

# Zumtobel Group

## Capital Markets Day 2010

**- Financial Update -  
Thomas Spitzenpfeil**

# Financial Update

## Business Update

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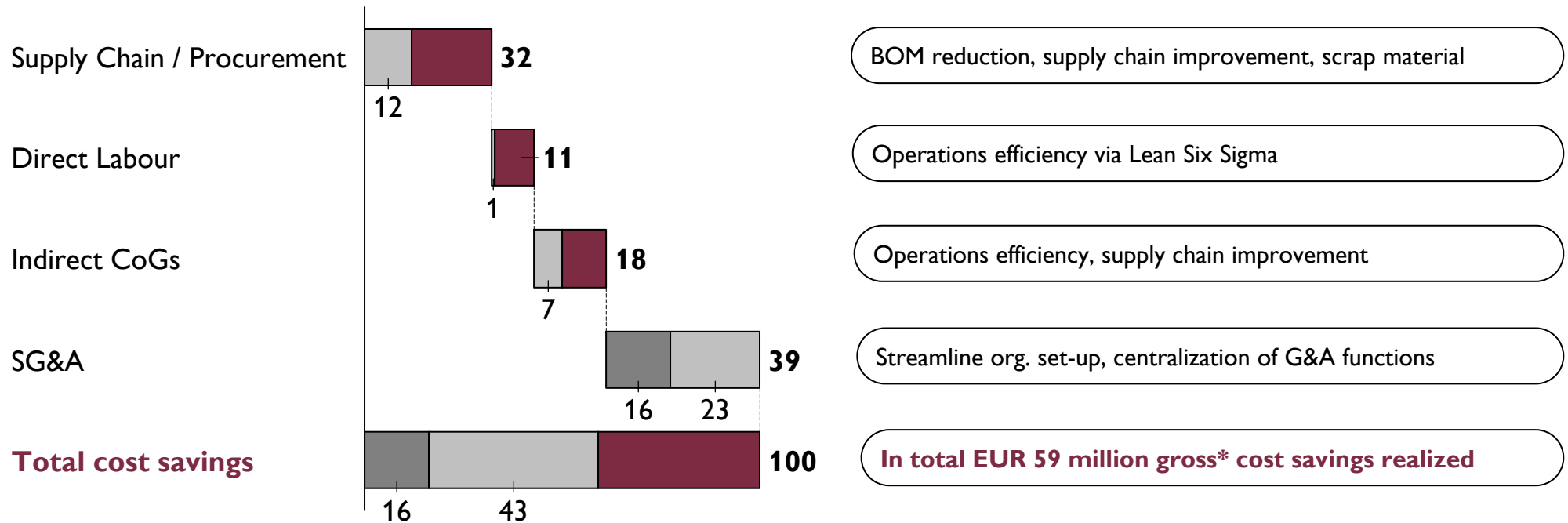
## Process Update

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# “Excellerate” Efficiency Improvement Programme

EUR 100 million gross cost savings to master continuous downturn scenario

2010/11 challenge: Manage cost discipline while preparing for growth



- Gross cost savings identified by FY 2010/11
- Achieved in Q1-Q3 FY 2009/10
- Achieved in 2<sup>nd</sup> HY 2008/09

\* Adjusted for FX effects, 2,2% price effect and 2,5% salary increases. Indirect CoGS are treated as fix costs.

Figures in EUR million

## CAPEX Outlook

CAPEX for 2010/11 will be slightly above the level of 2009/10

in EUR million	Actual 2006/07	Actual 2007/08	Actual 2008/09	Estimate 2009/10	Estimate 2010/11
Machinery, equipment, maintenance, tooling	43.5	53.3	51.6	28 to 33	37 to 45
Intangibles = capitalised R&D	10.8	12.7	13.1	12.0	13.0
Total CAPEX	54.3	66.0	64.7	40 to 45	55 to 60

- The transformation process from conventional lighting to LED lighting will require higher capex in the long run (higher capitalised R&D, shorter product life cycle, software and electronic capabilities, old and new technology, etc.)

# IFRS Accounting for pensions

## Impact of accounting for pensions according to IAS 19

- For defined benefit plans, the amount recognized in the balance sheet should be the present value of the defined benefit obligation (that is, the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods) reduced by the fair value of plan assets at the balance sheet date [IAS 19.54].
- Therefore the amount of the provision for pensions is also dependent on parameters like the development of wages, salaries, life expectancy as defined in mortality tables, the discount rate and the expected return on plan assets.
- Zumtobel Group applies IAS 19.93a (2004) which requires the recognition for actuarial gains and losses in full in the period in which they occur, outside profit or loss, through other comprehensive income.
- Zumtobel has defined benefit pension plans in Great Britain, Sweden, Norway, Switzerland and Germany.
- The largest pension plan (Thorn Lighting Ltd, GB) was fully closed at the end of 2008/09.
- The net liability (i.e. provision for pensions) rose from EUR 35.8 m as of 30 April 2008 to EUR 47.4 m as of April 2009 mainly due to a decrease of the fair value of plan assets.
- In Q3 2009/10 the provision for pensions was increased to EUR 70.5 m due to the application of lower interest rates (from 6.6% to 5.6%) and an adjustment of the mortality tables in Great Britain
- As of December 2009 plan assets comprised of international stocks (38.1%), fixed-interest securities (35.7%), alternative investments (10.5%), property (4.6%) and cash / cash equivalents (11.2%)

# IFRS Accounting for pensions

## Impact of accounting for pensions according to IAS 19

### Provisions for pensions as per IAS 19

in EUR million	30.04.2007	30.04.2008	30.04.2009	30. April 2010 (estimate)*
Obligations not financed through funds	28.0	26.5	25.8	25.8
Obligations financed through funds	147.4	117.2	110.9	136.8
Present value of defined benefit obligations	175.4	143.7	136.7	162.6
Fair value of plan assets	-120.1	-107.9	-89.3	-105.9
<b>Net liability as per balance sheet</b>	<b>55.3</b>	<b>35.8</b>	<b>47.4</b>	<b>56.8</b>
<b>Statement of Changes in Equity</b>				
Actuarial gain / loss recognised	13.2	10.9	-19.9	-15 to -25
<b>Income Statement</b>				
Service component in personnel expenses	-5.0	-3.1	-2.5	-2.5 to -3.5
Interest component as per IAS 19 less income on plan asset	-0.6	-0.3	-0.9	-0.9 to -1.3
<b>Cash Flow Statement</b>				
Payments to plan assets	-0.1	-2.0	-2.6	-4 to -6

\* indicative figures, subject to actuarial valuations to be performed at year-end closing

## Application of new IAS/IFRS as of 30.4.2010

### Goodwill adjustment based on IFRS 3 and IAS 21

### Reduction of goodwill due to FX effect - Restatement of prior periods

**In order to better comply with IFRS and to further improve our reporting, Zumtobel applies the following rules as of 30.4.2010:**

- IFRS 3 on business combinations defines goodwill as an asset
- According to IAS 21 assets should be recognized in the functional currency and translated at the period-end exchange rate
- If a CGU has several functional currencies goodwill should be recognized on a pro-rata basis at the acquisition date (IAS 21.BC31). (pro rata: e.g. sales per currency region can be used for allocation)
- The annual exchange rate differences must be recorded in other comprehensive income according to IAS 21 and thus do **not affect net profit for the period**. It will however reduce the equity ratio by approx. 160 bps (see example on next slide)
- This accounting practise can be applied retrospectively, resulting in a **restatement of previous periods**

**This will result in a FX-induced reduction of goodwill in the range of EUR 30 - 50 million:**

- As goodwill mainly results from the Thorn acquisition in 2001, the main effects come from GBP
- As a consequence the basis for the impairment test is reduced and the impairment risk is proportionately lowered

# Goodwill adjustment based on IFRS 3 and IAS 21

## Effects on key figures - Example

Assuming goodwill adjustment of EUR 30 million

in EUR million	as of 31. January 2010		
	Restated (incl. FX-eff.)	Reported (excl. FX-eff.)	FX effect
Goodwill	246.0	276.0	-30.0
Total assets	1,011.3	1,041.3	-30.0
Equity	417.8	447.8	-30.0
<i>Equity ratio in %</i>	<i>41.3</i>	<i>43.0</i>	<i>-1.6</i>
Net debt	161.1	161.1	0.0
Cash flow from operating activities	71.3	71.3	0.0
ROCE in %	11.0	10.4	2.1

Annual FX-effect on goodwill will influence equity through Statement of Comprehensive Income  
- no effect on net profit for the period



## Considerations on taxes

### Unrecognised tax loss carryforwards as per 30. April 2009

**Approx. EUR 408.5 mill. of tax loss carryforwards only partially recognised**

Deferred taxes of EUR 277.9 m on tax loss carryforwards were not capitalised because their utilisation is not sufficiently certain

in EUR mill.	Total	Thereof adjusted	Thereof on balance
Tax loss carryforwards	408.5	277.9	130.6
Tax asset	102.1	69.5	32.7

Recognized in deferred tax assets as part of the EUR 46.2 m (as of 30.04.2009)

**Based on current tax legislation, a tax rate of 15% applies to the Zumtobel Group**

Simplified approximation:

in EUR mill.	EBT	Appl. tax rate in %	Tax
in Austria	40.0	0.0	0.0
Other countries	60.0	25.0	15.0
Total	100.0	15.0	15.0

**Ongoing tax audits in some countries**

# New Financial Calendar

## Increasing speed of reporting post end of financial quarter

	Old release dates	New release dates
▪ 1 <sup>st</sup> Quarterly Report 2010/11	Tues, Sept. 14, 2010	<b>Mon, Sept. 6, 2010</b> (May 1, 2010 – July 31, 2010)
▪ Interim Financial Report 2010/11	Thur, Dec. 9, 2010	<b>Thur, Dec. 2, 2010</b> (May 1, 2010 – Oct. 31, 2010)
▪ 3 <sup>rd</sup> Quarterly Report 2010/11	Wed, March 16, 2011	<b>Mon, March 7, 2011</b> (May 1, 2010 – Jan. 31, 2011)
▪ Financial Results 2010/11	Mon, June 27, 2011	<b>Mon, June 27, 2011</b>

