

Zumtobel Group

Update on financial topics

Karin Sonnenmoser – CFO Zumtobel Group

Capital Markets Day 2016 / March 15, 2016 / Frankfurt am Main

AGENDA

- UK Pension funding obligation renegotiated
- Resetting working capital target range
- New credit agreement secures long-term liquidity
- R&D spending will remain at around 6.5% of revenues

Free cashflow will benefit from lower annual contributions

Pension deficit funding obligation in UK renegotiated

Development Pension Deficit

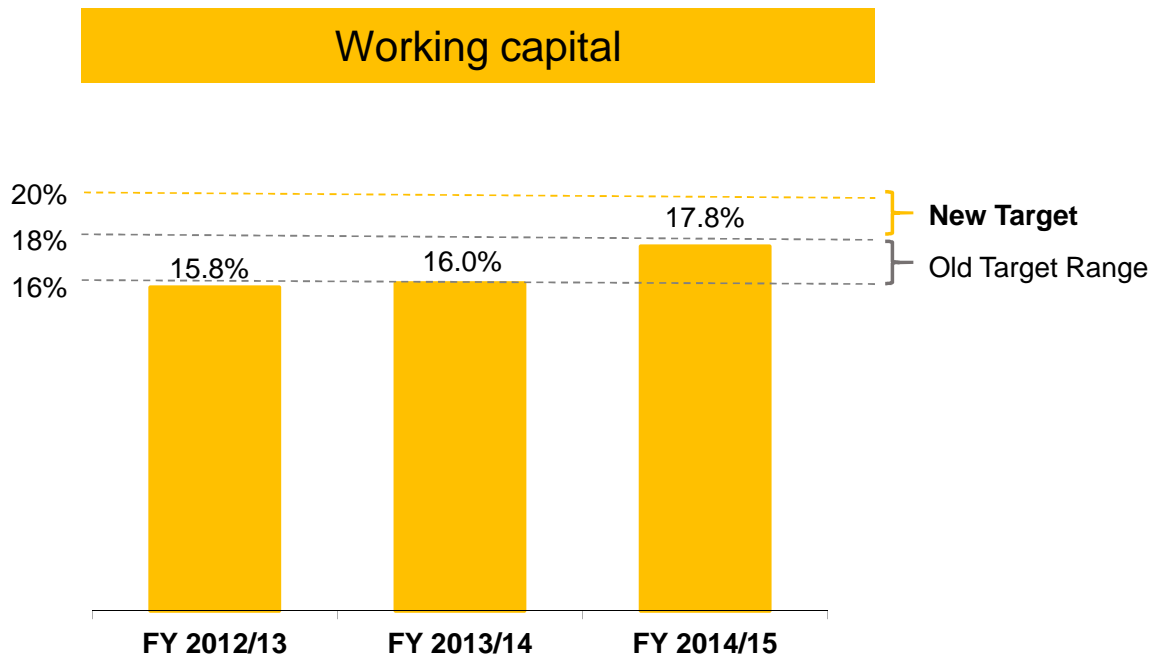
in EUR million	30 April 2015	30 April 2014	30 April 2013
Present value of pension obligations	317	253	241
Fair value of plan assets	217	176	166
Pension deficit	100	77	75
<i>Thereof Thorn Lighting Pension Fund</i>	<i>54</i>	<i>41</i>	<i>40</i>

Thorn Lighting Ltd is obliged to make annual contributions to cover the shortfall in pension fund assets. The payment terms of this obligation have been renegotiated:

	New (since 08/15)	Old
Annual cash payment	1.76 m GBP	6.4 m GBP
Annual increase	+3%	+5%
Corporate Guarantee Zumtobel Group AG	3.0 m GBP	7.5 m GBP

Resetting the Working Capital target to approx. 20% (prev. 16% – 18%)

Zumtobel Group – Working Capital



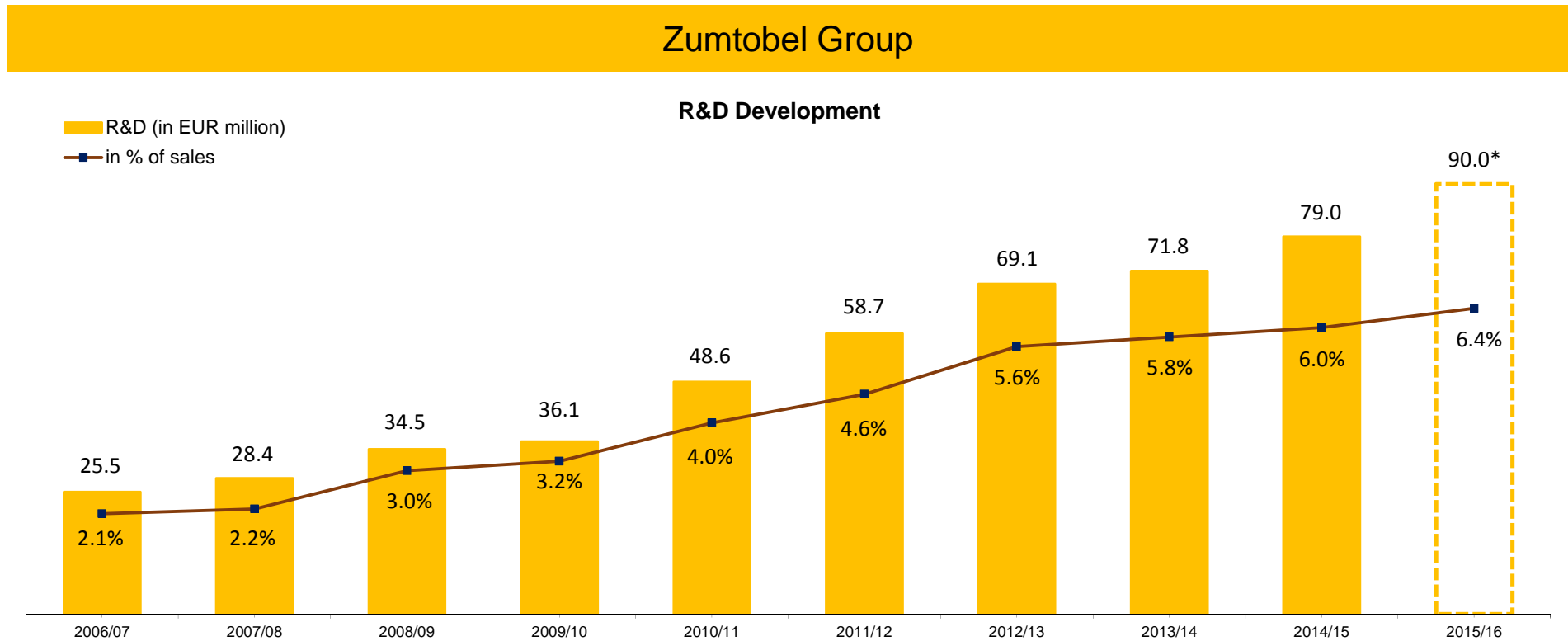
- Technology shift driven increase (long term): Transformation towards LED leads to an increase in working capital (inventories) because stocks of raw material, semi-finished and finished goods have a higher absolute value than comparable conventional products. Dynamic growth of LED continues.
- Restructuring driven increase (short term): Operations footprint optimisation leads to temporary inefficiencies in supply chain management & production as well as safety stock considerations.
- Peer group analysis indicates that we have overstretched the target. On average a peer group of 20 companies show a working capital ratio of approx. 25%.
- A new target of approx. 20% is still ambitious but balances reasonable day-to-day business needs and cashflow optimisation.

New credit agreement secures long-term liquidity and financing capabilities Zumtobel Group – Solid financial foundation

- Syndicated loan agreement with a max. line of EUR 300 m, step-up clause for additional EUR 200 m
- Five-year term ending on November 30th 2020, plus two one-year extension options (5+1+1 ruling)
- Usage of funds: refinance Zumtobel Group's existing EUR 350 million loan which would have expired in October 2016 and for general corporate purposes
- Agreement requires compliance with financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of 25%)
- Bank consortium with Commerzbank AG, Raiffeisenbank International AG, UniCredit Bank Austria AG, Bank für Tirol und Vorarlberg AG, HSBC Trinkaus & Burkhardt AG, SEB AG, Vorarlberger Landes- und Hypothekenbank AG

Massively increasing expenditures for innovation in the last 10 years

Zumtobel Group – R&D spending



Innovation leadership requires ongoing high level of investments

R&D activities

- Faster innovation cycles (time-to-market) as well as increasing product and system complexity
- Focus on energy efficiency, intelligent controls and light quality
- Expansion of capacity and expertise in the areas of system architecture, software development and data management
- Drive components standardization, complexity reduction, platform solutions at the back end to realize cost synergies
- Ensure differentiation and innovation on the front end to target customer value add
- R&D spending (through P&L) will remain at **around 6.5%** of revenues

Capex plans

- Capex consist basically of tools for new products, building maintenance, machinery as well as capitalized R&D
- Future capex as % of revenues will remain at **around 5.0%**



zumtobel group

THORN

TRIDONIC

 ZUMTOBEL

acdc

REISS

Backup – WC benchmark analysis

