# Interim Financial Report
1 May to 31 October 2006


zumtobel group

Contents



Publisher: Zumtobel AG, Corporate Communications, Astrid Kühn-Ulrich; Coordination Financials: Christian Hogenmüller, Thomas Mayer; Translation: Donna Schiller, Paul Boothroyd; Layout: Studio Popular; Cover: Festspielhaus, Bregenz, Austria (Photo: Bruno Klomfar); 



Key data

| EUR million | 2nd Quarter 2006/07 | 2nd Quarter 2005/06 | 1st Half Year 2006/07 | 1st Half Year 2005/06 | Full Prior Year 2005/06 |
|---|---|---|---|---|---|
| Revenues | 321.1 | 300.1 | 625.6 | 586.3 | 1,168.0 |
| Operating EBITDA | 45.7 | 39.9 | 85.6 | 70.2 | 135.8 |
| in % of revenues | 14.2 | 13.3 | 13.7 | 12.0 | 11.6 |
| Operating EBIT | 36.3 | 33.0 | 66.5 | 59.9 | 97.1 |
| in % of revenues | 11.3 | 11.0 | 10.6 | 10.2 | 8.3 |
| ROCE (Operating EBIT) in % | | | 16.3 | 15.8 | 15.6 |
| Net profit | 35.6 | 17.3 | 63.2 | 30.4 | 43.2 |
| in % of revenues | 11.1 | 5.8 | 10.1 | 5.2 | 3.7 |
| Total assets | | | 1,121.0 | 1,071.2 | 1,078.3 |
| Equity | | | 433.6 | 206.9 | 223.7 |
| Equity ratio in % | | | 38.7 | 19.3 | 20.7 |
| Net debt | | | 242.3 | 397.1 | 357.4 |
| Cash flow from operating results | | | 93.9 | 61.0 | |
| CAPEX (capital expenditure) | 13.0 | 8.6 | 23.7 | 18.1 | 49.6 |
| in % of revenues | 4.1 | 2.9 | 3.8 | 3.1 | 4.2 |
| Headcount (full-time equivalent) | | | 7,358 | 7,134 | 7,182 |

| | |
|---|---|
| Operating EBITDA | Earnings before Interest, Taxes, Depreciation and Amortisation adjusted from IAS Exceptional/Restructuring and prior additionally from other one-time effects. |
| Operating EBIT | Earnings before Interest and Taxes adjusted from IAS Exceptional/Restructuring and prior year additionally from other one-time effects. |
| ROCE | Rate of Return on Capital Employed based on Operating EBIT (12 months rolling) as a percentage of average Capital Employed (= intangible assets + property & plant + working capital – other curr. liabilities & curr. provisions) |
| Note | The figures for the reporting period and prior periods were adjusted for the sale of the Airfield activities to reflect the application of IFRS 5. |

Dear Shareholders,


Andreas J. Ludwig


Thomas Spitzenpfeil

In the 2006/07 financial year the Zumtobel Group continues to post renewed growth, as evidenced once again by the figures for the second quarter. Even compared with the positive development of business in the first quarter we are now able to report a further increase in the pace of growth. Our share price too has shown a strong increase amidst a general market recovery. In the course of the reporting period, the price of our shares rose by more than 20 %, outpacing the key benchmark indexes by a substantial margin.

## Focused growth strategy proves its worth

The development of the key financial indicators in the second quarter (August to October) proves that the Zumtobel Group's growth initiatives are on the right track. Our focus on new technologies and our regional expansion into the growth regions of Asia and Eastern Europe are reflected in exceptional growth rates. Group revenues for the second quarter totalled EUR 321.1 million, which represents an increase of 7.0 % over the comparable prior year figure. The more dynamic pace of growth is illustrated by a comparison with the previous quarter, when the growth rate stood at 6.4 %. In regional terms, increases of 43.1 % in Eastern Europe and 49.0 % in Asia stood out among the positive overall development of revenues. With regard to the revenues of the two divisions, both the lighting division with the Zumtobel and Thorn brands (+3.7 % to EUR 241.6 million), and the TridonicAtco division (+14.0 % to EUR 97.1 million) reported good progress. The performance of TridonicAtco reflects both a marked increase in unit sales and the ongoing replacement of magnetic ballasts with new electronic ballasts, as well as higher sales margins owing to developments in raw material prices. As anticipated, and as in previous reporting periods, the new LED technologies indicated their extensive growth potential as revenues moved ahead 35 %.

## Q2 brings double-digit EBIT margin

Earnings at the Zumtobel Group outpaced the increase in revenues. Group operating EBIT was up by almost 10 % to EUR 36.3 million. Zumtobel clearly attained its goal of reaching an EBIT margin well into double figures – supported by seasonal factors – posting an adjusted EBIT margin of 11.3 % in the second quarter, following on from 9.9 % in the first quarter. The positive effects of the IPO and the resultant reduction in Group debt are reflected in a significant improvement in financial results. The Zumtobel Group thus reported a profit before tax of EUR 32.0 million in the second quarter, which equates to an increase of almost 50 % over the comparable prior year period. Net profit was also influenced by non-recurring income of EUR 8.7 million from the sale of the non-core activities of our airfield lighting business. As a result, the Zumtobel Group posted a 106 % increase in profits, which totalled EUR 35.6 million after taxes and minority interests.



## Effective restructuring bears fruit

In the second quarter, the Zumtobel Group continued its unremitting efforts to optimise corporate structures. Two items of particular note in this respect are the transfer of production activities to our Romanian plant in Curtici, and the sale of our airfield lighting business, enabling us to focus more closely on our core competencies. In addition, the Group also improved its position in the high-growth Chinese market. Following the acquisition of the 30 percent minority holding in November, we are now the sole owner of our former joint venture there. The growing importance of China has been revealed in the third quarter as the Group obtained its largest single order to date from the Asian region. Our subsidiary Thorn Asia has won the lighting contract for one of the largest infrastructural projects in China – the expansion of Beijing Airport. The order is worth at least EUR 3 million.

In the course of the second quarter we also initiated the LITE project. This concerns the optimisation of our existing real estate portfolio and the sale of non-essential property. While this led to a slight negative impact on earnings in the second quarter, by the end of the 2007/08 financial year the Zumtobel Group is expecting the LITE project to generate cash proceeds of at least EUR 30 million and an extraordinary effect on EBIT of more than EUR 20 million. A relatively small portion of these funds will accrue to us in the current third quarter of this financial year. The resultant enhanced liquidity will be available for new generic and external growth, and further reduction of net debt.

## Outlook: Positive prospect for financial year as a whole

The very good developments in the second quarter supports our positive view of the financial year as a whole. We are convinced that we can step up both revenues and earnings in the second half year as well, compared to the prior year period. However, we are expecting to see some fade in second-half growth rates compared to the first half year. We also wish to point out that the current third quarter covering the winter season is traditionally the weakest of our financial year. After a very successful first half year, we are much closer to attaining our goal of an EBIT margin of over 9 % in this financial year. If the current favourable economic forecasts prove accurate, we will be targeting a double-digit EBIT margin for the 2007/08 financial year.

Dr. Andreas J. Ludwig
Chief Executive Officer

Dipl. Wirtsch.-Ing. Thomas Spitzenpfeil
Chief Financial Officer

Photo: Angelo Kaunat

1

Photo: MM Video-Fotowerbung

2

Photo: xpb.cc limited

3

Vivo spotlight system

1 Therme Nova, Köflach, Austria
2 Globetrotter, Köln, Germany
equiped with the Vivo spotlight system
3 Hospitality Atrium, BMW Sauber F1 Team, international



## 1. Dynamic growth in the global economy

The International Monetary Fund (IMF) expects the global economy to remain on an upward trend during the last half of 2006, and has therefore forecasted worldwide growth of 5.1 % for the full year. The Organisation for Economic Cooperation and Development (OECD) is similarly optimistic, and raised its forecasts for the euro zone from 2.2 % to 2.7 % in September. This development will be supported, above all, by recovery in Germany. The IMF expects the USA to record a plus of 3.4 % in spite of a noticeable slowdown, while the Japanese economy could reach a growth rate of 2.7 % for the year. The emerging economies in Asia are characterised by strong momentum, and economists have predicted an increase of 10.0 % for China and 8.3 % for India. Driven by the dynamic Russian economy (+6.5 %), Eastern Europe should also record growth of 5.3 % for the year.

## 2. Significant events

The first half of the current financial year was characterised by a strong improvement in revenues and earnings. In addition, significant steps were taken to support the further development of the Group. The most significant event was undoubtedly the initial public offering of Zumtobel AG on 12 May 2006. The capital increase carried out at that same time raised net proceeds of EUR 148.7 million, which substantially improved the financial strength of the Group and increased the equity ratio to 38.7 %.

A series of restructuring measures, which were introduced and recognized as expenses during the previous financial year, are now being implemented according to plan. The plant in Tettnang, Southern Germany, was closed during the second quarter. The new facility in the Romanian city of Curtici (near Arad) started operations on schedule in October, and now also produces the products formerly manufactured in Tettnang. Activities are also proceeding as planned to combine the two Australian lighting facilities into a newly constructed plant; the property in Somersby has been sold, however this transaction will only be reflected in earnings for the third quarter.

Further measures – summarised under the project name "LITE" – will be implemented over the coming 18 months to optimise the Group's real estate holdings. Plans call for the sale of numerous non-operating properties in Europe and Australia as well as the amendment of existing rental and lease agreements. These activities are expected to generate cash inflows of at least EUR 30 million and a have a total non-recurring effect of more than EUR 20 million on earnings before interest and taxes (EBIT). The larger component of this positive effect is expected to be realised during the 2007/08 financial year (1 May 2007 to 30 April 2008). Zumtobel sold an undeveloped property at the Group headquarters in Dornbirn, Austria, during the second quarter of 2006/07 and arranged for the premature termination of a rental contract in Great Britain that would have expired in 2023.

As of 1 November 2006 the Zumtobel Group sold Thorn Airfield Lighting (Thorn AFL), a business unit of Thorn Lighting, to the Swedish Safegate, a specialist for airport docking and control systems. The activities of Thorn AFL focus on the production and sale of airfield lighting and generated approximately EUR 20 million in 2005/06, or only ca. 2 % of revenues recorded by the Zumtobel Group for that financial year. Decisive factors in favour of this sale were the strong cyclical fluctuations affecting the Thorn AFL business as well as the increasing share of installation services that cannot be provided by the Zumtobel Lighting Division. The production of AFL products in France is not affected by this transaction, and will allow Thorn to record annual revenues of approximately EUR 5 million with Safegate in the future. As a consequence of this transaction, the earnings recorded by the airfield business were classified as profit from discontinuing operations and deconsolidated for the current and previous financial years in accordance with IFRS 5.[1]

A significant event that occurred after the balance sheet date on 31 October 2006 is the full takeover of the activities of Thorn Asia by the Zumtobel Group as of 21 November 2006. This transaction represents the purchase of the 30 % stake previously held by Jardine Matheson Europe B.V. The acquisition took effect on 30 November 2006, and will allow the Zumtobel Group to strengthen its focus on the growth programme implemented for the Asian market. It will also help to continue the strategically important integration of the worldwide production network for the lighting business. No other significant events occurred during the reporting period.

## 3. Development of revenues

Revenues for the first half of the 2006/07 financial year totalled EUR 625.6 million after adjustment for the AFL activities. This represents an increase of EUR 39.3 million, or 6.7 %, over the prior year figure of EUR 586.3 million.

The growth in revenues was negatively influenced by fluctuations in foreign exchange rates, which led to currency translation adjustments of EUR 5.1 million for the first six months of the 2006/07 financial year. The main components of this charge were caused by the devaluation of the Australian Dollar and New Zealand Dollar at EUR 3.9 million. Translation charges arising from other currencies were related chiefly to the devaluation of the CHF with EUR 0.6 million and USD with EUR 0.7 million. After an adjustment for foreign currency effects, revenues would have increased 7.6 % over the first half of the previous year. These currency translation charges were contrasted with positive revenue effects of EUR 7.7 million, which reflected the increases in selling prices for magnetic products due to higher copper costs.

The growth in revenues totalled 7.0 % for the second quarter, and represents a further improvement over the rate of 6.4 % that was recorded during the first three months of the current financial year.

[1] In the following analysis, all figures were adjusted to reflect the deconsolidation of AFL.



Revenues recorded by the Zumtobel Lighting Division increased from EUR 453.0 million in the comparable prior year period to EUR 468.4 million for the first half of 2006/07, or by 3.4 %. Moreover, the 3.7 % growth recorded for the second quarter represents an improvement over the 3.1 % registered in the first three months of 2006/07. The TridonicAtco Division reported revenues of EUR 192.5 million for the first six months, which represents a plus of 14.4 % over the comparable period of the previous year. The growth rate fell slightly below the first quarter level of 14.8 % as expected, but still reached 14.0 % for the second three months.

The Zumtobel Lighting Division profited from growth in the emerging markets of Asia and Eastern Europe as well as favourable developments in the Group's business with international projects and key accounts. In the TridonicAtco Division the increase in revenues was supported by a significant rise in volumes and continuing shift of the product mix to higher-value electronic ballasts. In addition, the division was able to pass on a large part of the higher cost of copper for magnetic ballasts to the market.
Europe remained the largest market for the Zumtobel Group with a 79.0 % share of total revenues for the first six months (comparable prior year period: 81.6 %). Revenues in this region increased 3.3 % to EUR 494.2 million, with the second quarter bringing a decline to 2.6 % from the first quarter level of 3.9 %. The growth rates within Europe varied widely during the first half-year, and these differences were intensified by the normal shifts associated with the project business. Above-average and accelerating development was recorded in East Europe (+33.5 % to EUR 33.4 million) and Southern Europe (+22.9 % to EUR 59.3 million). In contrast, the German-speaking countries (D-A-CH) registered a slight decline of 0.3 % to EUR 151.8 million, which was caused by a substantial drop of 5.7 % during the second quarter. This decline occurred in spite of the generally positive market environment, and was triggered by the temporary postponement of projects and a decrease in the delivery of large contracts during the second quarter of 2006/07 in comparison to the high previous year level. The Group also consciously reduced its activities on a number of projects with commodity products that are the focus of aggressive price competition. Growth was reserved in Western Europe, with an increase of 0.5 % to EUR 200.7 million for the first six months after a decline of 0.9 % in the first quarter. In Great Britain the Thorn brand was able to recover somewhat after a weak first quarter, and Western Europe registered an increase of 1.9 % for the second quarter. Sweden recorded sound growth, but Northern Europe reported an overall downturn because of a further decline in revenues in Norway that resulted from the reorganisation of the local sales company during December 2005. These developments led to a drop of 8.3 % in revenues from the comparable prior year level to EUR 48.9 million for the first half of the reporting year. In Asia growth continued to accelerate during the second quarter (+ 49.0 %), raising revenues by 41.3 % to EUR 47.4 million for the first half-year. Thorn won its largest single order to-date in China with a major project to provide lighting for the expansion of the terminal at Peking Airport. Developments in America remained positive with a plus of 14.7 % to EUR 21.6 million. In Australia/New Zealand an excellent

second quarter (+9.3 %) marked the start of the turnaround after the conclusion of restructuring measures, and revenues rose by 6.6 % to EUR 55.6 million for the first half-year. If an adjustment were made for the above-mentioned negative impact from the devaluation of the Australian Dollar and New Zealand Dollar, the increase would have totalled a strong 14.0 %.

The LED business also reported increased growth of 35 % to EUR 9.7 million for the first six months of 2006/07, which represents an improvement over the increase of 30 % recorded for the first quarter.

## 4. Development of earnings

### 4.1 Gross profit

Gross profit rose by EUR 16.5 million, or 7.0 %, from EUR 235.2 million in the comparable prior year period to EUR 251.7 million for the first six months of the 2006/07 financial year. As a percentage of revenues, gross profit increased 10 basis points to 40.2 %. The price of raw materials and energy continued to escalate during the second quarter. This development led to an above-average increase in the cost of materials, which rose to 42.1 % of revenues or EUR 263.1 million versus 41.7 % or EUR 244.5 million in the first six months of 2005/06. This increase includes EUR 8.1 million from higher copper costs. The implementation of planned productivity improvements led to a reduction in personnel expenses for the production area from 13.4 % of revenues in the comparable prior year period to 12.6 % for the first half of the reporting year, or by 80 basis points. In spite of the substantial increase in revenues, personnel expenses increased only slightly from EUR 78.4 to 78.9 million.

### 4.2 Development of costs

Excluding exceptional items, selling, administrative and other expenses rose by EUR 8.6 million (+5.3 %) to EUR 173.0 million or 27.7 % of revenues (comparable prior year period: 28.0 %). This development resulted from an increase of EUR 1.4 million in variable transportation costs and sales commissions that paralleled the growth in revenues as well as higher fixed costs for employees (+ EUR 4.1 million, thereof EUR 1.3 million for the development of new areas of business by Lexedis, LEDON and TridonicAtco China Sales) and marketing expenses (+ EUR 1.0 million).

Research and development expenses increased EUR 1.2 million to EUR 12.2 million for the reporting period. In addition, development costs of EUR 5.4 million were capitalised during the first six months (comparable prior year period: EUR 5.0 million). The Zumtobel Group invested a total of EUR 17.6 million, or 2.8 % of revenues, on research and development during the reporting period compared to EUR 15.9 million or 2.7 % in the first half of 2005/06.



### 4.3. Earnings before interest and taxes

Reported earnings before interest and taxes (EBIT) rose by EUR 12.1 million to EUR 65.3 million for the first two quarters of the 2006/07 financial year. Operating EBIT reached EUR 66.5 million after an adjustment for exceptional items, which represents an increase of EUR 6.7 million versus the comparable prior period. The exceptional items recognised during the first half-year resulted above all from expenses of EUR 1.2 million, which were incurred during the second quarter in connection with the "LITE" programme but will be offset by positive effects from this project in the third quarter of the reporting year. EBIT for the comparable prior year period (EUR 53.2 million) included EUR 6.6 million of exceptional items and non-recurring expenses, which were related above all to restructuring. The operating EBIT margin improved from 10.2 % in the first half of 2005/06 to 10.6 % for the reporting period.

| TEUR | 1st Half Year 2006/07 | 1st Half Year 2005/06 | 2nd Quarter 2006/07 | 2nd Quarter 2005/06 | 1st Quarter 2006/07 restated | 1st Quarter 2005/06 restated |
|---|---|---|---|---|---|---|
| Operating EBIT | 66,522 | 59,860 | 36,315 | 33,016 | 30,207 | 26,844 |
| in % | 10.6 | 10.2 | 11.3 | 11.0 | 9.9 | 9.4 |

### 4.4 Financial results

Net interest costs represented expenses of EUR 12.5 million for the first half of the 2006/07 financial year, compared to expenses of EUR 15.3 million in the comparable prior year period. Interest expense for the second quarter decreased by EUR 2.9 million following a special repayment of EUR 143 million on long-term financial liabilities in May. Interest expense for the first quarter showed no change in comparison to the prior year period because of the EUR 2.3 million in non-recurring expenses that were linked to the above-mentioned early repayment.

Other financial income and expenses decreased to net expense of EUR 1.6 million for the first half-year, compared to net expense of EUR 3.9 million in the comparable prior year period. This figure reflects a reduction of EUR 3.2 million in net interest expense on long-term pension commitments (interest components as defined by IAS 19). Currency translation adjustments and income from associated companies showed positive development with increases of EUR 1.5 million and EUR 0.3 million, respectively. The market valuation of derivatives and the TIR convertible bond as of the balance sheet date resulted in a total valuation expense of EUR 2.6 million.

Financial results show a total expense of EUR 14.1 million for the first half of 2006/07, which represents a decrease of EUR 5.0 million in comparison to the expenses recorded for the first six months of the previous year.

### 4.5. Profit before tax

Profit before tax rose by EUR 17.1 million, or 50.2 %, to EUR 51.2 million.

### 4.6 Income taxes

Income taxes for the first half-year show a credit of EUR 2.8 million (comparable prior year period: minus EUR 4.9 million), which resulted primarily from tax income of EUR 11.7 million on deferred tax assets that was recognised during the first quarter of the reporting year. The initial public offering and improved prospects for earnings in the Austrian companies led to the partial reversal of impairment charges to deferred tax assets. In contrast, current tax expense increased to EUR 8.8 million (comparable prior year period: EUR 4.5 million).

### 4.7. Profit from discontinued operations

The sale of the airfield business, including the proceeds on this transaction, and subsequent deconsolidation resulted in profit after tax of EUR 9.4 million for the first six months of 2006/07 (vs. EUR 0.9 million in the comparable prior year period).

### 4.8. Net profit for the period

Net profit for the first half of the 2006/07 financial year (after minority interests) totalled EUR 63.2 million, compared with EUR 30.4 million for the first six months of 2005/06. This represents an improvement of EUR 32.8 million or 107.9 %. Basic earnings per share rose from EUR 0.83 (basis: 36.8 million shares) to EUR 1.44 for the reporting period (basis: 44.0 million shares).

### 5. Asset and financial position

As of 31 October 2006 the balance sheet total equalled EUR 1,121.0 million. The increase since 30 April 2006 (EUR 1,078.3 million) resulted primarily from a seasonal rise of EUR 59 million in working capital and parallel decline of EUR 21.4 million in cash and cash equivalents as well as an increase of EUR 17.0 million from the revaluation of deferred tax assets. Working capital totalled EUR 299.7 million as of 31 October 2006 (31 October 2005: EUR 285.8 million) and declined as a percentage of revenues [2] from 25.7 % on 31 October 2005 to 24.8 % as of 31 October 2006.

Equity increased EUR 209.9 million to EUR 433.6 million as a result of net profit for the period and the capital increase that was carried out in connection with the initial public offering.

[2] Based on rolling 12-month revenues



### 6. Cash flow statement

The decline in cash flow from operating results from EUR 31.3 million in the comparable prior year period to EUR 20.0 million resulted chiefly from the increase in working capital that accompanied the growth in revenues as well as the use of provisions for restructuring. The non-cash effects of EUR 8.4 million as of the balance sheet date, which arose from the sale of the airfield business, are shown as a deduction on a separate line.

Cash outflows for investing activities rose by EUR 12.0 million over the comparable prior year period due to higher investments in property, plant and equipment as well as cash outflows related to the disposal of non-current assets. This last item is comprised mainly of net effects from transactions relating to the "LITE" project. The change in cash and cash equivalents arising from changes in the consolidation range reflect the decrease in cash that followed the deconsolidation of DNT Airfield Lighting Ltd.

### 7. Outlook: Positive prospect for financial year as a whole

The very good developments in the second quarter have further increased our positive view of the financial year as a whole. We are convinced that we can step up both revenues and earnings in the second half year as well, compared to the prior year period. However, we are expecting to see some fade in second-half growth rates compared to the first half year. We also wish to point out that the current third quarter covering the winter season is traditionally the weakest of the year. After a very successful first half year, we are much closer to attaining our goal of an EBIT margin of over 9 % in this financial year. If the current favourable economic forecasts prove accurate, we will be targeting a double-digit EBIT margin for the 2007/08 financial year.

Dornbirn, December 2006

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

## Zumtobel share moves ahead strongly

With the tension easing in the Middle East and the falling price of oil, since mid August 2006 financial experts have begun taking a more optimistic view of economic developments, and a positive trend has emerged on the world's stock markets. The Zumtobel AG share was among the beneficiaries of these favourable background conditions. In the second quarter of the 2006/07 financial year the Zumtobel share price rose 22.7 % (closing 31 October 2006, compared to 31 July 2006). The leading Austrian share index, the ATX (Austrian Traded Index), also moved ahead in the reporting period, although not as strongly as the Zumtobel share, advancing 10.3 %. On the first day of trading in the reporting period, August 1, Zumtobel shares closed at EUR 16.50, their lowest price in the entire quarter. In the subsequent weeks, the share price showed a continuous rise, reaching a peak at EUR 19,98 on 24 October 2006.

The Zumtobel share closed the quarter on 31 October 2006 at EUR 19.81. As a result, based on an unchanged number of just under 44.7 million shares, Zumtobel's market capitalisation reached approximately EUR 885 million. The structure of the shareholder base too has remained largely unchanged since the IPO. Around 60.4 % of Zumtobel shares are in the free float. Of the original shareholders, the Zumtobel family holds just over 34 % and the financial investor KKR (Kohlberg Kravis Roberts & Co.) 5.5 % of the shares.

## Admission to the ATX boosts share performance

The strong performance of the Zumtobel share in the second quarter was due not least to the share's admission to the ATX index on 18 September 2006. This officially accredited Zumtobel as one of the 20 shares with the highest liquidity in the Prime Market of the Vienna Stock Exchange. On 31 October 2006, the Zumtobel share ranked 18th in the Prime Market in terms of the two decisive criteria for admission to the ATX: average daily transaction volume and market capitalisation of the free float. At the end of the reporting period, Zumtobel accounted for 0.86 % of the volume of transactions in the ATX.

Along with admission to the ATX, positive forecasts from several investment banks also contributed to the strong performance of the Zumtobel share price. When the figures for the first quarter of 2006/07 were released on 19 September 2006 and came up to market expectations, the analysts raised their upside targets for Zumtobel, in some cases substantially. According to the analysts, the current upside price potential of the company's shares runs as high as EUR 27.00. Following publication of the quarterly results, Zumtobel management also intensified its investor relations activities, with roadshows for institutional investors in Frankfurt, Paris and the UK. In addition, the company is planning to stage a shareholder event in Vienna in summer 2007 that will target private investors.



## Issue price surpassed in third quarter

As the third quarter began, the positive trend in the development of the Zumtobel share continued. By mid November the share price had progressed to EUR 21.75, while the ATX as a whole failed to display any substantial upward trend in November. In the course of the general market correction phase that then set in, however, the Zumtobel share had surrendered part of its price gains by the time the quarterly report went to press.

Zumtobel AG versus ATX, May 11 to November 30, 2006


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

## Income Statement

| TEUR | 2nd Quarter 2006/07 | 2nd Quarter 2005/06* | 1st Half Year 2006/07 | 1st Half Year 2005/06* |
|---|---|---|---|---|
| Revenues | 321,083 | 300,092 | 625,621 | 586,311 |
| Cost of goods sold | -192,056 | -180,078 | -373,905 | -351,105 |
| Gross profit | 129,026 | 120,015 | 251,716 | 235,206 |
| in % | 40.2 | 40.0 | 40.2 | 40.1 |
| Selling expenses | -68,112 | -65,352 | -137,393 | -129,138 |
| Administrative expenses | -20,016 | -21,964 | -38,941 | -41,528 |
| Research and development expenses | -5,277 | -5,537 | -12,156 | -10,940 |
| Other operating results | -643 | 5,430 | 2,113 | -360 |
| Thereof "special effects" | -1,338 | 2,045 | -1,184 | -3,726 |
| Operating profit | 34,978 | 32,592 | 65,338 | 53,240 |
| in % | 10.9 | 10.9 | 10.4 | 9.1 |
| Net interest income/(expense) | -4,671 | -7,527 | -12,516 | -15,271 |
| Other financial income and expense | 1,738 | -3,619 | -1,629 | -3,893 |
| Thereof profit/(loss) from associated companies | 668 | 399 | 1,136 | 761 |
| Financial results | -2,933 | -11,146 | -14,145 | -19,164 |
| in % | -0.9 | -3.7 | -2.3 | -3.3 |
| Profit before tax | 32,045 | 21,446 | 51,193 | 34,076 |
| in % | 10.0 | 7.1 | 8.2 | 5.8 |
| Income taxes | -4,988 | -4,561 | 2,831 | -4,868 |
| Profit from continuing operations | 27,057 | 16,885 | 54,024 | 29,208 |
| in % | 8.4 | 5.6 | 8.6 | 5.0 |
| Profit from discontinued operations | 8,708 | 185 | 9,363 | 871 |
| in % | 2.7 | 0.1 | 1.5 | 0.1 |
| NET PROFIT FOR THE PERIOD | 35,765 | 17,070 | 63,387 | 30,079 |
| in % | 11.1 | 5.7 | 10.1 | 5.1 |
| Thereof due to minority shareholders | 195 | -188 | 168 | -332 |
| Thereof due to shareholders of the parent company | 35,571 | 17,258 | 63,219 | 30,411 |

*The comparable prior year figures were adjusted to reflect the application of IFRS 5.

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



## Earnings per share

| TEUR | 2nd Quarter 2006/07 | 2nd Quarter 2005/06* | 1st Half Year 2006/07 | 1st Half Year 2005/06* |
|---|---|---|---|---|
| Net profit as of October 2006 (adjusted for minority interests) | 35,571 | 17,258 | 63,219 | 30,411 |
| Profit from continuing operations (adjusted for minority interests) | 26,863 | 17,073 | 53,857 | 29,540 |
| Average number of shares outstanding – basic | 44,210 | 36,809 | 43,963 | 36,809 |
| Average diluting effect (stock options) | 290 | 588 | 290 | 588 |
| Average number of shares outstanding – diluted | 44,500 | 37,397 | 44,253 | 37,397 |
| Earnings per share | | | | |
| Basic earnings per share | € 0.80 | € 0.47 | € 1.44 | € 0.83 |
| Diluted earnings per share | € 0.80 | € 0.46 | € 1.43 | € 0.81 |
| Earnings per share from continuing operations | | | | |
| Basic earnings per share | € 0.61 | € 0.46 | € 1.23 | € 0.80 |
| Diluted earnings per share | € 0.60 | € 0.46 | € 1.22 | € 0.79 |

| TEUR | October 2006 | April 2006* |
|---|---|---|
| Goodwill | 278,468 | 282,873 |
| Intangible assets | 27,229 | 23,768 |
| Property, plant and equipment | 195,233 | 196,950 |
| Shares in associated companies | 7,514 | 6,681 |
| Financial assets | 4,899 | 4,914 |
| Other receivables & assets | 8,666 | 8,320 |
| Deferred tax assets | 23,479 | 6,504 |
| Non-current assets | 545,488 | 530,011 |
| in % | 48.7 | 49.2 |
| Inventories | 167,477 | 145,158 |
| Trade receivables | 275,122 | 245,840 |
| Other receivables & assets | 44,079 | 43,425 |
| Securities | 38 | 29 |
| Liquid funds | 83,913 | 105,317 |
| Current assets | 570,629 | 539,769 |
| in % | 50.9 | 50.1 |
| Available for sale assets | 4,863 | 8,555 |
| in % | 0.4 | 0.8 |
| ASSETS | 1,120,980 | 1,078,335 |

*The comparable prior year figures were adjusted to reflect the application of IFRS 5.
Note: The use of automatic data processing equipment can lead to rounding differences.



| TEUR | October 2006 | April 2006* |
|---|---|---|
| Capital attributed to majority shareholders | 428,675 | 218,886 |
| Share capital | 111,761 | 92,023 |
| Additional paid-in capital | 350,877 | 232,452 |
| Reserves | - 97,182 | - 148,809 |
| Net profit for the period | 63,219 | 43,220 |
| Capital attributed to minority shareholders | 4,912 | 4,836 |
| Equity | 433,587 | 223,722 |
| in % | 38.7 | 20.7 |
| Provisions for pensions | 26,571 | 26,513 |
| Other provisions | 40,255 | 49,600 |
| Non-current borrowings | 303,969 | 391,872 |
| Other liabilities | 1,254 | 1,519 |
| Deferred taxes | 10,678 | 8,628 |
| Non-current liabilities | 382,727 | 478,132 |
| in % | 34.1 | 44.3 |
| Provisions for taxes | 40,302 | 33,658 |
| Other provisions | 25,449 | 37,858 |
| Current borrowings | 22,219 | 70,857 |
| Trade payables | 125,706 | 139,557 |
| Other liabilities | 90,991 | 91,997 |
| Current liabilities | 304,667 | 373,927 |
| in % | 27.2 | 34.7 |
| Liabilities related to available for sale assets | 0 | 2,554 |
| in % | 0.0 | 0.2 |
| EQUITY AND LIABILITIES | 1,120,980 | 1,078,335 |

## Cash Flow Statement

| TEUR | 1st Half Year 2006/07 | 1st Half Year 2005/06* |
|---|---|---|
| Operating profit from continuing and discontinued operations | 74,856 | 54,305 |
| Depreciation and amortisation | 20,265 | 16,917 |
| Other non-cash changes | 5,790 | -6,809 |
| Reclassifications | 1,377 | -3,385 |
| Airfield business | -8,437 | 0 |
| Cash flow from operating results | 93,850 | 61,028 |
| Inventories | -22,297 | -5,975 |
| Trade receivables | -30,552 | -24,601 |
| Trade payables | -13,564 | -16,320 |
| Prepayments received | 7,004 | 1,122 |
| Change in working capital | -59,408 | -45,774 |
| Non-current provisions | -320 | 12,053 |
| Current provisions | -12,904 | 10,121 |
| Other current and non-current receivables and liabilities | 796 | -3,740 |
| Change in other operating items | -12,428 | 18,434 |
| Taxes paid | -2,038 | -2,359 |
| Cash flow from operating activities | 19,976 | 31,329 |
| Proceeds from the sale of non-current assets | -1,406 | 3,246 |
| Capital expenditures | -23,731 | -18,126 |
| Change in non-current and current financial assets | 279 | -826 |
| Change in liquid funds from changes in the consolidation range | -2,803 | 0 |
| Cash flow from investing activities | -27,661 | -15,706 |
| FREE CASH FLOW | -7,685 | 15,623 |
| Change in net borrowings | -147,366 | -18,278 |
| Thereof restricted cash | -866 | -5,653 |
| Capital increases | 148,742 | 0 |
| Share buyback | -13,857 | 0 |
| Interest paid | -12,649 | -14,667 |
| Cash flow from financing activities | -25,129 | -32,944 |
| Effect of exchange rate changes on cash and cash equivalents | 534 | 1,012 |
| Change in cash and cash equivalents | -32,280 | -16,309 |
| Cash and cash equivalents at the beginning of the period | 97,373 | 74,157 |
| Cash and cash equivalents at the end of the period | 65,093 | 57,848 |
| Change | -32,280 | -16,309 |

*The comparable prior year figures were adjusted to reflect the application of IFRS 5.

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



## Capital and Reserves

| | Attributable to shareholders of the parent company | | | | | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|
| TEUR | Share capital | Additional paid-in capital | Reserves | Net profit for period | Total | | |
| April 2006 | 92,023 | 232,452 | -148,809 | 43,220 | 218,886 | 4,836 | 223,722 |
| ± Additions to reserves | 0 | 0 | 43,220 | -43,220 | 0 | 0 | 0 |
| ± Net profit for the period | 0 | 0 | 0 | 63,219 | 63,219 | 168 | 63,387 |
| ± Capital increases | 19,738 | 142,110 | 0 | 0 | 161,848 | 0 | 161,848 |
| ± Transaction costs | 0 | -9,829 | 0 | 0 | -9,829 | 0 | -9,829 |
| ± Share buyback | 0 | -13,857 | 0 | 0 | -13,857 | 0 | -13,857 |
| ± Dividend payment | 0 | 0 | 0 | 0 | 0 | -50 | -50 |
| ± Currency translation differences | 0 | 0 | 645 | 0 | 645 | -42 | 603 |
| ± Hedge accounting | 0 | 0 | -2,739 | 0 | -2,739 | 0 | -2,739 |
| ± Stock option programme | 0 | 0 | 10,501 | 0 | 10,501 | 0 | 10,501 |
| October 2006 | 111,761 | 350,877 | -97,182 | 63,219 | 428,675 | 4,912 | 433,587 |

| | Attributable to shareholders of the parent company | | | | | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|
| TEUR | Share capital | Additional paid-in capital | Reserves | Net profit for period | Total | | |
| April 2005 | 92,023 | 232,452 | -183,738 | 28,351 | 169,088 | 4,522 | 173,610 |
| ± Additions to reserves | 0 | 0 | 28,351 | -28,351 | 0 | 0 | 0 |
| ± Net profit for the period | 0 | 0 | 0 | 30,411 | 30,411 | -332 | 30,079 |
| ± Currency translation differences | 0 | 0 | 2,318 | 0 | 2,318 | 370 | 2,689 |
| ± Hedge accounting | 0 | 0 | 503 | 0 | 503 | 0 | 503 |
| October 2005 | 92,023 | 232,452 | -152,566 | 30,411 | 202,320 | 4,560 | 206,880 |

| TEUR | Zumtobel Lighting Division 1st Half Year 2006/07 October 2006 | Zumtobel Lighting Division 1st Half Year 2005/06* April 2006 | TridonicAtco Division 1st Half Year 2006/07 October 2006 | TridonicAtco Division 1st Half Year 2005/06* April 2006 |
|---|---|---|---|---|
| Net revenues | 468,376 | 453,046 | 192,490 | 168,267 |
| External revenues | 468,335 | 452,226 | 157,348 | 133,605 |
| As a % of the Group | 74.9 | 77.5 | 25.2 | 21.4 |
| Inter-company revenues | 42 | 819 | 35,142 | 34,662 |
| Operating profit | 43,333 | 35,969 | 20,659 | 17,603 |
| As a % of net revenues | 9.3 | 7.9 | 10.7 | 10.5 |
| As a % of the Group | 66.3 | 67.6 | 31.6 | 26.9 |
| Assets | 726,923 | 667,425 | 210,495 | 185,617 |
| As a % of the Group | 64.8 | 59.5 | 18.8 | 16.6 |
| Liabilities | 231,038 | 227,447 | 72,253 | 61,418 |
| As a % of the Group | 33.6 | 26.6 | 10.5 | 8.9 |
| Investments | 11,876 | 10,671 | 9,852 | 6,454 |
| As a % of the Group | 50.0 | 58.9 | 41.5 | 27.2 |
| Depreciation | -12,043 | -12,004 | -9,362 | -8,454 |
| As a % of the Group | 59.4 | 71.0 | 46.2 | 41.7 |
| Major non-cash items | -1,019 | -3,703 | -975 | 908 |
| Thereof expenses | -3,610 | -7,175 | -1,272 | -445 |
| Thereof income | 2,591 | 3,471 | 297 | 1,354 |

*The comparable prior year figures were adjusted to reflect the application of IFRS 5.
Note: The use of automatic data processing equipment can lead to rounding differences.



| TEUR | Others and Consolidation 1st Half Year 2006/07 October 2006 | Others and Consolidation 1st Half Year 2005/06* April 2006 | Group 1st Half Year 2006/07 October 2006 | Group 1st Half Year 2005/06* April 2006 |
|---|---|---|---|---|
| Net revenues | -35,246 | -35,002 | 625,621 | 586,311 |
| External revenues | 171 | 480 | 625,621 | 586,311 |
| As a % of the Group | 0.0 | 0.1 | 100.0 | 100.0 |
| Inter-company revenues | -35,650 | -35,481 | 0 | 0 |
| Operating profit | 1,347 | -332 | 65,339 | 53,240 |
| As a % of net revenues | -3.8 | 0.9 | 10.4 | 9.1 |
| As a % of the Group | 2.1 | -0.6 | 100.0 | 100.0 |
| Assets | 183,563 | 225,292 | 1,120,980 | 1,078,335 |
| As a % of the Group | 16.4 | 20.9 | 100.0 | 100.0 |
| Liabilities | 384,102 | 565,748 | 687,393 | 854,613 |
| As a % of the Group | 55.9 | 66.2 | 100.0 | 100.0 |
| Investments | 2,003 | 1,001 | 23,731 | 18,126 |
| As a % of the Group | 8.4 | 5.5 | 100.0 | 100.0 |
| Depreciation | 1,140 | 3,541 | -20,265 | -16,917 |
| As a % of the Group | -5.6 | -20.9 | 100.0 | – |
| Major non-cash items | -3,796 | 9,604 | -5,790 | 6,809 |
| Thereof expenses | -12,571 | -16 | -17,454 | -7,636 |
| Thereof income | 8,775 | 9,621 | 11,664 | 14,446 |

| TEUR | External Revenues 1st Half Year 2006/07 | External Revenues 1st Half Year 2005/06* | Assets October 2006 | Assets April 2006* |
|---|---|---|---|---|
| D-A-CH[1] | 151,844 | 152,348 | 424,813 | 385,470 |
| As a % of the Group | 24.3 | 26.0 | 37.9 | 35.7 |
| Eastern Europe | 33,388 | 25,007 | 11,316 | 5,062 |
| As a % of the Group | 5.3 | 4.3 | 1.0 | 0.5 |
| Northern Europe | 48,907 | 53,330 | 29,462 | 30,102 |
| As a % of the Group | 7.8 | 9.1 | 2.6 | 2.8 |
| Western Europe | 200,702 | 199,622 | 196,530 | 181,483 |
| As a % of the Group | 32.1 | 34.0 | 17.5 | 16.8 |
| Southern Europe | 59,348 | 48,306 | 22,395 | 21,149 |
| As a % of the Group | 9.5 | 8.2 | 2.0 | 2.0 |
| Europe | 494,189 | 478,612 | 611,195 | 557,217 |
| As a % of the Group | 79.0 | 81.6 | 54.5 | 51.7 |
| Asia | 47,362 | 33,514 | 38,609 | 34,703 |
| As a % of the Group | 7.6 | 5.7 | 3.4 | 3.2 |
| Australia and New Zealand | 55,616 | 52,167 | 75,043 | 71,799 |
| As a % of the Group | 8.9 | 8.9 | 6.7 | 6.7 |
| America | 21,570 | 18,813 | 15,614 | 14,939 |
| As a % of the Group | 3.4 | 3.2 | 1.4 | 1.4 |
| Other | 6,884 | 3,205 | 0 | 0 |
| As a % of the Group | 1.1 | 0.5 | 0.0 | 0.0 |
| Group | 625,621 | 586,311 | 1,120,980 | 1,078,335 |

[1] Germany, Austria, Switzerland
* The comparable prior year figures were adjusted to reflect the application of IFRS 5.
Note: The use of automatic data processing equipment can lead to rounding differences.



| TEUR | Investments 1st Half Year 2006/07 | Investments 1st Half Year 2005/06* |
|---|---|---|
| D-A-CH[1] | 17,841 | 11,825 |
| As a % of the Group | 75.2 | 65.2 |
| Eastern Europe | 503 | 70 |
| As a % of the Group | 2.1 | 0.4 |
| Northern Europe | 326 | 372 |
| As a % of the Group | 1.4 | 2.1 |
| Western Europe | 2,659 | 3,417 |
| As a % of the Group | 11.2 | 18.8 |
| Southern Europe | 81 | 8 |
| As a % of the Group | 0.3 | 0.0 |
| Europe | 21,495 | 15,693 |
| As a % of the Group | 90.6 | 86.6 |
| Asia | 589 | 1,198 |
| As a % of the Group | 2.5 | 6.6 |
| Australia and New Zealand | 1,476 | 827 |
| As a % of the Group | 6.2 | 4.6 |
| America | 204 | 408 |
| As a % of the Group | 0.9 | 2.3 |
| Other | 0 | 0 |
| As a % of the Group | 0.0 | 0.0 |
| Group | 23,731 | 18,126 |

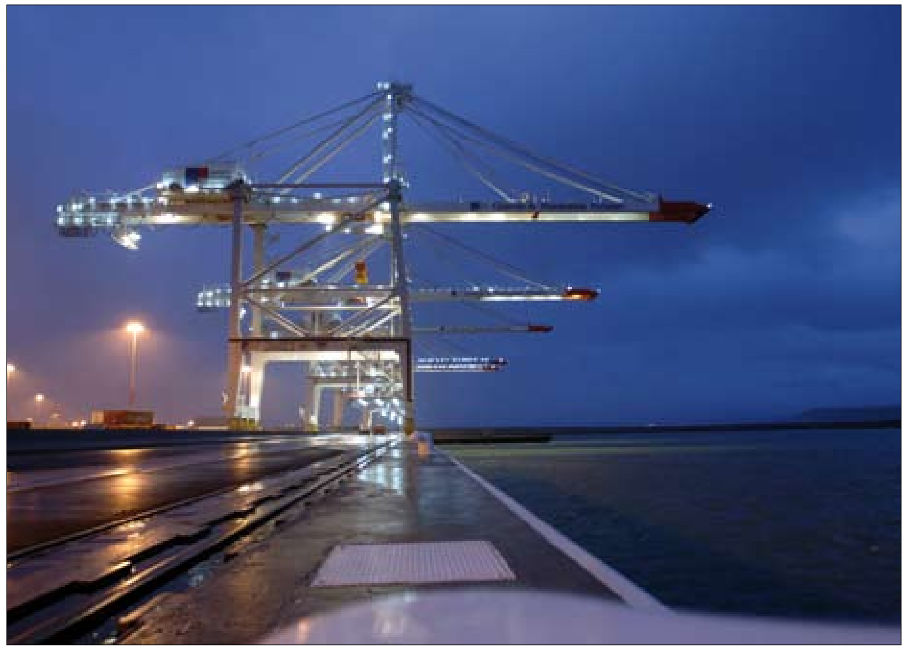

Photo: Eric Houri

1

Champion floodlight

2

Photo: Light Motiv

3

1 Maritime Port, Le Havre, France
equiped with the Champion floodlight
2 Dreamworld Cyclone, Gold Coast, Australia
3 Le Centre, Villeneuve d'Ascq, France



## 1. Accounting and Valuation Methods

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

The provisions of IFRS 5 (Discontinued Operations) were applied to the sale of the airfield business, which was concluded as of 31 October 2006 in the form of a share and asset deal. This transaction involved the sale of a subsidiary in Australia and components of subsidiaries in France and Great Britain as well as the brand. The relevant detailed information is provided in the notes under sections 2, 4.3, 4.4 and 6.

These interim financial statements were prepared in accordance with all IFRS/IAS issued by the International Accounting Standards Board (IASB) and all interpretations of the International Financial Reporting Interpretations Committee and Standing Interpretations Committee (IFRIC/SIC) that were valid as of the balance sheet date and adopted by the European Union through its endorsement procedure.

### Discretionary Scope and Estimates

Additional information on the discretionary scope and estimates is provided in the consolidated financial statements as of 30 April 2006. It should be noted that the capital increase connected with the initial public offering generated cash inflows of EUR 148.7 million, which were used primarily to repay borrowings by the Austrian companies. The resulting decrease in interest expense and further improvement in operating earnings led to a partial reversal of the valuation adjustment to deferred tax assets on loss carryforwards during the first quarter of 2006/07. The usability of these loss carryforwards was determined on the basis of forecasted profit before tax for the next three financial years.

## 2. Consolidation Range

The consolidated financial statements include all major Austrian and foreign companies in which Zumtobel AG has management control or directly or indirectly holds the majority of voting rights. The consolidation range changed as follows during the first half of 2006/07:

| Consolidation range | Full | Proportional | At equity | Total |
|---|---|---|---|---|
| April 2006 | 96 | 1 | 4 | 101 |
| Deconsolidated during the reporting year | -1 | 0 | 0 | -1 |
| October 2006 | 95 | 1 | 4 | 100 |

The deconsolidation represents Thorn DNT Airfield Lighting Pty. Ltd, an Australian company that was sold as of October 2006.

## 3. Notes to the Income Statement

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

### 3.1. Earnings per share

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

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

### 3.2. Seasonality

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

### 3.3. Expenses

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



| 1st Half Year 2006/07 TEUR | Cost of goods sold | Selling expenses | Adminis-trative expenses | Develop-ment expenses | Re-search expenses | Other operating results | Total |
|---|---|---|---|---|---|---|---|
| Cost of materials | -263,085 | -2,516 | -388 | -717 | -33 | -6 | -266,745 |
| Personnel expenses | -78,874 | -68,002 | -23,121 | -10,638 | -969 | -98 | -181,702 |
| Depreciation | -15,630 | -2,857 | -1,018 | -890 | -33 | 165 | -20,265 |
| Other expenses | -21,884 | -61,603 | -16,837 | -4,468 | -361 | -1,039 | -106,193 |
| Own work capitalised | 763 | 0 | 0 | 5,453 | 71 | 0 | 6,287 |
| Internal charges | 3,974 | -4,235 | 607 | -654 | 519 | -29 | 182 |
| Total other expenses | -374,736 | -139,213 | -40,758 | -11,914 | -807 | -1,006 | -568,435 |
| Other income | 832 | 1,820 | 1,817 | 167 | 399 | 3,119 | 8,153 |
| Total | -373,905 | -137,393 | -38,941 | -11,748 | -408 | 2,113 | -560,282 |

| 1st Half Year 2005/06 TEUR | Cost of goods sold | Selling expenses | Adminis-trative expenses | Develop-ment expenses | Re-search expenses | Other operating results | Total |
|---|---|---|---|---|---|---|---|
| Cost of materials | -244,465 | -1,929 | -184 | -849 | -11 | -4 | -247,442 |
| Personnel expenses | -78,394 | -65,871 | -21,202 | -8,743 | -1,625 | -93 | -175,928 |
| Depreciation | -14,056 | -2,897 | -1,180 | -581 | -115 | 1,913 | -16,916 |
| Other expenses | -20,370 | -56,248 | -21,429 | -3,175 | -465 | -4,259 | -105,946 |
| Own work capitalised | 339 | 107 | 0 | 4,788 | 125 | 0 | 5,359 |
| Internal charges | 2,069 | -3,637 | 2,038 | -367 | -98 | -5 | 0 |
| Total other expenses | -354,877 | -130,475 | -41,957 | -8,927 | -2,189 | -2,448 | -540,873 |
| Other income | 3,772 | 1,338 | 429 | 54 | 122 | 2,088 | 7,803 |
| Total | -351,105 | -129,138 | -41,528 | -8,873 | -2,067 | -360 | -533,070 |

### 3.4. Other operating results

| TEUR | 2nd Quarter 2006/07 | 2nd Quarter 2005/06 | 1st Half Year 2006/07 | 1st Half Year 2005/06 |
|---|---|---|---|---|
| Public subsidies | -16 | 75 | 359 | 264 |
| License income | 807 | 0 | 2,187 | 0 |
| Exceptional items | -1,338 | 2,045 | -1,184 | -3,726 |
| Impairment charges to (-) revaluation of (+) non-current assets | 22 | 0 | 167 | 0 |
| Restructuring | 25 | -3,622 | 34 | -9,393 |
| Gains / losses on sale | -1,754 | 7,184 | -1,754 | 7,184 |
| Miscellaneous | 369 | -1,517 | 369 | -1,517 |
| Other | -96 | 3,310 | 751 | 3,102 |
| Total | -643 | 5,430 | 2,113 | -360 |

License income comprises revenues from the new LED business. Exceptional items in accordance with IAS 1 include the following major positions: The prior year costs for restructuring are comprised primarily of personnel and other expenses related to the shutdown of a production facility in Germany and a plant in Australia as well as costs for reorganisation measures in the sales, marketing and administrative areas. The net losses of TEUR 1,754 on sales made during the current financial year are comprised of a gain of TEUR 2,298 on the sale of a property in Austria and a loss of TEUR 4.116 from the termination of a rental agreement for an unused warehouse and office building in Great Britain. The gain on sale from the prior year consists mainly of non-recurring income (betterment payment) of EUR 6.9 million on the sale of shares in another company. The position "other" represents currency translation differences and other expenses arising from ordinary business transactions, which cannot be directly assigned to the other functional areas.

### 3.5. Interest income and expense

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

### 3.6. Other financial income and expenses

| TEUR | 2nd Quarter 2006/07 | 2nd Quarter 2005/06 | 1st Half Year 2006/07 | 1st Half Year 2005/06 |
|---|---|---|---|---|
| Interest component pursuant to IAS 19 | -1,041 | -3,423 | -2,079 | -5,236 |
| Foreign exchange gains and losses | 1,104 | -87 | 1,914 | 442 |
| Income from associated companies | 668 | 399 | 1,136 | 761 |
| Market valuations | 1,007 | -508 | -2,585 | 141 |
| Other | 0 | 0 | -15 | -1 |
| Total | 1,738 | -3,619 | -1,629 | -3,893 |

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

### 3.7. Income taxes

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



| TEUR | 2nd Quarter 2006/07 | 2nd Quarter 2005/06 | 1st Half Year 2006/07 | 1st Half Year 2005/06 |
|---|---|---|---|---|
| Current taxes | -4,886 | -3,476 | -8,767 | -4,533 |
| Deferred taxes | -102 | -1,085 | 11,598 | -335 |
| Total | -4,988 | -4,561 | 2,831 | -4,868 |

## 4. Notes to the Balance Sheet

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

### 4.1. Intangible assets

The change in this item resulted primarily from the capitalisation of internally generated intangible assets that are related to development projects, whereby TEUR 2,614 was capitalised for the first quarter of 2006/07 and TEUR 2,866 for the second quarter.

### 4.2. Financial assets

Non-current financial assets are comprised primarily of a convertible bond issued by a Canadian LED company and a long-term purchase price receivable arising from the sale of the tool production segment in 2005/06.

### 4.3. Other receivables and assets

The change in this position resulted above all from the reversal of TEUR 10,353 in accrued expenses for the Company's initial public offering, which were recorded on the balance sheet as of 30 April 2006. These expenses were recognised in equity during May 2006 as transaction costs for the procurement of equity (also see section 7.1).

Items recognised during the second quarter include a current purchase price receivable of TEUR 13,788 that arose from the sale of the airfield business – and was paid in November 2006 – as well as a non-current receivable with a present value of TEUR 1,816. The non-current receivable has a term of three years and is paid in relation to the fulfilment of certain revenue targets; 60 % of the nominal value was used as the probability of occurrence (TEUR 2,160).

### 4.4. Available for sale assets

The Group intends to sell property in connection with the restructuring of the Australian companies in the Zumtobel Lighting Division. For this reason, the related land and buildings were classified as „available for sale". The expected proceeds on sale less the costs to sell exceed the carrying values of these assets. The difference compared to the amount recorded in April is the result of foreign exchange fluctuations (also see subsequent events, section 10). The application of IFRS 5 to the sale of the airfield business led to the retroactive adjustment of prior year data. These adjustments are reflected in the reclassification of the relevant airfield assets and liabilities to the positions "available for sale assets" and "liabilities related to available for sale assets". The original and adjusted balance sheets as of April 2006 are shown below:

| TEUR | April 2006 | April 2006 adjusted | Change |
|---|---|---|---|
| Non-current assets | 531,117 | 530,011 | -1,106 |
| Current assets | 542,367 | 539,769 | -2,598 |
| Available for sale assets | 4,851 | 8,555 | 3,704 |
| ASSETS | 1,078,335 | 1,078,335 | 0 |
| Equity | 223,722 | 223,722 | 0 |
| Non-current liabilities | 478,318 | 478,132 | -186 |
| Current liabilities | 376,295 | 373,927 | -2,368 |
| Liabilities related to available for sale assets | 0 | 2,554 | 2,554 |
| EQUITY AND LIABILITIES | 1,078,335 | 1,078,335 | 0 |

## 4.5. Other provisions

The change in this item resulted primarily from the reclassification of a provision for stock options totalling TEUR 8,592, which was recognised under equity during the first quarter (also see section 7.3, stock option programme). Miscellaneous current provisions are comprised of the following:

| TEUR | October 2006 | April 2006 |
|---|---|---|
| Provision for guarantees | 8,660 | 6,839 |
| Provision for restructuring | 5,929 | 10,320 |
| Provision for legal proceedings | 1,728 | 2,478 |
| Provisions for onerous contracts | 130 | 2,862 |
| Other provisions | 9,002 | 15,359 |
| Total | 25,449 | 37,858 |

The change in the provisions for onerous contracts resulted from the termination of a rental agreement for an unused warehouse and office building in Great Britain (also see the detailed information under section 3.4). For information on the decrease in the provisions for restructuring, see section 3.4 (exceptional items). The position "other provisions" includes accruals for legal fees and auditing costs as well as provisions for licenses, commissions, customs duties, freight and professional associations. The



change represents the use of the provisions for consulting fees in connection with the initial public offering.

## 4.6. Financial liabilities

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

## 5. Notes to the Cash Flow Statement

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

Liquid funds are comprised of cash and cash equivalents, which consist of liquid funds and overdrafts. Cash equivalents are subject to only insignificant fluctuations in value, and have a remaining maturity of not more than three months from the date of acquisition. Bank overdrafts are generally considered to be part of cash and cash equivalents because they form an integral part of the Group's cash management. Cash and cash equivalents comprise the following positions:

| TEUR | October 2006 | April 2006 |
|---|---|---|
| Deposits with banks | 80,505 | 103,506 |
| Demand deposits with banks | 821 | 662 |
| Other funds | 126 | 865 |
| Liquid funds | 81,452 | 105,033 |
| Overdrafts | -16,359 | -7,660 |
| Total | 65,093 | 97,373 |

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

| TEUR | October 2006 | April 2006 |
|---|---|---|
| Thereof cash and cash equivalents | 81,452 | 103,726 |
| Thereof not available for disposal | 2,453 | 1,579 |
| Thereof availability > 3 months | 8 | 12 |
| Total | 83,913 | 105,317 |

## 6. Profit from discontinued operations and changes in the consolidation range following the sale of the airfield business

The classification of profit from discontinued operations in accordance with IFRS 5, which arose from the sale of the airfield business, is as follows:

| TEUR | 2nd Quarter 2006/07 | 2nd Quarter 2005/06 | 1st Half Year 2006/07 | 1st Half Year 2005/06 |
|---|---|---|---|---|
| Revenues | 5,220 | 4,327 | 9,939 | 8,500 |
| Expenses / income | 3,574 | -4,061 | -421 | -7,434 |
| Thereof exceptional items | 8,446 | 0 | 8,437 | 0 |
| Operating profit | 8,794 | 266 | 9,518 | 1,066 |
| Financial results | 52 | 4 | 76 | 29 |
| Profit before tax | 8,846 | 269 | 9,594 | 1,095 |
| Income taxes | -138 | -85 | -231 | -224 |
| Profit from discontinued operations | 8,708 | 185 | 9,363 | 871 |

Changes in the consolidation range from the sale of the airfield business had the following impact on the interim financial statements as of 31 October 2006:

| TEUR | Disposals from the airfield business | Additions | Total |
|---|---|---|---|
| Non-current assets | -5,650 | 1,816 | -3,834 |
| Current assets | -5,122 | 13,788 | 8,665 |
| Thereof increase in liquid funds | 0 | 0 | 0 |
| Thereof decrease in liquid funds | -2,803 | 0 | -2,803 |
| Total assets | -10,772 | 15,604 | 4,832 |
| Non-current liabilities | -180 | 0 | -180 |
| Current liabilities | -3,426 | 0 | -3,426 |
| Equity | -7,167 | 15,604 | 8,437 |
| Total equity and liabilities | -10,772 | 15,604 | 4,832 |
| Sale price | 0 | 15,604 | 15,604 |
| Thereof cash | 0 | 0 | 0 |
| Thereof non-current receivable | 0 | 1,816 | 1,816 |
| Thereof current receivable | 0 | 13,788 | 13,788 |

The disposals of non-current assets include a proportional disposal of TEUR 4,405 in the carrying value of goodwill in the Thorn Lighting Group. The additions to current and non-current assets represent the financing for the purchase price.



## 7. Notes to the Statement of Capital and Reserves

### 7.1. Capital increase and transaction costs

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

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

Preparations for the initial public offering generated costs of TEUR 13,105 (of this amount, TEUR 10,353 were accrued as of 30 April 2006), which qualify as transaction costs for the procurement of equity. These costs were recognised directly to equity, net of taxes at 25 %. Therefore, the transition from the gross capital increase of TEUR 161,848 less transaction costs (before deferred taxes) of TEUR 13,105 as shown on the statement of capital and reserves represents the net capital increase of EUR 148.7 million as shown on the cash flow statement.

### 7.2. Share buyback

In accordance with a resolution of the Annual General Meeting on 7 April 2006, the Managing Board of Zumtobel AG came to a decision on 29 June 2006 to repurchase 1 million shares of the Company's stock during the period from 6 July 2006 to 31 October 2006. The purpose of this buyback is to serve the stock option programme. As of 31 October 2006 the Company had repurchased 783,000 shares for a total of TEUR 13,857 (average price per share: EUR 17.7).

### 7.3. Stock option programme

The Zumtobel Group has two share-based compensation programmes for key managers, the Stock Option Programme (SOP) and the Matching Stock Programme (MSP). These programmes reward an increase in the share price over the non-weighted average price during the 60-day period before the prior year balance sheet date and, respectively, over the issue price of EUR 20.50 per share for the 2006/07 financial year.

The SOP was introduced in 2003/04 and classified as share-based compensation with cash settlement; it was therefore recognised as a non-current provision up to April 2006. In connection with the initial public offering of the Company, this stock participation programme was converted as of 12 May 2006 into a share-based model with settlement in the form of equity instruments. As part of this conversion, the terms of the programme that regulate the granting, exercise and termination of employment were amended. The provision of TEUR 8,592 that was recognised as of April 2006 was transferred to equity during the first quarter of the reporting year. As of 31 October 2006 a total of TEUR 1,674 were recorded under equity through profit or loss.

The MSP was introduced in connection with the initial public offering of Zumtobel AG. The maximum total investment of 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 market prices were determined as of 1 May 2006 in accordance with the Black-Scholes Model. The major parameters for the SOP and MSP (segment 1 of the MSP I) are as follows (prior year = April 2006 for the SOP):

- Market price per share: EUR 20.5 (prior year: EUR 20.0)
- Exercise price: SOP EUR 7.5 for eligible participants 04/05 fin. yr., EUR 11.55 05/06 fin. yr., EUR 16.6 06/07 fin. yr.; MSP EUR 22.5
- Expected volatility: 23.7% (prior year: 15%) per year
- Term: SOP up to 30 April 2015; MSP up to 15 August 2008
- Expected dividend: none
- Risk-free interest rate: 4.0% per year (prior year: 4.15% per year)

Summary of option programmes

| TEUR | SOP | MSP I / TR 1 | Total |
|---|---|---|---|
| April 2006 | 8,592 | 0 | 8,592 |
| Addition through profit or loss | 1,674 | 235 | 19,09 |
| October 2006 | 10,266 | 235 | 10,501 |

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



## 8. Related Party Transactions

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

## 9. Contingent Liabilities and Guarantees

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

| TEUR | October 2006 | April 2006 |
|---|---|---|
| Guarantees and warrantees | 1,177 | 871 |
| Legal proceedings | 6,058 | 2,858 |
| Other | 795 | 795 |
| Total | 8,030 | 4,524 |

The guarantees and warranties are related to a company in France and would become due if certain customer contracts are not fulfilled. In addition, an amount of TEUR 2,858 arising from a legal dispute with the French social security administration was recognised as a contingent liability (an additional TEUR 308 were recorded under provisions for legal proceedings in connection with this dispute). Other contingent liabilities include TEUR 795, which arose during the previous business year in connection with the sale of a factory in France. A maximum risk of TEUR 3,200 is associated with pending legal proceedings in Belgium.

## 10. Subsequent Events

The factory in Somersby, Australia, was sold for TEUR 3,000 in November 2006. As of the balance sheet date on 31 October 2006, this facility was classified as available for sale in accordance with IFRS 5. In November 2006 the Zumtobel Group acquired the 30 % minority interest in Thorn Lighting Asian Holdings B.V.

## 11. Segment Reporting

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

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

The information on the segments of business and regions is provided only for continuing operations. The distribution of countries to the individual regions is as follows:

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

The region "Europe" and the total Group level include various assets such as goodwill, which could not be directly allocated to secondary regions during the consolidation.

The segment information is presented on the following two attachments (excluding the airfield business). Data on the income statement and investments relate to the first half of 2006/07, while the balance sheet figures reflect the status on 30 April 2006.

Dornbirn, 27 November 2006

Andreas J. Ludwig
Chief Executive Officer

Thomas Spitzenpfeil
Chief Financial Officer

powerLED
strip module P105-108

Photo: Matí AG

1

Photo: Fred Bowers

2


3

1 Literature Museum, Marbach, Germany
equiped with the powerLED strip module P105-108
2 Westpac Place, Sydney, Australia
3 Renault Dealer, international



| | | |
|---|---|---|
| Financial Calendar | 22 March 2007 | Results Quarter 1 to 3 (1 May 2006 to 31 January 2007) |
| | 5 July 2007 | Annual Results for 2006/07 |
| | 26 July 2007 | Annual General Meeting |
| | 31 July 2007 | Ex-dividend day |
| | 2 August 2007 | Dividend payout day |

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Annual Report

Our annual report is available for download under:
http://www.zumtobelgroup.com (Annual Report)

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

More information

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

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.tridonicatco.com
www.lexedis.com
www.ledonlighting.com

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