from the basis for the calculation of impairment charges, whereby the deductible from the credit insurance is taken into account.

The age structure of trade receivables is shown below:

	30 April 2011		30 April 2010	
in TEUR	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	182,070	575	165,089	537
Overdue 1 – 60 days	17,990	479	19,681	484
Overdue 61 – 90 days	3,420	706	2,260	459
Overdue 91 – 180 days	2,423	896	3,422	1,033
Overdue > 180 days	11,349	8,070	10,653	7,361
Total	**217,251**	**10,726**	**201,106**	**9,874**

The nominal value of receivables includes TEUR 7,487 (2009/10: TEUR 6,742) that are classified as doubtful, which were adjusted by a total of TEUR 6,305 (2009/10: TEUR 5,477).

>> Liquid funds, non-current securities, derivatives and other financial assets

The Group minimises credit risk in this area by investing only in short-term instruments with systemically relevant banks.

>> Outstanding credit risk

The maximum risk represents the carrying amount of financial instruments, and totalled TEUR 293,604 as of 30 April 2011 (2009/10: TEUR 288,368). This amount is comprised primarily of trade receivables and liquid funds.

2.6.11.2 Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet its current and/or future payment obligations in full or on a timely basis. In order to ensure the ability to meet these obligations at any time, the Zumtobel Group maintains liquidity reserves in the form of demand deposits with banks to service expected operating expenses and financial liabilities. The Group also has extensive working capital credits that allow it to offset seasonal liquidity fluctuations arising from business activities, both in specific months and during the course of the year. Therefore, the Zumtobel Group is not exposed to any material liquidity risks in connection with short-term financing.

As of 30 April 2011 liquidity was secured through funds provided by the long-term consortium financing agreement (see section 2.6.6.14) as well as short-term unsecured lines of credit totalling TEUR 107,258 (2009/10: TEUR 112,389). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The future payments reflect the periods in which the cash flows are expected to occur and will presumably have an impact on the income statement. The following table shows the payments that will result from financial liabilities recognised as of 30 April 2011:

30 April 2011

			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Borrowings	229,808	256,363	22,998	200,278	33,087
Loans from financial institutions	*192,316*	*194,520*	*3,895*	*190,625*	*0*
Loans from public authorities	*2,619*	*2,939*	*1,921*	*1,018*	*0*
Loans from other third parties	*474*	*474*	*40*	*434*	*0*
Finance leases	*19,169*	*43,201*	*1,913*	*8,201*	*33,087*
Working capital credits	*15,229*	*15,229*	*15,229*	*0*	*0*
Trade payables	140,742	140,742	140,742	0	0
Other current liabilities	108,393	108,326	105,518	2,808	0
Derivatives held for trading	*8,023*	*8,663*	*8,663*	*99*	*0*
Derivatives (hedge accounting)	*4,493*	*3,786*	*1,077*	*2,709*	*0*
Other financial instruments	*1,617*	*1,617*	*1,617*	*0*	*0*
Liabilities Non-FI	*94,260*	*94,260*	*94,260*	*0*	*0*
Liquidity risk	**478,943**	**505,432**	**269,258**	**203,086**	**33,087**

30 April 2010

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	219,255	247,581	9,161	202,388	36,032
Loans from financial institutions	*193,190*	*194,315*	*2,664*	*191,651*	*0*
Loans from public authorities	*3,053*	*3,798*	*1,284*	*2,514*	*0*
Loans from other third parties	*192*	*192*	*57*	*135*	*0*
Finance leases	*19,680*	*46,135*	*2,015*	*8,088*	*36,032*
Working capital credits	*3,141*	*3,141*	*3,141*	*0*	*0*
Trade payables	130,560	130,560	130,560	0	0
Other liabilities	114,735	115,049	115,049	0	0
Derivatives held for trading	*5,428*	*5,656*	*5,656*	*0*	*0*
Derivatives (hedge accounting)	*5,219*	*5,305*	*5,305*	*0*	*0*
Other financial instruments	*18*	*18*	*18*	*0*	*0*
Liabilities Non-FI	*104,070*	*104,070*	*104,070*	*0*	*0*
Liquidity risk	**464,550**	**493,190**	**254,770**	**202,388**	**36,032**

The future cash flows from derivatives with positive market values are as follows:

30 April 2011

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Financial assets	5,817	6,023	6,023	0	0
Derivatives held for trading	*5,817*	*6,023*	*6,023*	*0*	*0*

30 April 2010

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Financial assets	7,715	7,746	5,599	2,147	0
Derivatives (hedge accounting)	*1,506*	*1,488*	*1,488*	*0*	*0*
Derivatives held for trading	*6,209*	*6,258*	*4,111*	*2,147*	*0*

No securities have been pledged as collateral.

2.6.11.3 Market risk

Market risk comprises the risk arising from changes in market prices that are denominated in a foreign currency as well as the risk arising from changes in interest rates and raw material prices, which could have a negative effect on Group earnings and/or the fair value of the financial instruments used by the Group. The goal of risk management in this area is to identify the existing risks and minimise these risks as far as possible and economically feasible through the implementation of appropriate measures.

The Zumtobel Group uses derivative financial instruments in certain cases to provide protection against these risks. Derivative transactions are concluded only with systemically relevant banks in order to minimise the credit risk associated with hedges. The use of derivative financial instruments is regulated by a Group hedging policy.

Hedging activities focus primarily on cash flows, shifts in market prices that result from exchange rate fluctuations and changing raw material prices. In these cases, the relevant positions are hedged for a period of two to three quarters on a rolling basis. This method leads to a relatively constant volume of hedges and smoothes foreign exchange exposure.

Interest rate risk

Interest rate risk represents the possible fluctuation in the value of a financial instrument due to an increase or decrease in market interest rates. The risk associated with interest rate fluctuations is related primarily to receivables and liabilities with a term of more than one year. These terms are not of material importance in the operating area, but can play a greater role with respect to financial assets and financial liabilities.

The amount currently outstanding under the consortium credit agreement (EUR 186 million) is considered long-term because of its maturity date on 13 June 2013. However, this credit also carries a variable interest rate (a EURIBOR-based money market interest rate).

In order to reduce the resulting interest rate risk, interest rate swaps with a total volume of approx. EUR 102 million were concluded with various banks (including approx. EUR 20 million as a cross-currency swap with payment obligations in Swiss francs). The swaps represent approx. 55% of the long-term credit volume currently outstanding. These instruments are structured over various terms (up to June 2015 at the latest), and convert the variable interest payments on the financing into fixed interest payments or limit the interest rate to a maximum of 3.34% (cap). The euro-denominated interest rate swaps with fixed interest rates qualify for hedge accounting as defined in IAS 39. The effectiveness of these hedges is demonstrated by the hypothetical derivative method. The foreign exchange component of the cross-currency swap with payment obligations in Swiss francs meets the requirements of IAS 21 for a hedge of a net investment in a foreign operation. The components with a capped interest rate are reported as derivatives held for trading.

Nominal currency	Nominal value in 1,000 local curr.	Fair value in TEUR 2010/11	Fair value in TEUR 2009/10
EUR	62,000	(1,608)	(3,592)
EUR	20,000	(476)	(1,134)
CHF	28,728	(2,408)	(41)
Negative market values of interest rate hedging instruments (hedge accounting)		**(4,492)**	**(4,767)**
Negative market values of foreign exchange hedging instruments (hedge accounting)		**(1)**	**(452)**
Negative market values of derivatives (hedge accounting)		**(4,493)**	**(5,219)**

>> Outstanding interest rate risk

The following table shows the classification of interest-bearing financial instruments according to fixed and variable interest rates:

in TEUR	30 April 2011	30 April 2010
Borrowings	(43,808)	(33,256)
Fixed rate instruments	**(43,808)**	**(33,256)**
Financial assets	20,800	27,942
Liquid funds	86,255	87,841
Borrowings	(186,000)	(186,000)
Variable rate instruments	**(78,945)**	**(70,217)**
Total	**(122,753)**	**(103,473)**

Within the context of the consortium credit agreement, the interest rate was converted from the variable OeKB ("Oesterreichische Kontrollbank AG") floating interest rate to a EURIBOR-based money market interest rate as of 31 December 2009.

Rising interest rates – especially for the euro – can have a negative impact on financial results and increase the Group's average interest rate. The medium-term financial planning calls for the extension of debt financing beyond June 2013, despite the scheduled repayment of net debt, in order to maintain a balance between debt and equity on the balance sheet of the Zumtobel Group.

>> Sensitivity analysis

For variable interest instruments, a change of 100 basis points in the interest rate over a period of one year would result in a change of TEUR 1,101 (2009/10: TEUR 892) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, a change in the interest rate would have no effect on the income statement or equity.

For the interest rate swap, a change of 100 basis points in the interest rate over a period of one year would result in an opposite change of TEUR 1,377 (2009/10: TEUR 1,068) to equity.

Foreign exchange risk

Most of the foreign exchange hedges had a remaining term of less than one year as of the balance sheet date. The Zumtobel Group generally uses forward exchange contracts with a term of up to one year, but alternative instruments such as options are also used where necessary. Translation risks are not hedged.

The Group's main currencies are the EUR, GBP, USD (as well as Asian currencies that are linked to the USD), AUD and CHF. Most of the European production companies invoice in EUR and GBP.

Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met. The only forward exchange contracts that qualify for hedge accounting were concluded to cover a specific procurement agreement (positive market value as of 30 April 2011 TEUR 0, negative market value as of 30 April 2011 TEUR – 1).

>> Sensitivity analysis

The following information illustrates the sensitivity of an increase in the euro over the relevant foreign currency from the Group point of view. All financial instruments reported on the balance sheet as of 30 April 2011 (including internal financial instruments) are included in the calculation.

Financial instruments denominated in the relevant functional currency of subsidiaries that are not located in the euro zone do not represent a risk and are therefore not included in this sensitivity analysis.

A 10% increase or decrease in the value of the euro versus the relevant foreign currency as of 30 April 2011 would have had the following effect on profit after tax and equity based on the most important currency pairs. All other variables (above all interest rates) were held constant for the analysis. The effects on equity are related to long-term Group loans.

	EUR increase of 10%		EUR decrease of 10%	
in TEUR	Profit or loss	Equity	Profit or loss	Equity
EUR-GBP	8,250	5,383	(8,250)	(5,383)
EUR-SEK	4,644	4,095	(4,644)	(4,095)

The following table shows the effects on derivatives of an exchange rate change of +/- 10%.

in TEUR	Fair value	EUR increase of 10%	EUR decrease of 10%
EUR - GBP	1,777	(5,196)	4,615
EUR - CHF	(286)	(1,940)	1,764
EUR - AUD	(456)	(2,221)	2,019
EUR - USD	(5,839)	7,532	(7,028)
EUR - SEK	(131)	(950)	864

In addition to derivatives with a genuine hedge character (defined worst case scenario available), the Group's derivative portfolio includes exchange rate optimisation instruments that were concluded in 2009/10 for the EUR - AUD, EUR - CHF and EUR - GBP. No derivatives of this type were in use as of 30 April 2011.

Raw material price risk

The most important raw materials used by the Zumtobel Group are energy, aluminium, steel and copper. Fixed-term supply contracts are concluded wherever possible (energy, aluminium, steel) to minimise the risks arising from unexpected price fluctuations. Fluctuations in copper prices are hedged, if necessary, with derivatives (futures or options) on a rolling basis.

>> Sensitivity analysis

Copper purchases totalled 2,583 MT (metric tonnes) in 2010/11. A price increase of EUR 1,000/MT would represent an annual price risk of approx. TEUR 2,583.

2.6.12 Segment reporting

2.6.12.1 Operating segments

Two operating segments represent the primary segments of business for the Zumtobel Group: the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic and magnetic lighting components, LED lighting components, LED lamps and connection technology). The transfer of goods and services between the two divisions is based on ordinary market conditions.

Segment reporting is principally based on the same presentation, accounting and valuation methods used to prepare the consolidated financial statements. In accordance with the management approach prescribed by IFRS 8, operating profit (EBIT) – a key indicator used for internal reporting – is included as part of the segment data.

The assets allocated to the two segments include property, plant and equipment that can be directly assigned as well as intangible assets and working capital (excluding accrued interest, tax receivables and tax liabilities).

The column "Reconciliation" comprises assets and the related income statement items that could not be allocated to either segments as well as property, plant and equipment, financial liabilities and taxes that involve both segments.

Income of TEUR 12 (2009/10: TEUR -959) from associated companies comprises TEUR 9 (2009/10: TEUR 82) from the Components Segment and TEUR 3 (2009/10: TEUR -1,041) from the Lighting Segment. Taxes and the remaining balance of financial results are not allocated to a specific segment of business.

Depreciation for the reporting year includes TEUR 4,311 of impairment charges. Of this amount, TEUR 2,759 are attributable to the Components Segment and TEUR 1,552 to the Lighting Segment. In addition, a write-up of TEUR 1.972 is attributable to the Lighting Segment.

Depreciation in 2009/10 included TEUR 68,502 of impairment charges. Of this amount, TEUR 67,949 were allocated to the Lighting Segment, with TEUR 67,100 representing impairment charges to goodwill in the Thorn Lighting Group and Thorn India. Impairment charges in the Components Segment amounted to TEUR 553 and were related, above all, to the write-down of development costs based on impairment tests.

The elimination of inter-segment revenues is included in the reconciliation column.

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09
Net revenues	868,966	816,707	866,368	437,338	366,590	365,763	(78,100)	(68,649)	(63,137)	1,228,204	1,114,648	1,168,994
External revenues	868,078	815,336	865,445	359,530	298,750	302,672	597	563	878	1,228,204	1,114,648	1,168,994
Inter-company revenues	888	1,371	924	77,808	67,840	63,091	(78,697)	(69,212)	(64,015)	0	0	0
Operating profit/loss	28,250	(65,493)	31,848	54,750	45,353	37,945	(6,997)	(12,178)	(12,819)	76,003	(32,318)	56,974
Investments	26,942	33,348	41,344	26,841	12,771	23,108	3,520	2,572	278	57,304	48,691	64,730
Depreciation	(28,957)	(93,833)	(25,270)	(21,247)	(18,103)	(15,654)	(1,346)	(1,215)	(1,622)	(51,550)	(113,152)	(42,545)

in TEUR	30 April 2011	30 April 2010	30 April 2009	30 April 2011	30 April 2010	30 April 2009	30 April 2011	30 April 2010	30 April 2009	30 April 2011	30 April 2010	30 April 2009
Assets	624,457	600,906	662,994	247,232	210,648	204,661	148,796	161,284	142,683	1,020,486	972,837	1,010,338

	30 April 2011	30 April 2010	30 April 2009	30 April 2011	30 April 2010	30 April 2009	30 April 2011	30 April 2010	30 April 2009	30 April 2011	30 April 2010	30 April 2009
Headcount (full-time equivalent)	5,322	5,155	5,261	2,368	2,048	1,775	124	126	129	7,814	7,329	7,165

The headcount data include contract workers for the first time. The prior year data were adjusted accordingly.

The transition column comprises the following:

	Transition	
in TEUR	2010/11	2009/10
Group parent companies	(7,653)	(12,728)
Group entries	656	550
Operating profit/loss	**(6,997)**	**(12,178)**

The Group parent companies represent companies that provide administrative or financing services for the entire Group and cannot be allocated to a specific segment. The transition to operating profit includes Group entries for the elimination of interim profits in current and non-current assets.

	Transition	
in TEUR	30 April 2011	30 April 2010
Assets used by more than one segment	159,887	169,557
Group parent companies	43,386	57,475
Group entries	(54,476)	(65,748)
Assets	**148,796**	**161,284**

The decrease in assets used by more than one segment resulted, above all, from a decline in tax receivables.

The revenues recorded with individual external customers amount to less than 10% of total revenues.

2.6.12.2 Regional segments

The classification of business activities by region was adjusted to reflect the new internal reporting structure. Regional reporting is now based on the following regions: Europe, Asia, Australian & New Zealand, America and Other.

The change in the internal reporting structure also led to the reallocation of goodwill in the Thorn Lighting Group to the respective regions. Segment reporting reflects this new allocation, and the prior year data were adjusted accordingly.

	External revenues			Assets		
in TEUR	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09
Europe	950,568	878,435	950,057	801,629	750,688	795,728
Asia	111,068	95,892	88,695	61,818	56,938	49,530
Australia & New Zealand	119,559	100,640	89,922	60,718	61,988	57,728
America	34,734	30,216	31,857	18,377	15,787	20,143
Others	12,274	9,466	8,463	0	0	0
Reconciliation	0	0	0	77,944	87,436	87,208
Total	**1,228,204**	**1,114,648**	**1,168,994**	**1,020,486**	**972,837**	**1,010,338**

The position "reconciliation" in the above table comprises the following:

	Assets	
in TEUR	2010/11	2009/10
Assets used by more than one segment	79,499	88,921
Group entries	(1,555)	(1,485)
Assets	**77,944**	**87,436**

2.6.13 Contingent liabilities and guarantees

The Group has provided bank guarantees of TEUR 9,492 (2009/10: TEUR 9,316) for various liabilities.

2.6.14 Subsequent events

No significant events occurred after the balance sheet date.

2.6.15 Related party transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel AG. As of 30 April 2011 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions (also see section 2.6.6.4).

There are no material supply or delivery relationships with non-consolidated subsidiaries. There were no outstanding balances as of 30 April 2011.

Remuneration for the corporate bodies of the Group

in TEUR	2010/11	2009/10
Total remuneration for the Management Board	1,927	4,505
thereof fixed component	*1,329*	*1,311*
thereof variable component	*598*	*1,158*
thereof expenses resulting from an exit agreement	*0*	*2,036*

in TEUR	2010/11	2009/10
Harald Sommerer	952	33
thereof fixed component	*603*	*33*
thereof variable component	*349*	
Martin Brandt	568	382
thereof fixed component	*402*	*249*
thereof variable component	*166*	*133*
Mathias Dähn	136	
thereof fixed component	*136*	
thereof variable component		
Andreas Ludwig		3,536
thereof fixed component		*750*
thereof variable component		*750*
thereof expenses resulting from an exit agreement		*2,036*
Thomas Spitzenpfeil	271	554
thereof fixed component	*188*	*279*
thereof variable component	*83*	*275*

Harald Sommerer holds options for 11,000 shares from the MSP programme; the comparable figure for Martin Brandt is 7,655. No other types of remuneration such as pensions or additional post-employment benefits were granted.

The remuneration received by the Supervisory Board of Zumtobel AG is shown in the following table:

in TEUR	2010/11	2009/10
Total Supervisory Board remuneration	343	350
thereof annual remuneration	*225*	*180*
thereof attendance fees	*114*	*162*
thereof reimbursement for expenses	*4*	*8*

2.6.16 Information on employees and corporate bodies

2.6.16.1 Personnel structure

	2010/11		2009/10	
	Average	Balance sheet date	Average	Balance sheet date
Production	4,067	4,129	3,787	3,881
Research and development	421	450	442	440
Sales	2,232	2,285	2,228	2,219
Administration	490	487	486	463
Miscellaneous	410	463	361	326
Total	**7,620**	**7,814**	**7,304**	**7,329**

The above number of employees includes contract workers employed by the Zumtobel Group. The prior year data were adjusted accordingly.

2.6.16.2 Corporate bodies

Supervisory Board
Jürg Zumtobel (Chairman)
Hero Brahms (Vice-Chairman)
Johannes Burtscher (Vice-Chairman as of 23 July 2010)
Fritz Zumtobel (Member)
Stephan Hutter (Member as of 23 July 2010)
Hans-Peter Metzler (Member as of 23 July 2010)
Walter M. Dünser (Member up to 23 July 2010)
Wolf Klinz (Member up to 23 July 2010)

Delegated by the Employees' Council:
Ludwig Auer
Herbert Kaufmann
Mario Wintschnig

Management Board
Harald Sommerer, appointed up to 30 April 2013
Martin Brandt, appointed up to 30 April 2012
Mathias Dähn, appointed up to 30 April 2014 (since 1 February 2011)
Thomas Spitzenpfeil (up to 30 September 2010)

2.7 Statement by the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements as of 30 April 2011, which were prepared in accordance with International Financial Reporting Standards, provide a true and fair view of the Group's financial position and performance as required by stock exchange regulations. The Group management report describes the development of business, the results of operations and the position of the Group so as to provide a true and fair view of the Group's financial position and performance. Moreover, the Group management report describes the major risks and uncertainties to which the Group is exposed.

We confirm to the best of our knowledge that the annual financial statements of the parent company, which were prepared in accordance with the applicable accounting standards, provide a true and fair view of the company's financial position and performance; that the management report describes the development of business, the results of operations and the position of the company so as to provide a true and fair view of the company's financial position and performance; and that the management report of the parent company, which was combined with the Group management report, describes the major risks and uncertainties to which the company is exposed.

Dornbirn, 6 June 2011

The Management Board

Harald Sommerer	Mathias Dähn	Martin Brandt
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

2.8 Consolidation Range

No.	Unit	Country	Share in %	Consolidation Method	Balance Sheet Date	Currency
1	ATCO Finance Pty. Ltd.	Australia	100	full	30 April	AUD
2	ATCO Industrial Pty. Ltd.	Australia	100	full	30 April	AUD
3	Conlux Pty. Limited	Australia	100	full	30 April	AUD
4	Thorn Lighting Pty Ltd	Australia	100	full	30 April	AUD
5	Tridonic Australia Pty. Ltd.	Australia	100	full	30 April	AUD
6	Tridonic Manufacturing Pty Ltd	Australia	100	full	30 April	AUD
7	Tridonic Oceania Holding Pty. Ltd.	Australia	100	full	30 April	AUD
8	Zumtobel Lighting Pty. Ltd.	Australia	100	full	30 April	AUD
9	FURIAE Raiffeisen-Immobilien-Leasing GmbH	Austria	100	full	30 April	EUR
10	LEDON Lighting GmbH	Austria	100	full	30 April	EUR
11	Ledon Lamp GmbH	Austria	100	full	30 April	EUR
12	Tridonic Jennersdorf GmbH (formerly Ledon Lighting Jennersdorf GmbH)	Austria	100	full	30 April	EUR
13	LEXEDIS Lighting GmbH	Austria	50	equity	30 April	EUR
14	Thorn Licht Gesellschaft mbH	Austria	99.89	full	30 April	EUR
15	Tridonic connection technology GmbH	Austria	100	full	30 April	EUR
16	Tridonic connection technology GmbH & Co KG	Austria	100	full	30 April	EUR
17	Tridonic GmbH	Austria	100	full	30 April	EUR
18	Tridonic GmbH & Co KG	Austria	100	full	30 April	EUR
19	Tridonic Holding GmbH	Austria	100	full	30 April	EUR
20	Zumtobel AG	Austria	100	full	30 April	EUR
21	Zumtobel Holding GmbH	Austria	100	full	30 April	EUR
22	Zumtobel Insurance Management GmbH	Austria	100	full	30 April	EUR
23	Zumtobel LED GmbH	Austria	100	full	30 April	EUR
24	Zumtobel LED Holding GmbH	Austria	100	full	30 April	EUR
25	Zumtobel Licht GmbH	Austria	100	full	30 April	EUR
26	Zumtobel Lighting GmbH	Austria	100	full	30 April	EUR
27	Zumtobel Pool GmbH	Austria	100	full	30 April	EUR
28	z-werkzeugbau gmbh	Austria	30	equity	30 April	EUR
29	N.V. Zumtobel Lighting S.A.	Belgium	100	full	30 April	EUR
30	Thorn Lighting (Guangzhou) Ltd.	China	100	full	31 December	CNY
31	Thorn Lighting (Hong Kong) Ltd.	China	100	full	30 April	HKD
32	Thorn Lighting (Tianjin) Co. Ltd.	China	70	full	31 December	CNY
33	Tridonic (Shanghai) Co. Ltd.	China	100	full	31 December	CNY
34	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	31 December	CNY
35	TridonicAtco Hong Kong Ltd.	China	100	full	30 April	HKD
36	Zumtobel Licht d.o.o.	Croatia	100	full	30 April	HRK
37	Thorn Lighting CS Spol s.r.o.	Czech Republic	99.89	full	30 April	CZK
38	Zumtobel Lighting s.r.o.	Czech Republic	100	full	30 April	CZK
39	Lightmakers A/S	Denmark	51	full	30 April	DKK
40	Thorn Lighting AS	Denmark	100	full	30 April	DKK
41	Thorn Lighting OY	Finland	100	full	30 April	EUR

42	Thorn Europhane S.A.	France	99.89	full	30 April	EUR
43	Tridonic France Sarl	France	100	full	30 April	EUR
44	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
45	Ledon Lighting Morbach GmbH	Germany	100	full	30 April	EUR
46	LEDON OLED Verwaltungs GmbH	Germany	49	equity	30 April	EUR
47	LEDON OLED Lighting GmbH & Co KG	Germany	51	equity	30 April	EUR
48	Reiss Lighting GmbH	Germany	100	full	30 April	EUR
49	Tridonic Deutschland GmbH	Germany	100	full	30 April	EUR
50	Zumtobel Holding GmbH	Germany	100	full	30 April	EUR
51	Zumtobel Licht GmbH	Germany	100	full	30 April	EUR
52	Zumtobel Lighting GmbH	Germany	100	full	30 April	EUR
53	Luxmate Ltd.	Great Britain	100	full	30 April	GBP
54	Rewath Ltd.	Great Britain	100	full	30 April	GBP
55	Thorn Lighting Group	Great Britain	100	full	30 April	GBP
56	Thorn Lighting Holdings Ltd.	Great Britain	100	full	30 April	GBP
57	Thorn Lighting International Ltd.	Great Britain	100	full	30 April	GBP
58	Thorn Lighting Ltd.	Great Britain	100	full	30 April	GBP
59	Tridonic UK Ltd	Great Britain	100	full	30 April	GBP
60	Wengen - Five Ltd.	Great Britain	100	full	30 April	GBP
61	Wengen - Four Ltd.	Great Britain	100	full	30 April	GBP
62	Wengen - One Ltd.	Great Britain	100	full	30 April	GBP
63	Wengen - Three Ltd.	Great Britain	100	full	30 April	GBP
64	Wengen - Two Ltd.	Great Britain	100	full	30 April	GBP
65	Zumtobel Lighting Limited	Great Britain	100	full	30 April	GBP
66	Zumtobel Lighting Kft	Hungary	100	full	30 April	HUF
67	Thorn Lighting India Private Limited	India	100	full	30 April	INR
68	Thorn Lighting (Ireland) Limited	Ireland	100	full	30 April	EUR
69	Thorn Europhane SPA	Italy	99.89	full	30 April	EUR
70	Tridonic Italia SRL	Italy	100	full	30 April	EUR
71	Zumtobel Illuminazione SRL	Italy	100	full	30 April	EUR
72	Zumtobel LED Illuminazione Holding srl	Italy	100	full	30 April	EUR
73	Zumtobel Residental Lighting srl	Italy	100	full	30 April	EUR
74	Tridonic (Malaysia) Sdn, Bhd.	Malaysia	100	full	30 April	MYR
75	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	30 April	USD
76	Thorn Lighting Asian Holdings BV	Netherlands	100	full	30 April	EUR
77	Thorn Lighting (NZ) Limited	New Zealand	100	full	30 April	NZD
78	Tridonic NZ Limited	New Zealand	100	full	30 April	NZD
79	Thorn Lighting AS	Norway	100	full	30 April	NOK
80	Thorn Lighting Polska SP ZOO	Poland	100	full	30 April	PLN
81	Raiffeisen Lux S.r.l.	Romania	100	full	31 December	EUR
82	Zumtobel Lighting Romania srl	Romania	100	full	31 December	RON
83	Thorn Lighting (Singapore) Pte Ltd	Singapore	100	full	30 April	SGD
84	Tridonic (S.E.A.) Pte Ltd.	Singapore	100	full	30 April	SGD
85	ZUMTOBEL LICHT d.o.o.	Slovenia	100	full	30 April	EUR
86	Tridonic S.A .	South Africa	49.99	equity	28 February	ZAR

87	Luxmate S.L.	Spain	100	full	30 April	EUR
88	Staff Iberica S.A.	Spain	50	equity	30 April	EUR
89	Hans-Agne Jakobsson A/B	Sweden	100	full	30 April	SEK
90	Thorn Lighting AB	Sweden	100	full	30 April	SEK
91	Thorn Lighting Nordic A/B	Sweden	100	full	30 April	SEK
92	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
93	Tridonic Schweiz AG	Switzerland	100	full	30 April	CHF
94	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
95	Zumtobel Pool AG	Switzerland	100	full	30 April	EUR
96	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
97	Thorn Gulf LCC	UAE	100	full	31 December	AED
98	Tridonic (ME) FZE	UAE	100	full	30 April	AED
99	Lemgo Realty Corp.	USA	100	full	30 April	USD
100	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Deconsolidation

1	Space Cannon VH SRL	Italy	100	full	30 April	EUR

Not included in consolidation range (immaterial)

No.	Company name	Country
1	Atlas International Limited	Great Britain
2	British Lighting Industries Limited	Great Britain
3	Kompetenzzentrum Licht GmbH	Austria
4	Metall Closures Group Limited	Great Britain
5	Oriole Emergency & Fire Protection UK	Great Britain
6	Smart & Brown Limited	Great Britain
7	Thorn Lighting Pension Trustees Limited	Great Britain
8	Thorn Lighting Overseas	Great Britain
9	TLG Limited	Great Britain
10	TLG Quest Trustees Limited	Great Britain
11	TLG Supplemental Pension Trustees Limited	Great Britain
12	Wassall Pension Trustees Limited	Great Britain
13	Zumtobel Lighting GmbH	Hong Kong
14	Thorn Lighting Hungary Kft	Hungary
15	ATCO Controls Pty. Limited	Australia
16	ATCO Controls (I) Pvt. Ltd.	India

Unqualified Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

Zumtobel AG,
Dornbirn,

for the year from 1 May 2010 to 30 April 2011. These consolidated financial statements comprise the balance sheet as of 30 April 2011, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended 30 April 2011 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 30 April 2011 and of its financial performance and its cash flows for the year from 1 May 2010 to 30 April 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position.

The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 6 June 2011

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Thomas Smrekar	Mag. Rainer Hassler
Wirtschaftsprüfer	Wirtschaftsprüfer

(Austrian Chartered Accountants)

3. Corporate Governance Report 2010/11

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3. Corporate Governance

3.1 Corporate Governance in the Zumtobel Group

The Zumtobel Group views corporate governance as a comprehensive model for the management and monitoring of the company. This orientation is reflected in the Group's corporate culture with its strategic focus on sustainability, long-term development and responsibility.

Information on Corporate Governance also under www.zumtobelgroup.com

The general framework for the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code. The major building blocks of this system are the mission statement and corporate values, which play a key role in the long-term creation of value and a sustainable increase in the worth of the company. These elements are supplemented by the code of conduct and corporate policies.

Major developments during the 2010/11 financial year

In keeping with the objective to continuously adapt the corporate governance system to reflect changes in its operating environment, the Zumtobel Group implemented a number of measures during 2010/11. For example, further improvements were made to the internal control processes for financial reporting. The ongoing development of the corporate governance system in 2010/11 also included the optimisation of corporate policies to meet new or amended requirements. The most important new or revised guidelines include the corporate risk management policy and the corporate policy on licence reporting.

3.2 The Corporate Governance Code

The Austrian Corporate Governance Code is issued by the Austrian Working Group for Corporate Governance. It is available for review on the website of this organisation (*www.corporate-governance.at*).

A new version of the Austrian Corporate Governance Code was issued in January 2010, and was applied to reporting on the 2010/11 financial year.

Zumtobel AG again announced its intention to voluntarily comply with the Austrian Corporate Governance Code also in the January 2010 version. Zumtobel views the active implementation of the code as an important obligation to support management and monitoring that is focused on realising a sustainable and long-term increase in the value of the corporation.

As in previous years, Zumtobel AG complied with nearly all provisions of the code in 2010/11, meeting not only the minimum requirements but also generally observing almost all R-Rules. The Group's actions deviated in part from only five C-Rules out of the total of 83 Rules in the code. These differences are described below in accordance with the "comply or explain" principle.

Zumtobel AG also intends to comply with the code during the 2011/121 financial year, and will continue to pursue the best possible implementation of all rules.

3.2.1 Comply or Explain

The Management Board of Zumtobel AG instructed the investor relations department to review compliance with the Austrian Corporate Governance Code during the 2010/11 financial year. Based on this compliance review, Zumtobel AG can confirm that it met all L-Rules of the Austrian Corporate Governance Code (January 2010 version). The following C-Rules in the January 2010 version of the code were not or are not met in full:

Rule 27a: In cases where a Management Board contract is terminated prematurely by the Supervisory Board, payment must be made for claims arising during the remaining contract term. The maximum amount can exceed two-year's remuneration, since the Management Board contracts cover a three-year period.

Rule 30: The Zumtobel Group classifies information on insurance coverage in general and D&O coverage in particular as confidential data, whose disclosure may result in damage to the corporation. Therefore, this information is not disclosed.

Rule 43: The Committee for Management Board Matters represents the remuneration committee required by Rule 43. However, the chairman of the Supervisory Board, Jürg Zumtobel, is not heading this committee, but is vice-chairman of the committee.

Rule 51: The remuneration of the individual members of the Supervisory Board is not disclosed. The Zumtobel Group believes this data provides only little added value for the readers of this annual financial report.

Rule 55: The chairman of the Supervisory Board, Jürg Zumtobel, served as the chairman of the Management Board of Zumtobel AG up to his appointment as member and chairman of the Supervisory Board in 2003.

3.2.2 Other disclosure requirements

3.2.2.1 Auditor's fees

The annual general meeting on 23 July 2010 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and annual financial statements of Zumtobel AG for the 2010/11 financial year. KPMG also performs limited tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria performed or arranged to perform the following services for Zumtobel AG in 2010/11:

In TEUR	2010/11	2009/10
Total fees	186	212
thereof audit and related activities	159	158
thereof audit related consulting	27	54
thereof other services	0	0

The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group totalled TEUR 1,460, including external costs.

3.2.2.2 Measures to support the development of women in the Group

The Code of Conduct issued by the Zumtobel Group in 2004 prohibits any form of discrimination. Experience, qualifications and performance represent the basis for personnel decisions in all areas of the corporation and at all management levels. The Zumtobel Group is an equal opportunity employer and, as such, helps working parents to create a positive work-life balance, e.g. through flexible working schedules or the use of a home office. The prerequisite for most of the key positions in the company is a technical education. In line with the current labour market for technical professions, the Zumtobel Group receives few applications from women for these positions. The company works to counteract this situation by providing strong support for the training of women in technical professions, for example as part of its apprenticeship programmes.

3.3 Risk Management and the Internal Control System

The COSO models form the basis for the risk management system and the internal control system used in the Zumtobel Group. Consequently, these systems overlap and influence each other during their daily application.

Risk management is viewed as an independent strategic process, which focuses on the interaction with risks and opportunities. The more risk management deals with the global risks to which companies are exposed, the more it becomes an independent process. The more it deals with the risks arising from individual corporate processes, the more it merges with the internal control system.

In accordance with § 243a (2) of the Austrian Corporate Code as well as Rules 69 and 70, the management report must disclose the major elements of the internal control system and risk management system related to accounting processes. The relevant information can be found in the Group Management Report under sections 1.12 (Risk Management) and 1.13 (System of Internal Controls). In accordance with Rule 83, the risk management system was examined by the auditor.

Internal audit

The corporate internal audit department of Zumtobel AG reports directly to the Management Board. In accordance with Rule 18 of the Austrian Corporate Governance Code, this department provides regular reports to the Audit Committee on the planning for and the most important results of its activities.

A risk-oriented audit schedule that is approved by the Management Board and coordinated with the Audit Committee forms the basis for the work of corporate internal audit. This group is also responsible for monitoring the internal control system used in financial reporting.

The activities of corporate internal audit also include ad-hoc audits at the request of the Management Board. These examinations focus on current risks and reviews that are not directly related to processes, e.g. on projects and other non-recurring activities.

3.4 The Corporate Bodies and Committees of Zumtobel AG

In accordance with Austrian law, the organisation of Zumtobel AG is based on three independent corporate bodies: the annual general meeting, the supervisory board and the management board. The Management Board of Zumtobel AG is responsible for the direction of the company. The Supervisory Board, a separate body that is elected by the annual general meeting, exercises the required control functions. The Management Board and the Supervisory Board are organised to ensure the strict separation of members, and it is not possible to hold a seat on both bodies at the same time. The cooperation between these three bodies is defined by the articles of association as well as the rules of procedure for the Management and Supervisory Boards. The articles of association are published on the website of the Zumtobel Group (www.zumtobelgroup.com).

3.4.1 Shareholders and the annual general meeting

Shareholders protect their interests and exercise their voting rights at the annual general meeting. The shares of Zumtobel AG are issued in accordance with the "one share - one vote" principle.

The annual general meeting is announced at least 28 days in advance and is held at the headquarters of the company, in Vienna or in another Austrian provincial capital. The information required by Austrian Companies Act is published on the company's website at the latest 21 days prior to the annual general meeting.

The shares issued by Zumtobel AG are bearer shares. Therefore, information on the shareholder structure can only be compiled when shareholders deposit their shares prior to the annual general meeting or when Zumtobel collects information on these shareholdings. The available information on the shareholder structure is provided in section 1.3 (The Zumtobel Share) of the Group Management Report.

The Zumtobel Group follows a comprehensive, timely information policy that is based on equal treatment for all shareholders. In addition to meeting all legal requirements (e.g. annual financial report, quarterly reports, ad-hoc announcements), information on the latest developments in the company is provided through press releases, telephone conferences and investor events. All reports, announcements and key presentations are published on the Zumtobel Group website under www.zumtobelgroup.com. A detailed financial calendar and other share-related information are provided under Investor Relations.

3.4.2 The Management Board

The members of the Management Board are appointed by the Supervisory Board. They may only take on additional duties or functions with the prior approval of the Supervisory Board.

Name	Function	appointed in	term ends in	service time
Dr. Harald Sommerer	CEO (Chief Executive Officer)	2010	2013	1 year
Dipl. Wirtsch. Ing. Martin Brandt	COO (Chief Operating Officer)	2009	2012	2 years
Dr. Mathias Dähn	CFO (Chief Financial Officer) (since 01.02.2011)	2011	2014	-
Dipl. Wirtsch. Ing. Thomas Spitzenpfeil	CFO (Chief Financial Officer) (up to 30.09.2010)	2004	2010	7 years

Harald Sommerer - CEO

Harald Sommerer has been a member of the Management Board since 25 March 2010 and CEO and Chairman of the Management Board of Zumtobel AG since 1 May 2010. His term of office extends until 30 April 2013. Mr. Sommerer was born in Vienna in 1967, and received a Doctorate in Social and Economic Sciences from the University of Economics and Corporate Management in Vienna as well as a Master of Management from the J. L. Kellogg Graduate School of Management at Northwestern University. From 1997 to 2010 Harald Sommerer was a member of the Management Board of AT&S Austria Technologie & Systemtechnik AG, where he served as CFO from 1998 to 2005 and CEO from 2005 to January 2010. Mr. Sommerer joined the Supervisory Board of Zumtobel AG in 2006, but resigned as of 25 March 2010 upon his appointment to the Management Board.

Additional functions or inter-company relations outside the Zumtobel Group: member of the Professional Association Committee of FEEI, Vienna/Austria since 1 May 2010, member of the Management Boards of the Vorarlberg Federation of Industry and the Federation of Austrian Industry since 1 May 2010.

Martin Brandt - COO

Martin Brandt has been a member of the Management Board and Chief Operating Officer of the Zumtobel Group since 1 September 2009. His term of office extends until 30 April 2012. Mr. Brandt was born in Ravensburg in 1960, and received his degree as an industrial engineer from the TH Karlsruhe. Martin Brandt started his career with Mercer Management Consulting GmbH, and subsequently became head of the Munich office of Baumgartner und Partner consultants. In 1996 he joined Effeff Fritz Fuss GmbH & Co KGAA in Albstatt as a division manager and was appointed Managing Director in 1998. At ASSA ABLOY Sicherheitstechnik GmbH in Berlin, he served as Market Regional Manager for the D-A-CH regions beginning in 2004, and became Executive Vice President of ASSA ABLOY AG in Hong Kong and CEO of ASSA ABLOY Asia Pacific in 2006.

Additional functions or inter-company relations outside the Zumtobel Group: none

Mathias Dähn - CFO (since 1 February 2011)

Mathias Dähn has been a member of the Management Board of Zumtobel AG and CFO since 1 February 2011. He was appointed for a three-year term of office ending on 30 April 2014. Mr. Dähn was born in Munich, Germany, in 1967. He studied at the University of Bamberg and began his professional career at Robert Bosch GmbH, where he worked, among others, as the Head of Controlling for Eastern Europe. After further key functions in the controlling area at debitel AG and as CFO of Loyalty Partner GmbH, he joined the MAN Group in 2005. There he first served as the Director of Corporate Controlling, and his position was the Director of Group Purchasing for MAN Diesel & Turbo.

Additional functions or inter-company relations outside the Zumtobel Group: none

Thomas Spitzenpfeil - CFO (up to 30 September 2010)

Thomas Spitzenpfeil joined Zumtobel AG as CFO on 1 May 2004 and resigned from this position as of 30 September 2010. He was born in 1962 in Saulgau, Germany, and received his degree as an industrial engineer from the Darmstadt University of Technology in 1989. In 1990 he started his career as a trainee with Robert Bosch GmbH, and then took on the function of Controller and Assistant of a Division CFO, a position he held from 1990 to 1993. In 1993 he joined VIAG AG as Head of Controlling for "Aluminium". In 1995 he became head of Works Controlling at Kodak AG in Stuttgart. From 1996 to 2002 he held various management positions at VAW Aluminium AG, including Head of Controlling for the "Rolled Products" division (1996–1998), Finance Director of the "Rolled Products" division (1998-2000), and Managing Director of Service Center Accounting (2000-2002). When VAW Aluminium AG was taken over by Norsk Hydro in 2002, Mr. Spitzenpfeil became CFO of the "Rolled Products" division and member of the Supervisory Board of Hydro Aluminium Deutschland GmbH.

Additional functions or inter-company relations outside the Group: member of the supervisory board and chairman of the audit committee of AMAG Austria Metall GmbH (today AG) in Braunau-Ranshofen/Austria (since 23 November 2007).

The distribution of duties among the members of the Management Board is defined in the rules of procedure for this body, which were approved by the Supervisory Board and last amended in 2010.

	Harald Sommerer	Martin Brandt	Mathias Dähn (since 01.02.2011)
Operating segments	Lighting Segment Coordination		
	Brand coordination Zumtobel (worldwide) Tridonic (worldwide)	Brand coordination Thorn (worldwide)	
Lighting Segment Regional responsibility	Lighting Segment Europe (Zumtobel) and USA	Lighting Segment Europe (Thorn), Emerging Markets, Australia/New Zealand	
Lighting Segment Matrix functions		Quality management, Lean Six Sigma, business process improvement, pricing systems, logistics, strategic procurement	
Corporate functions	Technology, human resources, Group marketing, internal and external communications		Controlling, accounting, treasury, tax & legal, IT, internal audit, insurance management, investor relations, facility management

Thomas Spitzenpfeil resigned from the Management Board of Zumtobel AG as of 30 September 2010.

The members of the Management Board are independently responsible for the conduct of business in their respective areas. They also have specific responsibilities for operations in the Lighting Segment. The Management Board holds weekly meetings to coordinate the control and management of the Group and the Lighting Segment, whereby minutes are recorded of the related discussions and results. The Components Segment is directed by executives who report directly to the Management Board of Zumtobel AG.

Relations between the members of the Management Board and the company are the responsibility of the Supervisory Board Committee for Management Board Matters, which also serves as a remuneration committee in the sense of Rule 43 and as a nominating committee in the sense of Rule 41. The Supervisory Board has defined a job profile and appointment procedure for appointments to the Management Board (Rule 38).

3.4.3 The Management Board | remuneration rules and remuneration

In accordance with established procedures, the fixed salary component is based on the responsibilities of the individual Management Board member. This remuneration is paid in 14 instalments at the end of the month following customary procedures in Austria.

Zumtobel AG has no separate incentive programme to cover the variable part of Management Board remuneration. The members of the Management Board participate in the Leadership Incentive Programme (LIP) together with other key managers. This incentive programme was last revised in 2010/11 (see bonus-index model below) so that, in combination with the Matching Stock Programme (MSP), it meets the requirements of C-Rule 27 in the January 2010 version of the code. The key features of the LIP include pre-defined, upper limits for variable remuneration (as a percentage of fixed remuneration) as well as performance criteria that are based on measurable, sustainability-oriented and long-term incentives. The linkage of the MSP Programme to the share price ensures that variable remuneration is based on both financial and non-financial performance criteria.

The bonus targets for the 2010/11 financial year were based on an index model that measured the development of the Zumtobel Group in relation to a peer group. Specifically, the development of revenues and operating earnings (change in adjusted EBIT as a per cent of revenues) were compared with this peer group. Variable remuneration was limited to 100% of fixed remuneration for the members of the Management Board and to 140% for the CEO. The bonus targets for 2009/10 represented the protection of positive free cash flow, the realisation of significant net cost reductions and the expansion of market shares.

Remuneration recognised for the Management Board [1]
Disclosures in accordance with Rules 29, 30 and 31:

In TEUR	2010/11	2009/10
Total remuneration for the Management Board	1,927	4,505
thereof fixed remuneration	1,329	1,311
thereof variable remuneration	598	1,158
thereof expenses resulting from an exit agreement		2,036

In TEUR	2010/11	2009/10
Harald Sommerer	952	33
thereof fixed remuneration	603	33
thereof variable remuneration	349	
Mathias Dähn	136	
thereof fixed remuneration	136	
thereof variable remuneration		
Martin Brandt	568	382
thereof fixed remuneration	402	249
thereof variable remuneration	166	133
Andreas Ludwig		3.536
thereof fixed remuneration		750
thereof variable remuneration		750
thereof expenses resulting from an exit agreement		2,036
Thomas Spitzenpfeil	271	554
thereof fixed remuneration	188	279
thereof variable remuneration	83	275

Zumtobel AG has no special pension fund for members of the Management Board. The Management Board contracts include a change of control clause. If the company is taken over by a new majority shareholder, the members of the Management Board have the right to terminate their contracts unilaterally. In this case, the member(s) of the Management Board would be entitled to receive the previously agreed fixed and variable remuneration up to the end of the originally agreed contract term, with a minimum payment covering a period of 12 months. With the exception of this change of control clause, the members of the Management Board have no special claims or entitlements at the end of their function.

[1] Note: in order to improve transparency and clarity, the above table includes the remuneration earned in 2010/11 irrespective of the payment date.

The share-based remuneration for the Management Board is based on the employee stock participation programmes for senior executives, i.e. the Stock Option Programme (SOP) and the Matching Stock Programme (MSP). Both programmes are described in detail under section 2.6.8.4 of the notes. The granting of options from the SOP was terminated at the end of the 2007/08 financial year. The options received and exercised by the members of the Management Board are as follows[2]:

Harald Sommerer

	MSP
	2010/11
Granted	88,000
Executed	0
Expired	0
Waived	0
Available	88,000

Martin Brandt

	MSP	
	2010/11	2009/10
Granted	61,240	61,240
Executed	0	0
Expired	0	0
Waived	0	0
Available	122,480	61,240

Thomas Spitzenpfeil

	MSP			SOP		
	2010/11	2009/10	01.05.2006 - 30.04.2009	2010/11	2009/10	01.05.2003 - 30.04.2009
Granted	61,240	61,240	136,136	closed	closed	70,000
Executed	0	0	0	33,600	0	36,400
Expired	0	0	31,216	0	0	0
Forfeiture	122,480	0	0	0	0	0
Waived	0	61,240	43,680	0	0	0
Available	0	61,240	61,240	0	33,600	33,600
Exercise price				7.50 EUR	7.50 EUR	7.50 EUR

[2] Note: in order to improve transparency and clarity, the allocation and exercise of options are assigned to the respective financial years based on the date of granting and exercise.

Mathias Dähn

	MSP
	2010/11
Granted	0
Executed	0
Expired	0
Waived	0
Available	**0**

Andreas Ludwig

	SOP		
	2010/11	2009/10	01.05.2003 - 30.04.2009
Granted	closed	closed	255,000
Executed	25,000	0	230,000
Expired	0	0	0
Waived	0	0	0
Available	**0**	**25,000**	**25,000**
Exercise price	7.50 EUR	7.50 EUR	7.50 EUR

The Zumtobel Group website (www.zumtobelgroup.com) provides up-to-date information on the purchase and sale of the company's shares by its directors in accordance with the Austrian Stock Exchange Act. This disclosure exceeds the requirements of Rule 73 in that the information remains on the website for at least six months.

3.4.4 The Supervisory Board

The members of the Supervisory Board of Zumtobel AG are elected by the Annual General Meeting. The Austrian Stock Corporation Act allows employee representatives to delegate one member to the Supervisory Board for each two members elected by the Annual General Meeting. This applies to both the Supervisory Board as well as its committees, with the exception of the Committee for Management Board Matters.

Name	Function	appointed / delegated in	Term ends in	service time
KR Dipl.-Ing. Jürg Zumtobel	Chairman	2003	2015	8 years
Hero Brahms	Second Vice Chairman (up to 23.07.2010) First Vice Chairman (since 23.07.2010)	2008	2015	3 years
Dr. Johannes Burtscher	Second Vice Chairman (since 23.07.2010)	2010	2015	1 year
Walter M. Dünser	First Vice Chairman (up to 23.07.2010)	1994	2010	16 years
Dipl.-Ing. Fritz Zumtobel	Member	1996	2015	15 years
Dr. Wolf Klinz	Member (up to 23.07.2010)	2001	2010	9 years
Dr. Stephan Hutter	Member (since 23.07.2010)	2010	2015	1 year
Dipl.-Phys. Hans-Peter Metzler	Member (since 23.07.2010)	2010	2015	1 year
Ludwig Auer	Delegated by the Employees' council	2004		7 years
Herbert Kaufmann	Delegated by the Employees' council	2004		7 years
Mario Wintschnig	Delegated by the Employees' council	2007		4 years

The Supervisory Board initially defined the criteria for the independence of its members in accordance with Rule 53 at a meeting on 29 September 2006. On 26 June 2009 the Supervisory Board approved an amended version of these criteria, which more closely reflects the guidelines of the Austrian Corporate Governance Code. In accordance with these criteria, a member of the Supervisory Board is considered to be independent when he/she has no business or personal relations with the Zumtobel Group or its Management Board members. Such relations include, among others, material customer delivery transactions or close family ties. The criteria for independence are disclosed in full on the website of the Zumtobel Group (*www.zumtobelgroup.com*).

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Four current members of the Supervisory Board – Hero Brahms, Stephan Hutter, Hans-Peter Metzler and Johannes Burtscher – are independent and neither shareholders nor representatives of shareholders. Accordingly, Rule 54 is also met in full.

There are no contracts between the members of the Supervisory Board and the Zumtobel Group that require approval or must be disclosed under Rules 48 or 49.

All functions or corporate positions held by members of the Supervisory Board outside the Zumtobel Group are disclosed on the Group's website (*www.zumtobelgroup.com*) and listed in this corporate governance report in accordance with Rules 56 and 57.

3.4.5 The Supervisory Board | activity report

The Supervisory Board met five times during the 2010/11 financial year: four times at scheduled meetings and once in the form of an organisational session following the elections to the Supervisory Board by the annual general meeting. Only one member of the Supervisory Board was absent from one meeting.

The Supervisory Board meeting on 25 June 2010 focused on the 2009/10 annual financial statements and consolidated financial statements of Zumtobel AG. The Board agreed with the recommendations of the Audit Committee to authorise the annual financial statements and approve the use of retained earnings. The recommendation by the Management Board to distribute a dividend of EUR 0.15 per share was approved. In addition, the Supervisory Board discussed and endorsed its report on the 2009/10 financial year for release to the annual general meeting. The report by the compliance officer, which is based on the Austrian Issuer Compliance Guideline, was also approved. The focal points for 2010/11 were presented and included, among others, the significance of controls & systems and revenue targets for the LED business. Moreover, transactions requiring the consent of the Supervisory Board were approved. The Board then discussed the efficiency of its activities as required by Rule 36 of the Austrian Corporate Governance Code. Based on the results of a self-evaluation questionnaire, opportunities for improving the organisation and work processes of the Supervisory Board were considered. This review also covered the coming changes on the Board following the annual general meeting in July 2010.

The Supervisory Board held its organisational session on 23 July 2010, directly after the annual general meeting. The duties on the Supervisory Board were redistributed following the election of new members. Jürg Zumtobel was elected chairman, and Johannes Burtscher and Hero Brahms vice-chairmen of the Supervisory Board. Changes were also made in the committee memberships (see section 3.4.6).

On 24 September 2010 the Supervisory Board dealt with the management report on the first quarter of 2010/11 and, in particular, with the procedures for the strategic medium-term planning process. After a detailed report on the latest technological and product-related developments, the planning process for the new medium-term strategy was presented and approved. The operational and strategic focal points for the coming years were discussed and defined with the Management Board. Due to the scope and complexity of these issues, the Supervisory Board decided to hold a workshop on the Group's strategy together with the Management Board. This daylong workshop took place on 22 November 2010, whereby the strategic focal points for the Lighting Segment and Components Segment were presented to and subsequently approved by the Supervisory Board. With respect to the variable remuneration system for employees, the development of the recently implemented bonus-index model was also explained at the meeting on 24 September 2010. This model formed the basis for determining bonus payments for the 2010/11 financial year.

The main topics of the meeting on 14 January 2011 included the management report on the first six months of 2010/11 and the outlook for the 2010/11 financial year as well as the further development of the Zumtobel Group's strategy. The Supervisory Board approved the strategic focal points for organic growth that were defined by the Management Board and key employees in previous months. In addition, the measures to realise the targeted growth were acknowledged. The issues that required reporting to or approval by the Supervisory Board included steps and measures in the area of cash pooling in the Zumtobel Group as well as Ledon Lamp GmbH.

The Supervisory Board meeting on 15 April 2011 focused on the management report for the third quarter of 2010/11 and the budget for 2011/12 as well as the detailed medium-term planning for the period up to 2014/15. The management report was accepted and the budget for 2011/12 was approved. The medium-term plan defined in the earlier strategy discussions was presented to and approved by the Supervisory Board. The Management Board also presented the global organisational structure that took effect on 1 May 2011. Reports were provided on the latest technological developments in the lighting sector as well as the related challenges and measures for research and development in the Zumtobel Group. The issues that required reporting to or approval by the Supervisory Board included, among others, the approval of amendments to the articles of association of Zumtobel Lighting GmbH.

3.4.6 The Supervisory Board | committee

The Supervisory Board of Zumtobel AG has established the following committees:

<u>Audit Committee</u>

Members up to 23 July 2010: Hero Brahms (Chairman and Finance Expert), Walter M. Dünser, Jürg Zumtobel and Mario Wintschnig.

Members since 23 July 2010: Johannes Burtscher (Chairman and Finance Expert), Hero Brahms (Vice-Chairman and Finance Expert), Jürg Zumtobel and Mario Wintschnig.

Duties: The Audit Committee is responsible for the audit and preparations for the approval of the annual financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairman of the Supervisory Board. The Audit Committee is responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2010/11 financial year. At each meeting the responsible managers report to the committee on the current status of these systems and processes. The chairman of the Audit Committee also meets twice a year with the head of corporate internal audit.

The Audit Committee met twice during 2010/11, and all members were present at both meetings.

The 24 June 2010 meeting concentrated on the 2009/10 annual financial statements. Due to the importance of this topic, a preparatory conference call was held on 18 June 2010. In both the meeting and the conference call, the auditor and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and individual financial statements of Zumtobel AG as well as accounting processes and major accounting principles. The recommendation by the Management Board for the distribution of profit was accepted. Additionally, the reports on the internal control system, the risk management system and the activities of corporate internal audit were discussed and accepted. The committee also received the corporate governance report and the report by the insider compliance officer. A resolution for the appointment of the auditor was approved and passed on to the Supervisory Board.

In the meeting on 14 January 2011 the Audit Committee dealt with the six-month financial statements as of 31 October 2010 and accepted the related reports by the auditor and corporate staff. The accounting process and related steps were discussed in detail. Another point of discussion was the management letter issued in April 2010. In preparation for the 2010/11 financial statements, the audit approach and auditor's focal points were presented and new and amended accounting standards (IFRS) were discussed. Status reports were presented on the internal control system, the risk management system and the activities of corporate internal audit, and the most important results of the individual audits were discussed.

Committee for Management Board Matters

Members up to 23 July 2010: Jürg Zumtobel (Chairman), Hero Brahms, Walter M. Dünser.

Members since 23 July 2010: Stephan Hutter (Chairman), Jürg Zumtobel (Vice-Chairman), Hero Brahms.

The Committee for Management Board Matters is responsible for relations between the company and the members of the Management Board. It corresponds to the remuneration committee required by Rule 43 of the Austrian Corporate Governance Code and also fulfils the duties required of a nominating committee under Rule 41. As one of the related duties, the committee developed and approved a job profile and nomination process for the Management Board in accordance with Rule 38.

The Committee for Management Board Matters held two meetings and one telephone conference in 2010/11. The meeting on 24 June 2010 dealt with the Matching Stock Programme (MSP) and related reporting requirements as well as details connected with the resignation of Thomas Spitzenpfeil as CFO. Prior to this meeting, a number of preparatory conference calls were held with the committee members and the members of the Management Board.

Numerous discussions were held with global executive search companies over the following weeks, and a firm was engaged in August to assist in the search for a new CFO. This led to a series of interviews with candidates in September and October.

In a meeting on 24 September 2010, the Committee for Management Board Matters narrowed the list of 12 candidates and invited the last five (internal and external) to a further hearing with members of the Supervisory Board (Hero Brahms, Fritz Zumtobel and Stephan Hutter) on 18 October 2010 in Frankfurt. Mathias Dähn was nominated as the successor to Thomas Spitzenfeil in the meeting on 18 October. As of 1 February 2011 Mr. Dähn took over the position as CFO of the Zumtobel Group.

3.4.7 The Supervisory Board | shareholder representatives

Jürg Zumtobel

Jürg Zumtobel has been Chairman of the Supervisory Board of Zumtobel AG since 1 September 2003. His term of office extends until the annual general meeting for the 2014/15 financial year. Born in 1936 in Frauenfeld, Switzerland, Jürg Zumtobel joined the Zumtobel Group in 1963, and was responsible for various functions in production planning and control, production and sales. From 1991 to 2003 he was CEO and Chairman of the Management Board of Zumtobel AG.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of KUGES Kulturhäuser Betriebsgesellschaft, Bregenz/Austria.

Hero Brahms

Mr. Brahms has been a member of the Supervisory Board of Zumtobel AG since 29 July 2008 and has served as first vice-chairman since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Brahms was born in 1941 in Münster/Westphalia, Germany. His career includes positions such as member of the Management Board of Hoesch AG in Dortmund/Germany (1982 to 1991), Vice-President of Treuhandanstalt Berlin, Germany (1991 to 1994), member of the Management Board and CFO of Kaufhof AG in Cologne, Germany (1994 to 1996) and member of the Management Board and CFO of Linde AG in Wiesbaden, Germany (1996 to 2004).

Additional functions or inter-company relations outside the Zumtobel Group: Société Générale, Frankfurt/Germany (senior advisor up to 15 September 2010), member of the supervisory board of Deutsche Post AG, member of the supervisory board of Wincor Nixdorf AG, vice-chairman of the supervisory board of Georgsmarienhütte Holding GmbH, chairman of the supervisory board of Live Holding AG, vice chairman of the supervisory board of Telefunken Holding AG, member of the supervisory board of Kraus-Maffei-Wegmann GmbH & CoKG.

Hans-Peter Metzler (since 23 July 2010)

Hans-Peter Metzler has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Metzler was born in Bregenz, Austria, in 1959. After completing university studies in mathematics and theoretical physics, he joined the group research department of Siemens AG, Munich, in 1984. In 1992 he became managing director and head of research & development for Siemens Components, Asia Pacific and in 1996 general manager of the microcontroller business of Siemens AG in Munich. Mr. Metzler founded NewLogic Technologies in 1997, Photeon Technologies in 2000 and Interclick in 2008.

Additional functions or inter-company relations outside the Zumtobel Group: administrative board of Dacuda AG, Zurich/Switzerland, chairman of the advisory board of Heliatek GmbH, Dresden/Germany, member of the advisory board of Angelbird GmbH, Lustenau/Austria, member of the management board of Bregenzer Festspiele Privatstiftung, Bregenz/Austria, member of the management board of Eugen Russ und Sophie Kempf Privatstiftung, Bregenz/Austria.

Johannes Burtscher (since 23 July 2010)

Johannes Burtscher joined the Supervisory Board of Zumtobel AG as a member and Vice-Chairman on 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year.

Mr. Burtscher was born in Egg, Austria, in 1969 and is a licentiate and doctor of economics at the University of St. Gallen (HSG). From 1996 to 2007 Johannes Burtscher held various positions in the Zumtobel Group, first as the assistant to Jürg Zumtobel on the headquarters staff for strategy and organisation. He then served as Group controller. Following the acquisition of Thorn Lighting, Mr. Burtscher was appointed CFO of the British subsidiary in London. He also managed the luminaire business in Asia from his base in Hong Kong. Since 2007 Johannes Burtscher has been CFO of the Rodenstock Group in Munich, where he is responsible for finance, IT and personnel.

Additional functions or inter-company relations outside the Zumtobel Group: none.

Stephan Hutter (since 23 July 2010)

Stephan Hutter has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Hutter was born in Dornbirn, Austria, in 1961. He is a partner in the corporate group of Shearman & Sterling in Frankfurt. Mr. Hutter serves as an advisor, above all, on international capital markets law as well as international acquisitions and bank financing. Stephan Hutter began his legal career with Shearman & Sterling in New York in 1986 where he became a partner in 1995; he was admitted to the New York bar in 1987. Since 1 January 2008 Mr. Hutter has been the managing partner for the European and Asian capital markets legal practice of Shearman & Sterling.

Additional functions or inter-company relations outside the Zumtobel Group/memberships: member of the supervisory board of Privatinvest Bank AG (a subsidiary of Zürcher Kantonalbank), Salzburg/Austria, Issuer Markets Advisory Committee (Deutsche Börse AG), American, New York State and New York City Bar Associations, International Bar Association (IBA).

Walter M. Dünser (up to 23 July 2010)

Walter Dünser joined the Supervisory Board of Zumtobel AG in 1994 and served as first vice-chairman from 25 March 2010 to the end of his term of office on 23 July 2010. Born in 1930 in Dornbirn, Austria, Mr. Dünser joined the Zumtobel Group in 1949. He took over the responsibility for accounting and other commercial duties as an authorised officer of Zumtobel KG in 1950, the year in which the Group was founded. In 1976 he became a member of the Management Board and CFO of the Zumtobel AG and joined the Supervisory Board in 1994.

Additional functions or inter-company relations outside the Zumtobel Group: member of the savings bank advisory board of Anteilsverwaltungssparkasse Dornbirn, Dornbirn/Austria, chairman of the supervisory board of Dornbirner Sparkasse Bank AG, Dornbirn/Austria, chairman of the supervisory board of Hilti & Jehle GmbH, Feldkirch/Austria, chairman of the foundation advisory board of GWZ Privatstiftung, Vienna/Austria, chairman of the foundation advisory board of Hektor Privatstiftung, Dornbirn/Austria.

Wolf Klinz (up to 23 July 2010)

Mr. Klinz served on the Supervisory Board of Zumtobel AG from 2001 up to the end of his term of office on 23 July 2010. Born in 1941 in Vienna, Mr. Klinz‘s career includes positions as a Managing Partner of McKinsey & Company and as a member of the management board of several European technology enterprises, such as Landis & Gyr, Lurgi and Hartmann & Braun. From 1990 to 1994 he was a member of the Management Board of Treuhandanstalt, Berlin. He also served as President of the Frankfurt Chamber of Industry and Commerce. He has been a member of the European Parliament since 2004.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of AVECO AG, Frankfurt am Main/Germany, member of the advisory board of IVG Immobilien AG, Bonn/Germany.

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel AG since 1996. He served as Chairman up to 1 September 2003, as Vice-Chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 2014/15 financial year. Fritz Zumtobel was born in 1939 in Frauenfeld, Switzerland. He joined the Zumtobel Group in 1965 and held various positions during his career, mainly in the technical field. He was a member of the Management Board of Zumtobel AG from 1974 to 1996.

Additional functions or inter-company relations outside the Zumtobel Group: member of the foundation board of JHD Privatstiftung, member of the foundation board of Aurelio Privatstiftung.

3.4.8 The Supervisory Board | employee representatives

Ludwig Auer

Mr. Auer was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Wage Employees in September 2004. He was born in 1955 in Treibach, Austria, and joined the Zumtobel Group in 1980 as an employee in model production. In 2004, Mr. Auer became Chairman of the Employees' Council for Wage Employees at Zumtobel Lighting GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: none.

Herbert Kaufmann

Mr. Kaufman was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Wage Employees in August 2004. Born in 1957 in Dornbirn, Austria, Mr. Kaufmann joined the Zumtobel Group in 1985 as an employee in electronics assembly. Since 2004 he has been Chairman of the Employees' Council for Wage Employees at TridonicAtco GmbH & Co KG.

Additional functions or inter-company relations outside the Zumtobel Group: none.

Mario Wintschnig

Mr. Wintschnig was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Salaried Employees in January 2007. He was born in 1961 in Dornbirn, Austria, and joined the Zumtobel Group in 1981. At present he is a pricing manager with Zumtobel Lighting GmbH. Since January 2007 he has served as Chairman of the Employees' Council for Salaried Employees at Zumtobel Lighting GmbH, Zumtobel AG, Zumtobel Licht GmbH, Zumtobel Pool GmbH and Zumtobel Insurance Management GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: none.

3.4.9 The Supervisory Board | remuneration rules and remuneration

According to the rules of procedure for the Supervisory Board (last amended on 7 April 2006), each member of this body receives annual remuneration in addition to reimbursement of his or her expenses and an attendance fee for each meeting. The amount of the attendance fee and remuneration are approved by the Annual General Meeting and were last amended on 15 July 2005. The attendance fee equals EUR 3,000, and is only paid once even if two or more meetings are held on the same day. The Chairman and Vice-Chairman of the Supervisory Board receive annual remuneration of EUR 40,000, while the other members receive EUR 20,000. The employee representatives only receive the EUR 3,000 attendance fee. The attendance fee is paid immediately after the meeting, and the remuneration is paid by the end of the month in which the annual general meeting for the previous financial year is held.

Remuneration of the Supervisory Board[3] (*disclosure in accordance with Rule 51)*:

In TEUR	2010/11	2009/10
Total remuneration of Supervisory Board	343	350
thereof remuneration	225	180
thereof attendance fees	114	162
thereof reimbursement of expenses	4	8

[3] Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held in 2010/11, irrespective of the date of payment.

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4. Service

Financial Terms

Adjusted EBIT	EBIT adjusted for special effects
Adjusted EBIT margin	= Adjusted EBIT as a percentage of revenues
Adjusted EBITDA	EBITDA adjusted for special effects
Average capital employed	= Goodwill + intangible assets + property, plant and equipment + inventories + trade receivables – trade payables – provisions for income taxes – other provisions – other liabilities, as an average over four quarters
CAPEX	Capital expenditure
Debt coverage ratio	Net debt divided by EBITDA
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Equity ratio	= Equity as a percentage of assets
Gearing	= Net debt as a percentage of equity
Labour productivity	= Adjusted EBIT as a percentage of personnel expenses
Net debt	= Non-current borrowings + current borrowings – liquid funds – current financial receivables from associated companies
ROCE	(Return On Capital Employed) = Total return based on adjusted EBIT as a percentage of average capital employed
WACC	Weighted average cost of capital (debt and equity)
Working capital	= Inventories + trade receivables – trade payables – prepayments received

Abbreviations and Technical Terms

Ballast	Ballasts are electrical devices which are used with fluorescent or high intensity discharge (HID) lamps. They supply sufficient voltage to start and operate the lamp, but then limit the current during operation. Ballasts can be either magnetic or electronic.
COB	Chip on Board; a process to load a printed circuit board. The LED chip is bonded directly onto the board and contacted via the "bond wires". A bonded epoxy lens defines the light distribution. According to the design of the lens, a COB LED can have an extremely narrow-beam or an extreme wide-angle distribution.
Control gear	Most artificial light sources, with the exception of incandescent and halogen lamps, require a special driver for start-up and operations. Depending on the type of lamp, these mechanisms are called ballasts, igniters, converters or transformers.
Lamp	Lamps are artificial sources of light. There are many types, which are distinguished by the way they generate light, their light output or luminous flux, their power consumption, their luminous efficiency, their geometry, the spectral composition of the radiation emitted, their luminance and their beam characteristics.
LED / light-emitting diode	An LED or light-emitting diode is a small semiconductor device, which emits light when an electric current passes through it. LEDs are energy-saving and have a long service life. The colours most frequently seen are red, green, blue, amber and white. LED light engines can generate any colour by mixing the individual spectral components. LEDs are point light sources, they give off directional light.
LED-chip	Light-generating semiconductor in the LED (purchased by the Zumtobel Group from external sources)
LED-component	An LED chip with an integrated circuit or resistance, which is enclosed in a housing. White LEDs have a phosphorus coating on the chip that converts blue light into white.
LED-converter	An LED driver that provides voltage or constant current for an LED module.
LED-lamp	An artificial light source based on LED technology. It also includes so-called LED retrofit lamps, whose shape and socket have the same dimensions as standard lights (e.g. substitute for incandescent lamps).
LED-light engine	In the industry this term is used to describe an LED module with a converter. Sometimes, however, light engines are simply called LED modules.
LED-module	A module that serves as a light source. One or more LEDs are mounted and connected on a printed circuit board with optics (e.g. lense) and other optional electronic components (resistance, asics, transistors etc.). High-performance modules also require a cooling device for thermal conduction.
Lighting solution	At the Zumtobel Group, we understand a lighting solution to be the carefully planned use of a combination of luminaires, lighting management and emergency lighting that is specifically designed for a particular set of architectural conditions and a particular application with the

intention of creating one or more lighting moods or scenarios. A lighting solution is always a combination of products and services and can only be the result of a joint effort with the customer.

Luminaire	Luminaires are fittings in which the lamp is mounted, operated and protected. They control the distribution of light and heat, ensure the delivery of the correct power supply using special components and provide the optical assembly that houses the lamp. The entire lighting unit including all the components required for mounting, operating and protecting the lamp is known as the "luminaire". The luminaire protects the lamp, distributes and directs the light emitted by the lamp and prevents glare. Luminaires can be classified by the type of lamps used (incandescent lamps, fluorescent lamps, discharge lamps), the number of lamps (single-lamp, two-lamp, etc.), planned location (indoor, outdoor), protection class (for dry, damp or dusty environments), design (open, closed, reflector, mirror, louvre, diffuser, spotlights), mounting (wall, ceiling, pendant or hand-held) or intended use (technical, decor or effect).
Luminous efficacy	Luminous efficacy is a measure of the efficiency of a lamp. It indicates how many lumens (lm) a lamp produces per Watt (W) consumed. The greater the ratio of lumens to Watts, the more efficiently the lamp converts the consumed power into light.
OLED	Organic light-emitting diode. A component comprising a system of thin organic layers located between two electrode layers (anode and cathode). When voltage is applied, light is generated and emerges through at least one of the electrode layers. OLEDs give off wide-area light.
OLED-module	One or more OLED-panels assembled with a housing, outcoupling and electrical contact system.
OLED-panel	Organic light-emitting diode with airtight encapsulation that is mounted on a glass plate or foil.
OLED-stack	Layer system based on several thin organic layers that are arranged to generate light in a specified spectrum.
SMD	Surface Mounted Device LED. An alternative process for loading a circuit board. The LEDs are first bonded on an SMD component, then mounted on the circuit board and contacted in the soldering bath.

Financial Calendar

35th Annual General Meeting	22 July 2011
Ex-Dividend Day	26 July 2011
Dividend Payout Day	29 July 2011
1st Quarterly Report 2011/12 (1 May 2011 – 31 July 2011)	06 September 2011
Interim Financial Report 2011/12 (1 May 2011 – 31 October 2011)	06 December 2011
3rd Quarterly Report 2011/12 (1 May 2011 – 31 January 2012)	06 March 2012
Annual Financial Results 2011/12	27 June 2012

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Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com.The annual report 2010/11 will be available at our 35th Annual General Meeting.You can also order a copy by calling +43 (0)5572 509-1510.

More Information

on Zumtobel AG and our brands can be found in the Internet under:

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.tridonic.com
www.ledon-lamp.com

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Disclaimer

This annual financial report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. These statements on future developments are not to be under-stood as guarantees. On the contrary, future developments and results are dependent on a wide range of factors and connected with various risks and incalculable events. Moreover, they are based on assumptions that may prove to be incorrect. Included here, for example, are unforeseeable changes in the political, economic and business environment, especially in the regions where the Zumtobel Group operates, as well as the competitive situation, interest rates and foreign exchange rates, technological developments and other risks and incalculable events. Other risks may arise as a result of price developments, unforeseeable events in the operating environments of acquired companies or Group companies as well as ongoing cost optimisation programmes. The Zumtobel Group does not plan to update these forward-looking statements.This annual financial report is also presented in English, but only the German text is binding.