



Interim Financial Report Zumtobel AG

1 May to 31 October 2008

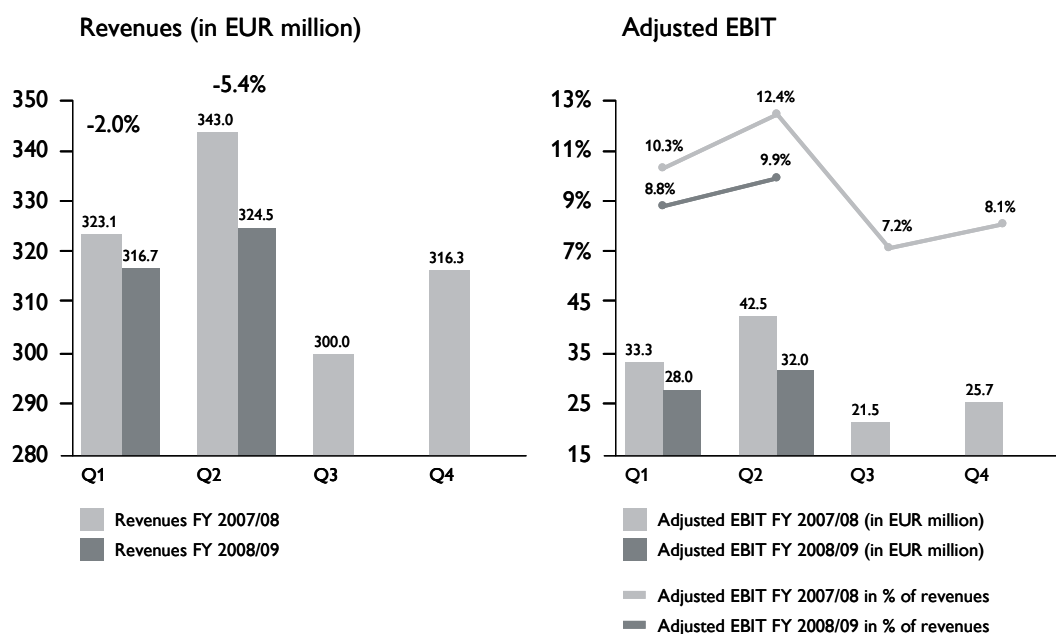
zumtobel group

# Overview of the First Half-Year

- >> Revenues reach prior year level after adjustment for foreign exchange effects
- >> Foreign currency effects reduce revenues by more than EUR 23 million
- >> Adjusted EBIT margin equals 9.4%
- >> Positive development of working capital continues
- >> Revenues from the sale of LED-based products grow by more than 30%
- >> First negative effects from economic weakness noted in 2<sup>nd</sup> quarter

Key Data in EUR million	Q2 2008/09	Q2 2007/08	Change in %	1st Half- Year 2008/09	1st Half- Year 2007/08	Change in %	Full Prior Year 2007/08
Revenues	324.5	343.0	(5.4)	641.1	666.1	(3.7)	1,282.3
Adjusted EBITDA	43.0	51.9	(17.3)	81.2	95.3	(14.7)	162.2
<i>as a % of revenues</i>	13.2	15.1		12.7	14.3		12.7
Adjusted EBIT	32.0	42.5	(24.5)	60.1	75.7	(20.7)	123.0
<i>as a % of revenues</i>	9.9	12.4		9.4	11.4		9.6
Net profit for the period	27.9	29.9	(6.9)	42.1	55.1	(23.5)	93.5
<i>as a % of revenues</i>	8.6	8.7	(1.5)	6.6	8.3	(20.5)	7.3
Total assets				1,133.6	1,160.8	(2.3)	1,105.9
Equity				497.9	475.5	4.7	514.2
<i>Equity ratio in %</i>				43.9	41.0		46.5
Net debt				178.4	183.3	(2.6)	129.0
Cash flow from operating results				79.2	95.2	(16.9)	166.0
ROCE in %				16.2	18.7		18.9
Investments	15.8	12.3	28.3	30.3	22.5	34.8	66.0
<i>as a % of revenues</i>	4.9	3.6		4.7	3.4		5.1
Headcount (full-time equivalent)				7,727	7,354	5.1	7,708

## The seasonal development of business



# Letter to Shareholders

Dear Shareholders,

The consequences of the financial market crisis have led to the collapse of economic growth across the globe and created an atmosphere of unusually high uncertainty on the markets in which the Zumtobel Group is active. Against the backdrop of this significant economic weakness, the Zumtobel Group recorded comparatively stable operating development for the first half of the 2008/09 financial year: Group revenues nearly matched the high comparative prior year level, after adjustment for foreign exchange effects of more than EUR 23 million. The Components Segment (TridonicAtco) registered an increase of 3% in revenues after foreign exchange effects, while the Lighting Segment (Zumtobel and Thorn brands) remained slightly below the prior year. In the LED business, we were able to increase revenues by more than 30% during the first half-year as planned.

In the European core markets of the D/A/CH region, the slowdown in growth became increasingly noticeable during the second quarter (-2.0%) but cumulative revenues for the first six months reached the comparable 2007/08 level. The development of business in Western Europe was increasingly influenced by the unfavourable market environment and negative foreign exchange effects from the weak British Pound, while further growth was generated in Eastern Europe. In Asia the Group continued the steady implementation of its optimisation programme – revenues in this region rose by more than 5% for the reporting period (1 May 2008 to 31 October 2008). Australia again remained below expectations and was also affected by the strong devaluation of the Australian dollar. As previously announced, the return on sales for the second quarter was unable to match the high 12.4%, recorded in the previous year, but the EBIT margin of 9.9% can be considered satisfactory under the current difficult market conditions. The decrease in earnings resulted primarily from a lower contribution due to the decline in revenues, higher personnel expenses that followed changes in collective bargaining agreements, higher costs for the development and expansion of LED activities and negative foreign currency transaction effects from the British Pound. Adjusted earnings before interest and taxes (EBIT) equalled EUR 32.0 million for the second quarter, compared with EUR 42.5 million in the second quarter of 2007/08. Financial results improved significantly due to valuation effects and, as a result, profit before tax and profit after tax totalled EUR 33.4 million, respectively EUR 27.9 million for the second quarter or only slightly less than the comparable prior year values.

## Extensive efficiency programme started

We expect a further deterioration in the economic climate during the 2009 calendar year. In order to substantially increase our flexibility to react to the noticeable decline in market demand, the Zumtobel Group has launched an efficiency improvement programme. These measures should lead to a sustainable reduction of roughly EUR 50 million in personnel and operating costs by the end of the 2010/11 financial year. Our primary objective is to adjust organisational and capacity costs as quickly as possible to reflect the current and expected developments in our markets and sales volumes, and also hold cash flow at a sound level under these difficult operating conditions. Based on the current negative economic trends and the fact that the major part of these cost savings will only provide relief for earnings beginning in 2009/10, our goal to record an EBIT margin of 8 to 9% for 2008/09 no longer appears realistic. However, we are convinced that our efficiency improvement programme and solid capital structure will allow the Zumtobel Group to emerge stronger from this difficult market situation.



Andreas Ludwig



Thomas Spitzenpfeil

Andreas J. Ludwig  
Chief Executive Officer

Thomas Spitzenpfeil  
Chief Financial Officer

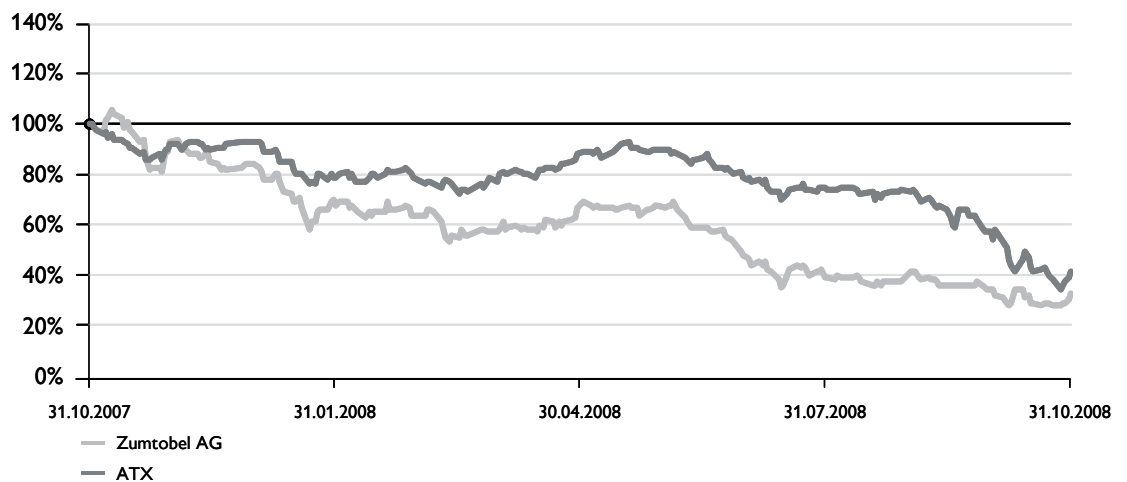


## The Zumtobel Share

The extremely weak climate on global stock exchanges also had a negative influence on the development of the Zumtobel share from 1 August 2008 to 31 October 2008. Growing fears of a worldwide recession triggered a drop of 44% in the leading Austrian ATX index, which also includes Zumtobel, during this same period. The Zumtobel share lost 15.7% of its value in the second quarter, closing the first half of 2008/09 at a price of EUR 9.65. Over the last 12-month period (31 October 2007 to 31 October 2008) the ATX has fallen by 59%. At the end of the reporting period the Zumtobel share traded 67.3% lower than on 31 October 2007.

In addition to the generally unfavourable climate on capital markets, the expected weakness in the construction industry and related sectors had an added negative effect on the share performance. Moreover, smaller and mid-sized corporations generally come under particularly strong pressure in bear markets. The highest closing price registered by the Zumtobel share for the reporting period was EUR 12.00 on 2 August 2008 and the lowest closing price was EUR 8.22 on 8 October 2008. The market capitalisation of the Zumtobel Group fell to EUR 431 million at the end of October, based on an unchanged number of shares (44.7 million). Free float declined from 66% to 63% at the end of the reporting period as a result of the share buyback programme, and the Zumtobel family continues to hold a stake of 34%.

Development of the Zumtobel Share



### Key Data on the Zumtobel Share for the 1st Half-Year

Closing price at 30.04.08	€ 19.64	Currency	EUR
Closing price at 31.10.08	€ 9.65	ISIN	AT0000837307
Performance Q2 2008/09	(50.9)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Performance 1st half year	(52.9)%	Market segment	Prime Market
Ø Market capitalisation at 31.10.08	€ 431 Mio	Reuters symbol	ZUMV.VI
Share price - high at 02.05.08	€ 20.49	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	165,549	Datastream	O:ZAG
Free float	63%	Number of issued shares	44,704,344

# Group Management Report

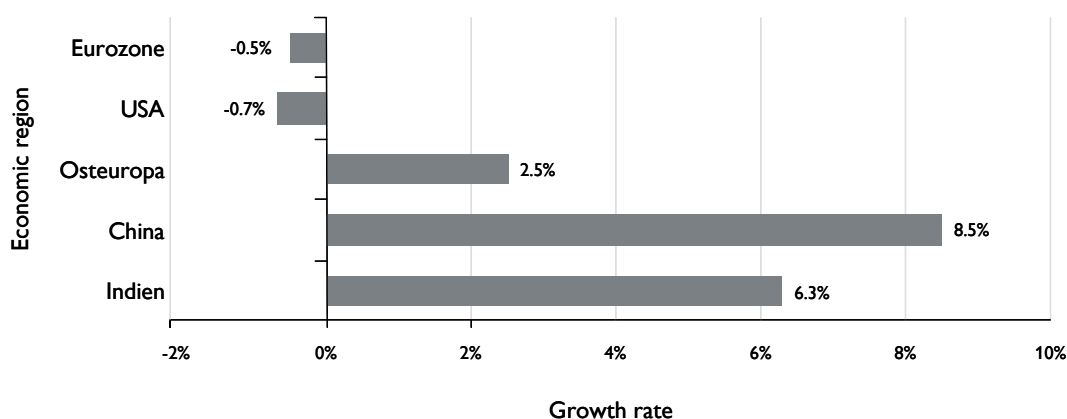
## The Economic Environment

### Global recession in 2009 now certain

In November the International Monetary Fund (IMF) again reduced its forecasts for 2008 and 2009, indicating that it will no longer be possible to avoid a global recession in the coming year. The consequences of the financial market crisis have led to the collapse of economic growth across the globe, and subsequently created an atmosphere of unusually high uncertainty on all markets in which the Zumtobel Group is active. The developed economies (USA, Eurozone, Japan, UK and Canada) are expected to fall into a synchronised recession and for the first time since 1945 the cumulative gross national product is forecasted to decline by 0.3% in 2009. The IMF is still forecasting global growth of 3.7% for 2008 in its November forecast, but macroeconomic conditions have deteriorated significantly in recent months. All key economic nations are showing considerable negative development towards the end of this year. The Eurozone will only realise growth of 1.2% for 2008 because of the weakness that has taken hold in major countries, and must also contend with a GNP decline of 0.5% in the coming year. For the D/A/CH countries (Germany, Austria and Switzerland), the Organisation for Economic Cooperation and Development (OECD) has forecasted a GNP increase of 1.6% in 2008. However, the expected 0.8% economic decline in Germany during 2009 is likely to trigger a recession throughout the entire D/A/CH region. The US economy will at best stagnate during the coming months and, according to the IMF, is facing a further GNP decline of 0.7% for 2009.

The global economic crisis has also started to affect the previously strong development of the emerging countries, but forecasts still call for clear above-average combined growth rates of 6.6% and 5.1% in this and the next calendar year. According to the IMF, the Chinese economy should record a plus of 9.7% in 2008 and 8.5% in 2009, while India should grow by 7.8% in 2008 and 6.3% in 2009. The comparable values for Eastern Europe are plus 4.2% and 2.5%.

**Economic growth outlook 2009**



The continuing economic crisis and identifiable signs of slowing growth in commercial construction across all major markets lead us to expect a noticeable decline in the demand for our lighting solutions, luminaires, light management systems and lighting components.

## Significant events since 30 April 2008

### Acquisition in new areas of application

As of 5 May 2008 the acquisition of SpaceCannon, which was announced in April 2008, was consolidated in the Group financial statements. SpaceCannon is specialised above all in LED-based lighting solutions for exterior, facade and event lighting and is integrated in the organisation of the Zumtobel LED Division.

### New credit arrangement secures long-term financing

On 12 June 2008 a five-year credit arrangement was concluded with a consortium of seven banks. This credit has a total volume of EUR 480 million, whereby EUR 186 million were used to refinance existing liabilities. The remaining line of credit equals EUR 294 million and is available above all to finance growth and potential acquisitions.

### Share buyback programme in final phase

Zumtobel AG is currently carrying out a share buyback programme, which covers the repurchase of up to 1,943,555 of the company's shares at a maximum price of EUR 20.50 per share on or before 11 February 2009. This programme was started on 11 August 2008, and 1,253,238 shares had been repurchased for an average price of EUR 9.88 per share as of 31 October 2008.

There are no other significant events to be reported.

## Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel AG. As of the closing date for the interim financial statements on 31 October 2008, there were no business transactions with closely related persons.

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

## Revenues

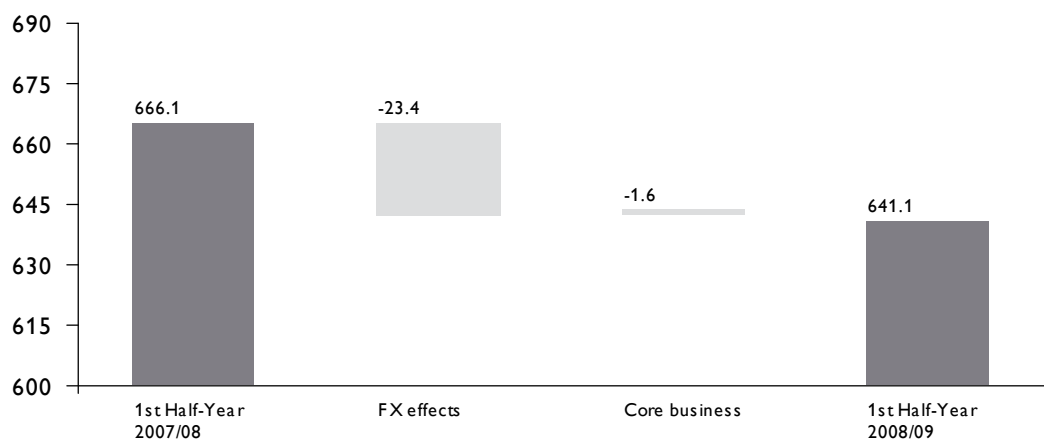
- >> Revenues at prior year level (-0.2%) after adjustment for foreign exchange effects
- >> Growth of over 30% in revenues from LED-based products
- >> Increase of 14% in revenues from Eastern Europe
- >> Situation in Australia remains unsatisfactory

### Revenues at prior year level after FX effects

Group revenues for the first six months of the 2008/09 financial year (1 May to 31 October 2008) declined by 3.7% to EUR 641.1 million (prior year: EUR 666.1 million). This development was the result of currency translation effects, which had a negative impact of EUR 23.4 million or 3.5%. After an adjustment for these effects, revenues matched the prior year level with a slight minus of 0.2%.

These currency translation effects are related to the strong rise in the value of the Euro, in particular with respect to the British Pound (GBP) and the Australian Dollar (AUD): The increase in the value of the Euro over the comparable prior year period was responsible for a reduction of 13.9% or EUR 18.4 million in revenues denominated in the British Pound and 6.6% or EUR 3.2 million in revenues denominated in the Australian Dollar, based on the respective average six-month exchange rates. Additional negative effects resulted from a decline in the value of revenues recorded in the US Dollar (USD) and New Zealand Dollar (NZD) as well as a number of Asian currencies. These factors were only offset to a limited extent by positive contributions from the Swiss Franc (CHF) and several East European currencies. The combined total of all currency translation adjustments was a negative effect of EUR 23.4 million.

### Development of revenues (in EUR million)



The development of business in the Lighting Segment was negatively influenced by increasing market weakness as well as an above-average EUR 16.9 million of currency translation effects. Revenues for the first half-year fell 3.8% to EUR 473.9 million (prior year: EUR 492.7 million). An adjustment for foreign exchange factors results in a slight minus of 0.4%. The further weakening of the economy during the second quarter was reflected in a decline of 6.8% in revenues.

**Lighting Segment affected by difficult market environment**

The Components Segments recognised negative foreign exchange adjustments of EUR 6.5 million for the first half-year, but was still able to match the high comparative prior year revenues (EUR 209.0 million) in this difficult operating environment. After an adjustment for currency translation effects, revenues rose by 3.0%. In the second quarter revenues increased 2.2% to EUR 106.2 million (prior year: EUR 104.0 million) and by more than 5% after an adjustment for foreign exchange effects. This steady growth has been supported above all by the continuing substitution trend in the ballast sector: as a result, the strong rise in sales volumes of technologically more sophisticated and higher priced electronic ballasts was more than able to offset the drop in sales volumes of magnetic ballasts. In contrast to the previous financial year, there have been no notable effects from changes in the price of copper to date in 2008/09.

**Steady growth in Components Segment**

Segment development in EUR million	Q2 2008/09	Q2 2007/08	Change in %	1st Half-Year 2008/09	1st Half-Year 2007/08	Change in %	FX adjusted in %
Lighting Segment	239.3	256.7	(6.8)	473.9	492.7	(3.8)	(0.4)
Components Segment	106.2	104.0	2.2	208.8	209.0	(0.1)	3.0
Other & Consolidation	(21.0)	(17.7)	(19.0)	(41.6)	(35.6)	(17.0)	-
Zumtobel Group	324.5	343.0	(5.4)	641.1	666.1	(3.7)	(0.2)

The Zumtobel Group successfully continued to develop its business in the area of LED-based products and solutions during the first half-year. The cooperation with CREE, which was started during spring 2008, was extended in October 2008. Both companies have agreed that the Zumtobel Group will launch an advanced technological Cree Downlight in mid-November 2008, which will be marketed exclusively in Europe through the Zumtobel and Thorn brands. Revenues from the sale of LED-based products and solutions rose by 31.2% to EUR 22.9 million (prior year: EUR 17.4 million).

**Growth of over 30% in revenues from LED-based products**

Distribution of regional revenues	Q2 2008/09	1st Half-Year 2008/09		
	Change in %	Change in %	Revenues in EUR million	in % of Group
D/A/CH	(2.0)	0.3	162.9	25.4
Eastern Europe	2.0	13.6	40.5	6.3
Northern Europe	(3.2)	0.9	52.6	8.2
Western Europe	(6.9)	(8.0)	205.7	32.1
Southern Europe	(17.5)	(12.3)	59.9	9.3
Europe	(5.5)	(3.8)	521.5	81.3
Asia	4.9	5.2	45.2	7.0
Australia & New Zealand	(11.3)	(7.4)	53.0	8.3
America	(4.2)	(10.6)	16.4	2.6
Others	(19.6)	(8.1)	5.0	0.8
Total	(5.4)	(3.7)	641.1	100.0

**FX effects lead to slight decline in Europe**

The Zumtobel Group generated revenues of EUR 521.5 million in Europe, or 81.3% of Group revenues. The 3.8% decline in relation to the first half of 2007/08 was caused primarily by negative currently translation effects of EUR 16.6 million (or minus 3.1% of revenues). After an adjustment for these effects, the Zumtobel Group recorded a decline of 0.7% in revenues from this region.

**Increase of 14% in revenues from Eastern Europe**

Six-month revenues in the D/A/CH region (Germany, Austria and Switzerland) reflected the prior year level, but increasing weakness was also noted in these countries during the second quarter (-2.0%). The growth market of Eastern Europe continued to profit from a satisfactory pace of activity in the construction industry and reported sound development for the reporting period. Revenues rose by 13.6% to EUR 40.5 million. All markets in Northern Europe, with the exception of Norway, showed slight recessionary tendencies during the second quarter. As expected, six-month revenues in Western Europe were strongly affected by a weak market in France and the above-mentioned decline in the value of the British Pound (GBP). The development of revenues in Great Britain would have been positive without these negative currency translation adjustments. In Southern Europe the Components Segment was affected by rising economic weakness in Italy and Spain, while the Lighting Segment increased its market shares in Italy and remained on its growth course. In total revenues in Southern Europe declined 12.3%.

**Situation in Australia still unsatisfactory**

The optimisation programmes in Asia continued during the reporting period. Revenues in this region rose by 5.2% during the first half of 2008/09. Above all the Components Segment profited from strong market growth in China and the Far East. In the America region the US Dollar (USD) fell 7.8% in value during the first six months (1st Quarter: minus 13.3%) and was therefore responsible for almost the entire decline in revenues. However, October 2008 brought a reversal of this trend and the US Dollar gained 3% year-on-year versus the Euro. This foreign exchange constellation will reduce the negative translation effects from the US Dollar beginning in the third quarter. In Australia/New Zealand the situation remains unsatisfactory. Revenues declined by 7.4% for the reporting period, but reached the comparable prior year level after an adjustment for the devaluation of the AUD and NZD. The Australian Dollar lost 23% of its value in relation to the Euro towards the end of the second quarter. This trend will have a significant negative influence on the development of Euro revenues in Australia for the foreseeable future, and also represents an additional challenge for restructuring efforts in Australia.



## Earnings

- >> Adjusted EBIT margin equals 9.4%
- >> Gross profit margin remains stable at 38.4%
- >> Currency transaction effects from strong Euro reduce EBIT
- >> Improvement in financial results

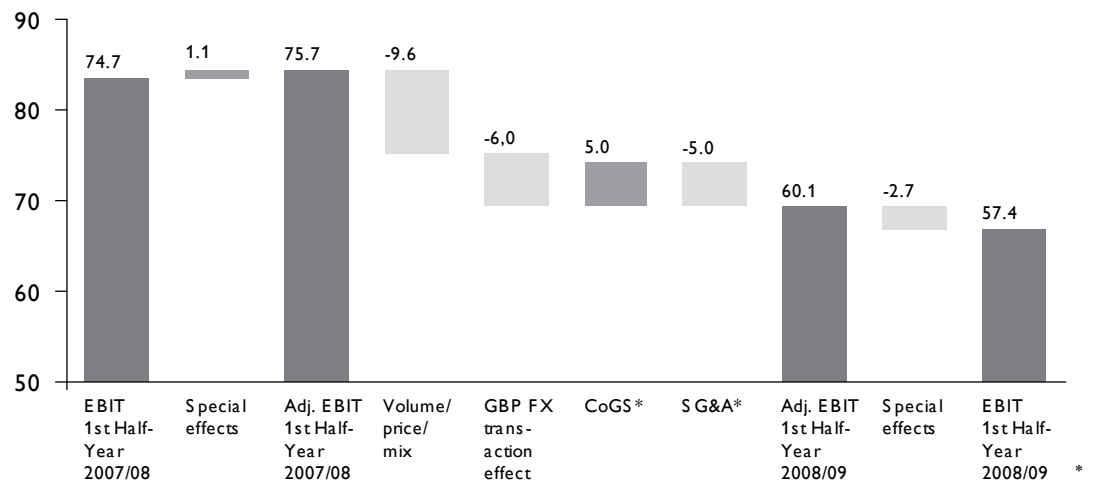
Income statement in EUR million	Q2 2008/09	Q2 2007/08	Change in %	1st Half- Year 2008/09	1st Half- Year 2007/08	Change in %
Revenues	324.5	343.0	(5.4)	641.1	666.1	(3.7)
Cost of goods sold	(199.5)	(208.8)	4.4	(394.9)	(409.3)	3.5
Gross profit	124.9	134.3	(7.0)	246.2	256.8	(4.2)
<i>as a % of revenues</i>	38.5	39.1		38.4	38.6	
SG&A expenses adjusted for special effects	(92.9)	(91.8)	(1.1)	(186.1)	(181.1)	(2.8)
Adjusted EBIT	32.0	42.5	(24.5)	60.1	75.7	(20.7)
<i>as a % of revenues</i>	9.9	12.4		9.4	11.4	
Special effects	(1.6)	(0.5)	<(100)	(2.7)	(1.1)	<(100)
EBIT	30.4	42.0	(27.6)	57.4	74.7	(23.1)
Financial results	3.0	(7.6)	>100	(7.0)	(12.3)	43.1
Profit before tax	33.4	34.4	(2.9)	50.4	62.4	(19.2)
Income taxes	(4.3)	(4.3)	1.3	(7.3)	(7.2)	(1.9)
Net profit for the period from discontinued operations	(1.3)	(0.2)	<(100)	(1.0)	(0.2)	<(100)
Net profit for the period	27.9	29.9	(6.9)	42.1	55.1	(23.5)
Depreciation and amortisation	10.9	9.5	15.3	21.2	19.5	8.3
Earnings per share (in EUR)	0.63	0.67	(6.0)	0.95	1.23	(22.8)

Note: EBITDA (EBIT plus depreciation and amortisation) equalled EUR 78.6 million.

EBIT adjusted for special effects fell by EUR 15.6 million to EUR 60.1 million (prior year: EUR 75.7 million). This represents a decrease of 200 basis points from the comparable prior year level to a return on sales of 9.4% for the reporting period.

**Adjusted EBIT margin equals 9.4%**

Development of adjusted EBIT (in EUR million)



**Gross profit margin remains stable**

The gross profit margin declined 20 basis points to 38.4% of revenues for the reporting period. Gross profit was negatively affected by a lower contribution due to the decline in revenues, substantial negative foreign exchange effects from the strong Euro and higher expenditures for research and development. The year-on-year increase in the Euro versus the British Pound (GBP) led to an additional negative currency transaction effect of roughly EUR 6 million from exports to Great Britain. The implementation of efficiency and cost reduction programmes were responsible for a reduction in personnel expenses from 14.7% to 14.5% of revenues and from 42.3% to 42.2% in the cost of materials (respectively 41.3%, adjusted for GBP currency transaction effects). An analysis of adjusted EBIT in the first half of 2007/08 versus the reporting period ("EBIT bridge") shows gross savings of EUR 8.3 million. In contrast, the other components of the cost of goods sold rose by EUR 3.3 million. This increase was related above all to a 17.3% rise in development costs to EUR 16.7 million (prior year: EUR 14.2 million), whereby the major part (EUR 1.3 million) was related to the expansion of LED activities.

**2.8% increase in SG&A expenses**

After an adjustment for special effects, selling, administrative and other expenses (SG&A) rose by 2.8% over the comparable prior year level to EUR 186.2 million for the first six months of 2008/09 (prior year: EUR 181.1 million). In addition to a general increase in costs, this development was driven above all by an increase in wages and salaries in accordance with collective bargaining agreements (approx. 4%) and additional costs for the setup of the LED division.

**Special effects in operating profit**

Special effects of EUR 2.7 million were recognised as additional costs during the first six months of 2008/09. They consist primarily of EUR 2 million in restructuring costs for redundancy payments and other expenses related to the construction of the new plant in Spennymoor as well as EUR 0.5 million for the efficiency improvement programme that has been started in the Lighting Segment in Australia.

The following table shows the Group's operating performance after an adjustment for the above-mentioned special effects.

\* CoGS = Cost of goods sold, SG&A = Selling, general and administrative expenses

Adjusted EBIT in EUR million	Q2 2008/09	Q2 2007/08	Change in %	1st Half- Year 2008/09	1st Half- Year 2007/08	Change in %
Reported EBIT	30.4	42.0	(27.6)	57.4	74.7	(23.1)
thereof special effects	(1.6)	(0.5)	<(100)	(2.7)	(1.1)	<(100)
Adjusted EBIT	32.0	42.5	(24.5)	60.1	75.7	(20.7)
as a % of revenues	9.9	12.4		9.4	11.4	

Financial results improved by EUR 5.4 million year-on-year to minus EUR 7.0 million for the reporting period. Interest expense of EUR 14.3 million includes non-recurring expenses of roughly EUR 4.4 million in connection with the premature refinancing of the loan contracted in 2001 to fund the Thorn acquisition as well as the interest component (EUR 0.9 million) of the lease for the new plant in England. The remaining interest expense totalled EUR 9.0 million for the first half-year (prior year: EUR 10.7 million) and is comprised chiefly of interest expense for the current credit agreement. Other financial income and expenses totalled plus EUR 4.8 million, and are related above all to positive effects of EUR 6.8 million (prior year: minus EUR 3 million) from derivatives – in particular USD and GBP forward exchange contracts.

**Improvement in financial results**

Financial result in EUR million	Q2 2008/09	Q2 2007/08	Change in %	1st Half- Year 2008/09	1st Half- Year 2007/08	Change in %
Interest expense	(5.4)	(5.7)	5.0	(14.3)	(11.3)	(26.7)
Interest income	0.4	1.1	(62.0)	1.5	1.9	(21.4)
Net financing costs	(5.0)	(4.6)	(8.3)	(12.8)	(9.4)	(36.4)
Other financial income and expenses	7.4	(3.9)	>100	4.8	(4.8)	>100
Profit/(loss) from associated companies	0.6	0.9	(37.8)	1.0	2.0	(46.9)
Financial results	3.0	(7.6)	>100	(7.0)	(12.3)	43.1

Profit before tax fell by EUR 12.0 million (-19.2%) to EUR 50.4 million for the first half of 2008/09, and income tax equalled EUR 7.3 million (prior year: EUR 7.2 million). Net profit for the reporting period amounted to EUR 42.1 million, which represents a decline of 23.5%. The negative results from discontinued operations resulted from an impairment charge of EUR 1.3 million on a performance-based receivable from the sale of the airfield business, which was recognised during the second quarter. Earnings per share for the shareholders of Zumtobel AG (basic EPS on 44.2 million shares) totalled von EUR 0.95 (prior year: EUR 1.23).

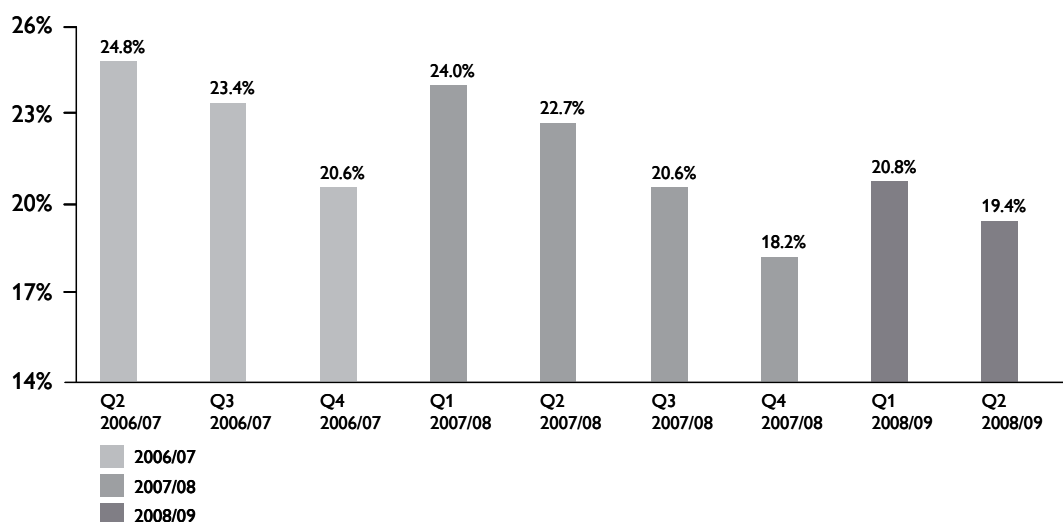
**19.2% decline in profit before tax**

## Cash Flow and Asset Position

The positive development of working capital continued during the reporting period. Cash outflows of EUR 10.9 million were significantly lower than in the first half of 2007/08 (EUR 42.1 million), chiefly due to a reduction in receivables. Working capital totalled EUR 244.1 million as of 31 October 2008 (prior year: EUR 289.9 million). As a percentage of rolling 12-month revenues, working capital declined year-on-year for the fifth quarter in succession to 19.4% for the reporting period (prior year: 22.7%).

**Positive development of working capital continues**

### Working Capital as a % of rolling 12-month revenues



Cash outflows for investments totalled EUR 30.3 million for the first half of 2008/09, or EUR 7.8 million more than in the previous year. Of this amount, EUR 14.9 million represented equipment for the new plant in Spennymoor.

Balance sheet data in EUR million	31 October 2008	31 October 2007	30 April 2008
Total assets	1,133.6	1,160.8	1,105.9
Net debt	178.4	183.3	129.0
Equity	497.9	475.5	514.2
Equity ratio in %	43.9	41.0	46.5
Gearing in %	35.8	38.5	25.1
Average capital employed	661.3	650.1	650.2
ROCE in %	16.2	18.7	18.9
Investments	30.3	22.5	66.0
Working capital	244.1	289.9	232.9
As a % of rolling 12 month revenues	19.4	22.7	18.2

#### Solid balance sheet structure

The equity ratio decreased slightly to 43.9% from the level on 30 April 2008 following the dividend payment of EUR 31.3 million, the repurchase of shares for EUR 12.4 million and an increase of EUR 18.5 million in the provision for pensions that resulted from a decline in the fair value of the underlying plan assets. Net liabilities rose in accordance with the normal seasonal pattern and increased gearing from 25.1% to 35.8%. However, the balance sheet structure continued to show a steady improvement in comparison with the first half of the previous year.

### Major Risks and Uncertainties in the Second Half of the 2008/09 Financial Year

#### Market risk

The major risks for the development of business in the Zumtobel Group during the second half of 2008/2009 and in 2009/10 are related above all to the dependency of selling markets on business activity in the commercial construction sector. The global economic crisis could lead to delays in the completion of existing contracts as well as the postponement or suspension of ongoing projects. Additionally, new construction projects could be postponed for an indeterminate period of time or cancelled due to a lack of

credit financing. However, it is now too early to precisely estimate the possible effects on the development of our business. The announced reduction and increased flexibility of costs in the production and sales areas are designed to minimise the consequences of this risk.

In order to safeguard its ability to meet payment obligations at all times, the Zumtobel Group concluded a five-year financing agreement in June 2008. This agreement has a total volume of EUR 480 million and provides the Group with sufficient financial latitude to meet all current and future challenges.

#### Liquidity risk

The bank liabilities held by the Group carry variable interest rates. In order to utilise the currently favourable long-term Euro interest rates, the Zumtobel Group converted roughly one-third of its bank liabilities in November 2008 to fixed interest rates through an interest rate swap with a term ending in June 2013.

#### Interest rate risk

The Zumtobel Group concludes forward exchange contracts to hedge the foreign exchange risk connected with non-Euro operating transactions. These hedging activities are intended to protect the net foreign currency positions that are derived from the budget for the next financial year before the start of this accounting period. Translation risks are not hedged. The main Group currencies are the EUR, GBP, USD, AUD and CHF. Management expects that the revenues recorded by the Zumtobel Group for the second half of 2008/09 will also be negatively influenced by the weak British Pound and Australian Dollar. In the 2009/10 financial year an increase in the value of the Euro compared with the GBP and AUD balances hedged in 2008/09 would generate a further negative transaction effect. Moreover, any increase in the strength of the US Dollar during 2009/10 would have an adverse impact on the purchase of goods in this currency.

#### Foreign exchange risk

### Outlook for the Zumtobel Group

We expect a further deterioration in the economic climate during the 2009 calendar year. In order to substantially increase our flexibility to react to the noticeable decline in market demand, the Zumtobel Group has launched an efficiency improvement programme. These measures should lead to a sustainable reduction of roughly EUR 50 million in personnel and operating costs by the end of the 2010/11 financial year. Our primary objective is to adjust organisational and capacity costs as quickly as possible to reflect the current and expected developments in our markets and sales volumes, and also hold cash flow at a sound level under these difficult operating conditions. Based on the current negative economic trends and the fact that the major part of these cost savings will only provide relief for earnings beginning in 2009/10, our goal to record an EBIT margin of 8 to 9% for 2008/09 no longer appears realistic. However, we are convinced that our efficiency improvement programme and solid capital structure will allow the Zumtobel Group to emerge stronger from this difficult market situation.

Dornbirn, 9 December 2008

Andreas Ludwig m.p.  
Chief Executive Officer

Thomas Spitzenpfeil m.p.  
Chief Financial Officer



# Income Statement

in TEUR	Q2 2008/09	Q2 2007/08	Change in %	1st Half- Year 2008/09	1st Half- Year 2007/08	Change in %
Revenues	324,460	343,039	(5.4)	641,130	666,100	(3.7)
Cost of goods sold	(199,549)	(208,757)	4.4	(394,949)	(409,253)	3.5
<b>Gross profit</b>	<b>124,911</b>	<b>134,282</b>	<b>(7.0)</b>	<b>246,181</b>	<b>256,847</b>	<b>(4.2)</b>
<i>as a % of revenues</i>	38.5	39.1		38.4	38.6	
Selling expenses	(73,377)	(72,768)	(0.8)	(148,897)	(145,734)	(2.2)
Administrative expenses	(19,980)	(19,520)	(2.4)	(38,935)	(37,300)	(4.4)
Other operating results	(1,125)	11	<(100)	(932)	875	<(100)
<i>thereof special effects</i>	(1,616)	(460)	<(100)	(2,652)	(1,056)	<(100)
<b>Operating profit</b>	<b>30,429</b>	<b>42,005</b>	<b>(27.6)</b>	<b>57,417</b>	<b>74,688</b>	<b>(23.1)</b>
<i>as a % of revenues</i>	9.4	12.2		9.0	11.2	
Interest expense	(5,429)	(5,716)	5.0	(14,292)	(11,277)	(26.7)
Interest income	412	1,083	(62.0)	1,482	1,886	(21.4)
Other financial income and expenses	7,414	(3,881)	>100	4,789	(4,830)	>100
Profit/(loss) from associated companies	572	919	(37.8)	1,036	1,951	(46.9)
<b>Financial results</b>	<b>2,969</b>	<b>(7,595)</b>	<b>&gt;100</b>	<b>(6,985)</b>	<b>(12,270)</b>	<b>43.1</b>
<i>as a % of revenues</i>	0.9	(2.2)		(1.1)	(1.8)	
<b>Profit before tax</b>	<b>33,398</b>	<b>34,410</b>	<b>(2.9)</b>	<b>50,432</b>	<b>62,418</b>	<b>(19.2)</b>
Income taxes	(4,254)	(4,308)	1.3	(7,305)	(7,172)	(1.9)
<b>Net profit for the year from continuing operations</b>	<b>29,144</b>	<b>30,102</b>	<b>(3.2)</b>	<b>43,127</b>	<b>55,246</b>	<b>(21.9)</b>
<b>Net profit for the year from discontinued operations</b>	<b>(1,288)</b>	<b>(195)</b>	<b>&lt;(100)</b>	<b>(994)</b>	<b>(195)</b>	<b>&lt;(100)</b>
<b>Net profit for the period</b>	<b>27,856</b>	<b>29,907</b>	<b>(6.9)</b>	<b>42,133</b>	<b>55,051</b>	<b>(23.5)</b>
<i>as a % of revenues</i>	8.6	8.7		6.6	8.3	
<i>thereof due to minority shareholders</i>	(110)	107	<(100)	(109)	302	<(100)
<i>thereof due to shareholders of the parent company</i>	27,965	29,800	(6.2)	42,241	54,749	(22.8)
Average number of shares outstanding - basic (in 1000 pcs.)	44,235	44,486		44,421	44,486	
Average diluting effect (stock options) (in 1000 pcs.)	104	247		104	247	
Average number of shares outstanding - diluted (in 1000 pcs.)	44,339	44,733		44,525	44,733	
<b>Earnings per share (in EUR)</b>						
Basic earnings per share	0.63	0.67		0.95	1.23	
Diluted earnings per share	0.63	0.67		0.95	1.22	
<b>Earnings per share from continuing operations (in EUR)</b>						
Basic earnings per share	0.66	0.67		0.97	1.23	
Diluted earnings per share	0.66	0.67		0.97	1.22	

# Balance Sheet

in TEUR	31 October 2008	in %	30 April 2008	in %
Goodwill	287,252	25.3	278,967	25.2
Intangible assets	44,728	3.9	40,635	3.7
Property, plant and equipment	237,047	20.9	211,222	19.1
Investments in associated companies	7,495	0.7	6,486	0.6
Financial assets	667	0.1	15,604	1.4
Other receivables & assets	4,210	0.4	5,338	0.5
Deferred taxes	49,461	4.3	43,035	3.9
<b>Non-current assets</b>	<b>630,860</b>	<b>55.6</b>	<b>601,287</b>	<b>54.4</b>
Inventories	170,271	15.0	162,181	14.7
Trade receivables	216,283	19.1	225,113	20.4
Other receivables & assets	34,073	3.1	28,750	2.6
Financial assets	41	0.0	497	0.0
Liquid funds	82,095	7.2	87,678	7.9
Available for sale assets	0	0.0	442	0.0
<b>Current assets</b>	<b>502,763</b>	<b>44.4</b>	<b>504,661</b>	<b>45.6</b>
<b>ASSETS</b>	<b>1,133,623</b>	<b>100.0</b>	<b>1,105,948</b>	<b>100.0</b>
Share capital	111,761	9.9	111,761	10.1
Additional paid-in capital	343,992	30.3	355,893	32.2
Reserves	(2,254)	(0.2)	(48,409)	(4.4)
Net profit for the period	42,241	3.7	92,986	8.4
Capital attributed to shareholders of the parent company	495,740	43.7	512,231	46.3
Capital attributed to minority shareholders	2,191	0.2	1,969	0.2
<b>Equity</b>	<b>497,931</b>	<b>43.9</b>	<b>514,200</b>	<b>46.5</b>
Provisions for pensions	58,621	5.2	35,762	3.2
Provisions for severance compensation	30,459	2.7	29,931	2.7
Other provisions	10,260	0.9	10,392	1.0
Borrowings	219,547	19.3	211,631	19.1
Other liabilities	672	0.1	1,012	0.1
Deferred taxes	10,733	0.9	10,224	0.9
<b>Non-current liabilities</b>	<b>330,292</b>	<b>29.1</b>	<b>298,952</b>	<b>27.0</b>
Provisions for taxes	30,319	2.7	29,196	2.6
Other provisions	18,261	1.6	21,121	1.9
Borrowings	40,973	3.6	5,024	0.5
Trade payables	130,546	11.5	144,326	13.1
Other liabilities	85,301	7.5	93,129	8.4
<b>Current liabilities</b>	<b>305,400</b>	<b>26.9</b>	<b>292,796</b>	<b>26.5</b>
<b>EQUITY AND LIABILITIES</b>	<b>1,133,623</b>	<b>100.0</b>	<b>1,105,948</b>	<b>100.0</b>

# Cash Flow Statement

in TEUR	1st Half-Year 2008/09	1st Half-Year 2007/08
Operating profit from continuing and discontinued operations	56,422	74,494
Depreciation and amortisation	21,153	19,531
Other non-cash changes	1,604	1,204
<b>Cash flow from operating results</b>	<b>79,179</b>	<b>95,229</b>
Inventories	(9,231)	(5,832)
Trade receivables	15,405	(22,412)
Trade payables	(17,472)	(15,316)
Prepayments received	409	1,471
<b>Change in working capital</b>	<b>(10,889)</b>	<b>(42,089)</b>
Non-current provisions	(2,905)	862
Current provisions	(3,068)	749
Other current and non-current receivables and liabilities	(8,293)	2,845
<b>Change in other operating items</b>	<b>(14,266)</b>	<b>4,456</b>
<b>Taxes paid</b>	<b>(6,178)</b>	<b>(4,429)</b>
<b>Cash flow from operating activities</b>	<b>47,846</b>	<b>53,167</b>
Proceeds from the sale of non-current assets	(130)	7,520
Capital expenditures	(30,330)	(22,502)
Change in non-current and current financial assets	13,317	4,374
Change in liquid funds from changes in the consolidation range	(7,554)	0
<b>Cash flow from investing activities</b>	<b>(24,697)</b>	<b>(10,608)</b>
<b>FREE CASH FLOW</b>	<b>23,149</b>	<b>42,559</b>
Change in net borrowings	11,375	(16,003)
<i>thereof restricted cash</i>	162	261
Dividends	(31,255)	(22,487)
Share buyback / Exercise of options	(11,901)	1,530
Interest paid	(10,438)	(8,930)
<b>Cash flow from financing activities</b>	<b>(42,219)</b>	<b>(45,890)</b>
Effects of exchange rate changes on cash and cash equivalents	1,624	(900)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(17,446)</b>	<b>(4,231)</b>
Cash and cash equivalents at the beginning of the period	86,163	118,970
Cash and cash equivalents at the end of the period	68,717	114,739
<b>Change absolute</b>	<b>(17,446)</b>	<b>(4,231)</b>

# Statement of Changes in Equity

1st Half-Year 2008/09

in TEUR	Attributed to shareholders of the parent company						Total equity
	Share capital	Additional paid-in capital	Reserves	Net profit for the period	Total	Minority interests	
<b>30 April 2008</b>	<b>111,761</b>	<b>355,893</b>	<b>(48,409)</b>	<b>92,986</b>	<b>512,231</b>	<b>1,969</b>	<b>514,200</b>
+/- Additions to reserves	0	0	92,986	(92,986)	0	0	0
+/- Net profit for the period	0	0	0	42,241	42,241	(109)	42,132
+/- Share buyback / Exercise of options	0	(11,901)	0	0	(11,901)	0	(11,901)
+/- Dividends	0	0	(31,255)	0	(31,255)	0	(31,255)
+/- Currency differences not recognised through profit or loss	0	0	3,223	0	3,223	141	3,364
+/- Currency differences arising from loans	0	0	(1,799)	0	(1,799)	0	(1,799)
+/- Hedge accounting not recognised through profit or loss	0	0	651	0	651	0	651
+/- Actuarial (gain)/loss	0	0	(18,483)	0	(18,483)	0	(18,483)
+/- Stock options - Addition	0	0	832	0	832	0	832
+/- Initial consolidation	0	0	0	0	0	190	190
<b>31 October 2008</b>	<b>111,761</b>	<b>343,992</b>	<b>(2,254)</b>	<b>42,241</b>	<b>495,740</b>	<b>2,191</b>	<b>497,931</b>

1st Half-Year 2007/08

in TEUR	Attributed to shareholders of the parent company						Total equity
	Share capital	Additional paid-in capital	Reserves	Net profit for the period	Total	Minority interests	
<b>30 April 2007</b>	<b>111,761</b>	<b>354,143</b>	<b>(129,074)</b>	<b>103,193</b>	<b>440,023</b>	<b>1,567</b>	<b>441,590</b>
+/- Additions to reserves	0	0	103,193	(103,193)	0	0	0
+/- Net profit for the period	0	0	0	54,749	54,749	302	55,051
+/- Share buyback / Exercise of options	0	1,530	0	0	1,530	0	1,530
+/- Dividends	0	0	(22,280)	0	(22,280)	(207)	(22,487)
+/- Currency differences not recognised through profit or loss	0	0	(2,420)	0	(2,420)	(63)	(2,483)
+/- Hedge accounting not recognised through profit or loss	0	0	(264)	0	(264)	0	(264)
+/- Stock options	0	0	2,442	0	2,442	1	2,443
+/- Business combination achieved in stages	0	0	0	0	0	157	157
<b>31 October 2007</b>	<b>111,761</b>	<b>355,673</b>	<b>(48,403)</b>	<b>54,749</b>	<b>473,780</b>	<b>1,757</b>	<b>475,537</b>

## Statement of recognised income and expense

in TEUR	Q2 2008/09	Q2 2007/08
<b>Net profit for the period</b>	<b>42,133</b>	<b>55,051</b>
Hedge accounting	871	(352)
Actuarial (gain)/loss	(25,670)	0
Deferred taxes	6,968	87
<b>Income recognised directly in equity</b>	<b>(17,831)</b>	<b>(265)</b>
<b>Total</b>	<b>24,302</b>	<b>54,786</b>
Attributed to shareholders of the parent company	24,411	54,484
Attributed to minority interests	(109)	302

# Notes

## Accounting and Valuation Methods

The interim financial statements as of 31 October 2008 were prepared in accordance with the principles set forth in International Financial Reporting Standards (IAS 34, 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 2008. Additional information on these methods is provided in the consolidated financial statements as of 30 April 2008.

The quarterly financial statements of all companies included in the consolidated financial statements were prepared in accordance with uniform accounting and valuation principles.

The condensed consolidated interim financial statements were prepared in accordance with all IFRS/IAS 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 and have been adopted by the European Union through its endorsement procedure.

## Foreign Currency Translation

The major currencies used to translate the financial statements of subsidiaries into the euro are as follows:

1 EUR equals	Average exchange rate Income Statement		Closing rate Balance sheet	
	31 October 2008	31 October 2007	31 October 2008	30 April 2008
AUD	1.7191	1.6132	1.9240	1.6610
CHF	1.5971	1.6526	1.4680	1.6140
USD	1.4894	1.3735	1.2750	1.5540
SEK	9.5008	9.2492	9.9060	9.3570
GBP	0.7925	0.6823	0.7869	0.7901
HKD	11.6076	10.7119	9.8880	12.1100

## Consolidation Range

The condensed consolidated interim financial statements include all major Austrian and foreign companies that are controlled by Zumtobel AG.

The changes in the consolidation range during the interim financial period are shown below:

Consolidation Range	Consolidation Method		
	full	proportional	at equity
<b>30 April 2008</b>	<b>97</b>	<b>0</b>	<b>5</b>
Included during reporting year for first time	4	0	0
<i>Thereof newly founded</i>	2	0	0
<i>Thereof acquisition</i>	2	0	0
Merged / liquidated during reporting year	(1)	0	0
<b>31 October 2008</b>	<b>100</b>	<b>0</b>	<b>5</b>



As of 5 May 2008 Zumtobel acquired 100% of the shares in the Italian Space Cannon VH S.P.S. (now SpaceCannon), which is headquartered in Fubine. The preliminary allocation of the purchase price led to the recognition of TEUR 6,749 in goodwill. This company recorded net profit of TEUR 428 for the first two quarters of 2008/09.

In addition, 90% of the shares in Zumtobel Residential Lighting S.r.l. (formerly Oylight - now Zumtobel Residential), which is headquartered in Milan, were initially consolidated during May. The purchase price equalled TEUR 1,574. Goodwill disclosed during the preliminary allocation of the purchase price amounted to TEUR 1,535. This company reported a loss of TEUR 1,051 for the first half of 2008/09.

Zumtobel LED Illuminazione Holding srl, Italy, and Zumtobel Licht doo, Croatia, were founded during the first quarter of the reporting year.

Luxmate GmbH, Germany, was merged with Zumtobel Licht GmbH, Germany, in May 2008.

## **Notes to the Income Statement**

The following comments explain the major changes to individual items in relation to the comparable prior year period.

### **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 balance sheet date for these interim financial statements.

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

### **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.

### **Expenses**

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

### 1st Half-Year 2008/09

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(270,575)	(2,897)	(312)	0	(273,784)
Personnel expenses	(92,736)	(73,843)	(22,323)	(24)	(188,926)
Depreciation	(17,175)	(3,022)	(955)	0	(21,152)
Other expenses	(27,805)	(65,882)	(18,266)	(2,720)	(114,673)
Own work capitalised	7,043	18	513	0	7,574
Internal charges	3,041	(5,262)	2,221	0	0
<b>Total expenses</b>	<b>(398,207)</b>	<b>(150,888)</b>	<b>(39,122)</b>	<b>(2,744)</b>	<b>(590,961)</b>
<b>Other income</b>	<b>3,258</b>	<b>1,991</b>	<b>187</b>	<b>1,812</b>	<b>7,248</b>
<b>Total</b>	<b>(394,949)</b>	<b>(148,897)</b>	<b>(38,935)</b>	<b>(932)</b>	<b>(583,713)</b>

### 1st Half-Year 2007/08

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(281,652)	(2,800)	(177)	(4)	(284,633)
Personnel expenses	(98,170)	(72,364)	(23,068)	(48)	(193,650)
Depreciation	(15,913)	(2,779)	(839)	0	(19,531)
Other expenses	(26,355)	(65,754)	(16,067)	(1,116)	(109,292)
Own work capitalised	6,156	3	205	0	6,364
Internal charges	2,871	(4,529)	1,659	(1)	0
<b>Total expenses</b>	<b>(413,063)</b>	<b>(148,223)</b>	<b>(38,287)</b>	<b>(1,169)</b>	<b>(600,742)</b>
<b>Other income</b>	<b>3,810</b>	<b>2,489</b>	<b>987</b>	<b>2,044</b>	<b>9,330</b>
<b>Total</b>	<b>(409,253)</b>	<b>(145,734)</b>	<b>(37,300)</b>	<b>875</b>	<b>(591,412)</b>

The cost of goods sold includes development costs of TEUR 16,701 (prior year: TEUR 14,241). Development costs of TEUR 6,840 were capitalised during the reporting period (prior year: TEUR 5,824), and the amortisation of capitalised development costs equalled TEUR 2,873 (prior year: TEUR 1,908).

### Other Operating Results

in TEUR	Q2 2008/09	Q2 2007/08	1st Half-Year 2008/09	1st Half-Year 2007/08
Government grants	0	101	584	1,154
License revenues	617	536	978	823
Special effects	(1,616)	(460)	(2,652)	(1,056)
<i>Other impairment</i>	0	(2,450)	0	(2,450)
<i>Restructuring</i>	(1,600)	(1,084)	(2,636)	(2,060)
<i>Gains / losses on sale</i>	(16)	3,074	(16)	3,454
Miscellaneous	(126)	(166)	158	(46)
<b>Total</b>	<b>(1,125)</b>	<b>11</b>	<b>(932)</b>	<b>875</b>

The license fees represent income from the LED business.

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

Restructuring comprises, among other items, the costs for redundancy plans in Great Britain as well as other expenses incurred in connection with the construction of a plant in Spennymoor (TEUR 1,969). This position also includes expenses for redundancy plans in Australia (TEUR 462).

### Interest Expense

The increase in interest expense compared with the prior year was related to non-recurring costs of TEUR 4,370, which were incurred in connection with the refinancing of the acquisition credit agreement. Interest expense also includes the interest component of the lease for the new factory in England (TEUR 883). The remaining TEUR 9,039 (prior year: TEUR 10,703) primarily represent interest expense for the current credit agreement.

### Other Financial Income and Expenses

in TEUR	Q2 2008/09	Q2 2007/08	1st Half- Year 2008/09	1st Half- Year 2007/08
Interest component as per IAS 19 less income on plan assets	(708)	(485)	(1,365)	(1,109)
Foreign exchange gains and losses	(472)	(1,869)	(560)	(495)
Market valuation of financial instruments	8,594	(1,527)	6,840	(3,058)
Impairment charges to financial assets	0	0	0	(360)
Gains / losses on sale	0	0	(126)	192
<b>Total</b>	<b>7,414</b>	<b>(3,881)</b>	<b>4,789</b>	<b>(4,830)</b>

Foreign exchange gains and losses consist above all of effects from the valuation of receivables and liabilities that are denominated in a foreign currency.

The market valuation of financial instruments shows the results from the valuation of forward exchange contracts at fair value as of the balance sheet date for the interim financial statements.

### Income Taxes

The classification of income taxes into current and deferred taxes is shown in the following table:

in TEUR	Q2 2008/09	Q2 2007/08	1st Half- Year 2008/09	1st Half- Year 2007/08
Current taxes	(2,874)	(3,150)	(6,080)	(6,472)
Deferred taxes	(1,380)	(1,158)	(1,225)	(700)
<b>Income taxes</b>	<b>(4,254)</b>	<b>(4,308)</b>	<b>(7,305)</b>	<b>(7,172)</b>

### Results from Discontinued Operations

The negative results from discontinued operations resulted from a performance-based impairment charge of TEUR 1,288 to a receivable from the airfield business, which was recognised during the second quarter.

## **Notes to the Balance Sheet**

The following comments refer to major changes in individual items compared to the balance sheet date on 30 April 2008.

### **Goodwill**

The change in this position reflects the recognition of goodwill in SpaceCannon and Zumtobel Residential.

### **Intangible Assets**

The change in this position is related primarily to the capitalisation of internally generated assets resulting from development projects.

### **Property, Plant and Equipment**

The increase in property, plant and equipment resulted above all from the recognition of the newly constructed plant in Spennymoor, England.

### **Financial Assets**

Non-current financial assets declined during the first half of 2008/09, primarily due to the sale of a fixed-interest financial asset that was contracted with a financial institution.

### **Provisions for Pensions**

The increase in the provisions for pensions is related above all to a decline in plan assets in Great Britain.

### **Financial Liabilities**

The increase in non-current financial liabilities resulted from the recognition of a finance lease for the Spennymoor plant in accordance with IAS 17. This lease has a volume of TEUR 20,345 and a term of 21 years. The increase in current financial liabilities was related to the use of short-term lines of credit.

On 12 June 2008 two five-year credit agreements were concluded with a consortium of seven banks; one of these credit agreements represents a framework contract. The credits have a total volume EUR 480 million, whereby EUR 186 million were used to repay the EUR 200 million acquisition credit that was concluded in 2001. The remaining EUR 14 million were repaid from cash balances.

## Notes to the Cash Flow Statement

Cash flow from operating activities decreased by only TEUR 5,321 compared with the first half of 2007/08, in spite of the TEUR 18,072 decline in operating profit. A significant improvement in the development of working capital was responsible for this standing.

Cash flow from investing activities was TEUR 14,089 less than the comparable prior year value. This change resulted above all from investments in the new plant in Spennymoor during the first half of 2008/09 as well as the sale of real estate during the first half of the prior year.

Cash flow from financing activities reflects the dividend payment of TEUR 31,255 that was made in August and the repurchase of the company's own shares for TEUR 12,387 during the second quarter of 2008/09.

### Transition to cash and cash equivalents

in TEUR	31 October 2008	31 October 2007
Liquid funds	82,095	124,206
Not available for disposal	(568)	(2,610)
Demand deposits and others	(12,810)	(6,857)
<b>Cash and cash equivalents</b>	<b>68,717</b>	<b>114,739</b>

## Notes to the Statement of Changes in Equity

### Dividend

The Annual General Meeting on 29 July 2008 approved the payment of a EUR 0.70 dividend per share. A total of TEUR 31,255 was distributed to the shareholders of Zumtobel AG on 4 August 2008.

### Stock Option Programme and Share Buyback

in psc.	Total
<b>30 April 2008</b>	<b>112,181</b>
Share buyback	1,253,238
Exercised	(64,625)
<b>31 October 2008</b>	<b>1,300,794</b>

The annual general meeting on 29 July 2008 authorised the Management Board of Zumtobel AG, with the approval of the Supervisory Board, to repurchase the company's shares at an amount equalling up to 10% of share capital for a minimum price of EUR 5.00 and a maximum price of EUR 50.00 per share; this authorisation is valid for a period of 18 months. The Management Board of Zumtobel AG decided on this same date to utilise the authorisation and repurchase up to 1,943,555 of the company's shares at a maximum price of EUR 20.50 by 11 February 2009. As of 31 October 2008 a total of 1,253,238 shares had been repurchased for TEUR 12,387.

A total of 64,625 stock options were exercised during the first half of 2008/09 (prior year: 191,771). The exercise price to be paid by employees equalled TEUR 486 (average price of EUR 7.5 per share; prior year, average price of EUR 8.0).



## Reserve for Stock Options

in TEUR	SOP	MSP	Total
<b>30 April 2008</b>	<b>15,986</b>	<b>1,558</b>	<b>17,544</b>
Addition through profit or loss	0	832	832
<b>31 October 2008</b>	<b>15,986</b>	<b>2,390</b>	<b>18,376</b>

The Stock Option Programme (SOP) has now been fully replaced by the Matching Stock Programme (MSP). No further options were allocated from the SOP.

The addition to the Matching Stock Programme (MSP) represents the options to be granted from the MSP I segments 2 and 3, MSP II segments 1 and 2 as well as MSP III segment 1 for a total of TEUR 832. The addition will be accrued over two years through profit or loss.

## Related Party Transactions

Related parties include the Managing Board and Supervisory Board of Zumtobel AG. The company had no business relationships with related parties as of the closing date for the interim financial statements on 31 October 2008.

Supply and delivery transactions are conducted with associated companies at normal market conditions.

## Contingent Liabilities and Guarantees

The Zumtobel Group holds contingent liabilities of TEUR 6 (30 April 2008: TEUR 440) for guarantees and warranties that do not meet the criteria for recognition as a provision. Bank guarantees of TEUR 8,894 (30 April 2008: TEUR 9,072) have been provided for various liabilities.

## Subsequent Events

No events of significant importance occurred after the balance sheet date.

## Segment Reporting

### Business Segments

The following two subgroups represent the primary segments of business for the Zumtobel Group: the Lighting Segment (formerly the Zumtobel Lighting Division - lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (formerly the TridonicAtco Division - electronic and magnetic lighting components). The prices charged on inter-segment sales reflect normal market conditions.

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

The column "Other and Consolidation" contains the assets, liabilities and related income statement items which were not allocated to the individual segments as well as property, plant and equipment, financial liabilities and taxes that relate to more than one segment.

## 2nd Quarter

in TEUR	Lighting Segment			Components Segment			Other & Consolidation			Group		
	Q2 2008/09	Q2 2007/08	Q2 2006/07	Q2 2008/09	Q2 2007/08	Q2 2006/07	Q2 2008/09	Q2 2007/08	Q2 2006/07	Q2 2008/09	Q2 2007/08	Q2 2006/07
Net revenues	239,277	256,750	241,623	106,215	103,960	97,104	(21,032)	(17,671)	(17,644)	324,459	343,039	321,083
External revenues	238,744	256,875	242,035	85,409	85,704	79,511	307	460	(463)	324,459	343,039	321,083
Inter-company revenues	533	(125)	(412)	20,806	18,256	16,926	(21,339)	(18,131)	(17,181)	0	0	0
Operating profit	20,193	30,510	22,117	13,398	12,499	10,361	(3,162)	(1,004)	2,500	30,429	42,005	34,978
Investments	9,638	7,322	6,072	5,905	4,945	5,581	258	50	1,403	15,801	12,317	13,056
Depreciation	(6,260)	(6,106)	(5,956)	(3,877)	(4,596)	(4,566)	(777)	1,236	(240)	(10,915)	(9,466)	(10,763)

## 1st Half-Year

in TEUR	Lighting Segment			Components Segment			Other & Consolidation			Group		
	1st Half-Year 2008/09	1st Half-Year 2007/08	1st Half-Year 2006/07	1st Half-Year 2008/09	1st Half-Year 2007/08	1st Half-Year 2006/07	1st Half-Year 2008/09	1st Half-Year 2007/08	1st Half-Year 2006/07	1st Half-Year 2008/09	1st Half-Year 2007/08	1st Half-Year 2006/07
Net revenues	473,941	492,680	468,376	208,838	209,003	192,490	(41,648)	(35,583)	(35,245)	641,130	666,100	625,621
External revenues	472,296	492,936	468,335	168,246	172,532	157,348	588	632	(62)	641,130	666,100	625,621
Inter-company revenues	1,645	(255)	41	40,592	36,471	35,142	(42,237)	(36,216)	(35,183)	0	0	0
Operating profit	35,633	51,752	43,333	27,711	24,842	20,659	(5,927)	(1,906)	1,347	57,417	74,688	65,339
Investments	19,557	13,855	11,876	9,785	8,528	9,852	988	119	2,003	30,330	22,502	23,731
Depreciation	(12,436)	(12,153)	(12,043)	(7,645)	(9,822)	(9,362)	(1,072)	2,443	1,140	(21,153)	(19,531)	(20,265)

in TEUR	31 October 2008	30 April 2008	30 April 2007	31 October 2008	30 April 2008	30 April 2007	31 October 2008	30 April 2008	30 April 2007	31 October 2008	30 April 2008	30 April 2007
	Assets	756,034	754,848	728,292	243,389	233,295	242,104	134,200	117,805	174,983	1,133,623	1,105,948
Liabilities	282,664	281,339	293,825	98,051	96,774	102,283	254,977	213,635	307,681	635,692	591,748	703,789

## Regional Segments

The distribution of countries to the individual regions is as follows:

DACH:	Germany, Austria, Switzerland
Eastern Europe:	Czech Republic, Croatia, Hungary, Poland, Romania, Russia, Slovakia, Baltic States
Northern Europe:	Denmark, Finland, Norway, Sweden, Iceland
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.

in TEUR	External revenues					
	Q2 2008/09	Q2 2007/08	Q2 2006/07	1st Half-Year 2008/09	1st Half-Year 2007/08	1st Half-Year 2006/07
D/A/CH	84,853	86,598	77,515	162,852	162,430	151,844
Eastern Europe	21,860	21,441	19,151	40,468	35,630	33,388
Northern Europe	28,403	29,336	25,627	52,553	52,093	48,907
Western Europe	102,697	110,293	102,938	205,741	223,638	200,702
Southern Europe	26,026	31,564	27,042	59,913	68,302	59,348
Europe	263,839	279,232	252,273	521,527	542,093	494,189
Asia	23,568	22,468	26,294	45,169	42,952	47,362
Australia & New Zealand	26,810	30,235	28,442	52,953	57,185	55,616
America	8,202	8,565	11,042	16,440	18,384	21,570
Others	2,041	2,538	3,032	5,041	5,486	6,884
Other & Consolidation	0	0	0	0	0	0
<b>Total</b>	<b>324,460</b>	<b>343,039</b>	<b>321,083</b>	<b>641,130</b>	<b>666,100</b>	<b>625,621</b>

in TEUR	Assets			Investments		
	31 October 2008	30 April 2008	30 April 2007	Q2 2008/09	Q2 2007/08	Q2 2006/07
D/A/CH	406,533	389,430	393,566	16,902	13,952	17,893
Eastern Europe	22,832	20,932	9,753	642	985	503
Northern Europe	30,608	31,346	29,162	770	496	326
Western Europe	182,613	178,089	178,887	10,865	4,237	2,659
Southern Europe	41,371	23,133	19,917	55	17	81
Europe	683,957	642,930	631,285	29,234	19,687	21,462
Asia	45,404	40,260	39,449	437	701	589
Australia & New Zealand	60,242	60,909	71,405	284	1,883	1,476
America	15,606	13,162	14,472	375	231	204
Others	0	0	0	0	0	0
Other & Consolidation	328,420	348,686	388,768	0	0	0
<b>Total</b>	<b>1,133,623</b>	<b>1,105,948</b>	<b>1,145,379</b>	<b>30,330</b>	<b>22,502</b>	<b>23,731</b>

### Statement by the Management Board in accordance with § 87 (1) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the condensed consolidated interim financial statements, which were prepared in accordance with International Financial Reporting Standards (IAS 34, Interim Financial Reporting), provide a true and fair view of the financial position and financial performance of the group and that the group management report on the first half-year provides a true and fair view of the financial position and financial performance of the group with respect to important events that occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements as well as the principal risks and uncertainties for the remaining six months of the financial year and the major related party transactions disclosed.

Dornbirn, 9 December 2008

The Management Board

Andreas Ludwig

Thomas Spitzenpfeil

# Review Report

## Introduction

We have reviewed the accompanying condensed consolidated interim financial information of

**Zumtobel AG,  
Dornbirn,**

as of 31 October 2008. This condensed consolidated interim financial information comprises the consolidated balance sheet as of 31 October 2008, the related consolidated statements of income, cash flows and changes in equity for the period then ended and a summary of significant accounting policies and other explanatory notes.

The Company's management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. Our liability towards the Company and third parties with respect to this review is limited in accordance with para 275 Austrian Commercial Code (§ 275 (2) UGB).

## Scope of Review

We conducted our review in accordance with Austrian standards for chartered accountants and with International Standard on Review Engagements (ISRE) 2410, „*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*“. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information are not presented fairly in all material respects in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU.

## Comment on the Group Management Report for the six month period ended as of 31 October 2008 and the Declaration of the Company's management according to para 87 BörseG

We have read the Group Management Report for the six month period ended as of 31 October 2008 in order to see if it is not obviously contradictory to the condensed consolidated interim financial information. In our opinion, the Group Management Report includes no obvious contradictions to the condensed consolidated interim financial information.

The Group Management Report for the six month period ended as of 31 October 2008 includes the declaration of the Company's management according to para 87 (1) fig 3 BörseG.

Vienna, 9 December 2008

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Thomas Smrekar, Martin Wagner  
Certified Public Accountant

# 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 + tangible assets + inventories + trade receivables – trade payables – provisions for income taxes – other provisions – other liabilities, as average over a period of four quarters
CAPEX	Capital expenditure
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
Net debt	= Non-current borrowings + current borrowings – liquid funds
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

## Financial Calendar

3rd Quarterly Report 2008/09 (1 May 2008 – 31 January 2009)	12 March 2009
Annual Results 2008/09	29 June 2009
Annual Shareholders' Meeting	24 July 2009
Ex-dividend day	28 July 2009
Dividend payout day	31 July 2009

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## Financial Reports

Our financial reports are available for download under: <http://www.zumtobelgroup.com>.  
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](http://www.zumtobelgroup.com)  
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## Disclaimer

This interim 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 understood 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 interim financial report is also presented in English, but only the German text is binding.





