

## **Report by the Management Board of Zumtobel AG on the exclusion of subscription rights, Point 6 of the Agenda for the 38th Annual General Meeting**

The Management Board and Supervisory Board of Zumtobel AG (the “Company“) will make the following proposal to the Annual General Meeting under point six of the agenda: The Management Board is authorised pursuant to § 169 of the Austrian Stock Corporation Code, contingent upon the approval of the Supervisory Board, to increase the company’s share capital by up to EUR 10,875,000.- through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches or through indirect subscription rights as defined in § 153 (6) of the Austrian Stock Corporation Act – at a minimum issue price equalling 100% (one hundred per cent) of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for five years beginning on the date the respective amendment to the articles of association is recorded in the company register. Furthermore, the Management Board is empowered to determine the issue price and conditions (authorised capital) and to exclude the subscription rights of shareholders to the new shares issued from this authorised capital (“Authorised Capital 2014“).

In accordance with §§ 170 (2) in connection with § 153 (4) of the Austrian Stock Corporation Act, the Management Board hereby issues the following

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on the possible exclusion of subscription rights.

The possible exclusion of subscription rights for 10% of share capital on capital increases in connection with the proposed authorisation is in the interests of the Company for the following reasons:

1. In realising its business policies and corporate strategy, the Company makes investments and acquires entities that are active in its field of business or could be interesting for strategic or operating reasons. Experience has shown that the owners of investment or acquisition targets that are attractive for the Company are, in many cases, only prepared to sell if they receive shares in the Company as full or partial compensation for the transaction. In such cases, the Company can only acquire the targeted investment or acquisition if it can offer the (potential) seller compensation in the form of (new) shares.

On the other hand, it can be advantageous from the Company's point of view to execute the purchase of an investment or acquisition in exchange for the issue of (new) shares. For example: the payment of the purchase price in the form of new shares instead of cash prevents the outflow of liquidity. The execution of an acquisition with payment through a contribution in kind does not result in an outflow of liquidity for the Company as the buyer, but – in contrast – leads to an increase in equity. The claim of a receivable against the issue of new shares by the Company would be similarly interesting.

Finally, these constellations require the Company to be in a position to grant the seller of the investment or acquisition shares in the Company as compensation for the transaction. The Company can reach this position by increasing its share capital in exchange for a contribution in kind under the exclusion of shareholders' subscription rights and by issuing new shares to the seller of the investment or acquisition.

2. Experience shows that it is essential for the Company to be in a position to react flexibly and quickly to market opportunities in order to optimally utilise all potential market prospects for the benefit of the Company and to carry out transactions that are interesting for the Company. The lighting industry is currently in a phase of dynamic change, above all with respect to the technology shift to LED and intelligent light management. In the interest of shareholders, the Company should be able to act quickly and flexibly in order to benefit from opportunities arising from the technology shift, in part through possible acquisitions. This requires, among others, that the capital increase be carried out quickly, which generally excludes the possibility of somehow "combining" the acquisition of the contribution in kind or capital increase in kind with a cash capital increase in a way that would not require the exclusion of subscription rights for a capital increase in kind. Therefore, the legal subscription rights of shareholders on capital increases through contributions in kind must be excluded to actually allow the Management Board to optimally utilise all available market opportunities for the benefit of the Company and thereby also for the benefit of the Company's shareholders.
3. The interests of the Company's shareholders are protected by ensuring an appropriate ratio of shares granted for the purchase of the contribution in kind. The value of the targeted contribution in kind is compared with the value of the Company. This ratio determines the number of new shares in the Company that will be transferred to the contributor. The contribution in kind is also reviewed by a court-appointed expert to ensure an equivalent value between the contribution in kind and the issued shares. If it is subsequently determined that the equivalent value of the

contribution in kind was not correct, the Company can claim the difference from the contributor in individual cases.

4. Moreover, it should also be possible to exclude the subscription rights of shareholders when the new shares issued in connection with a cash capital increase are issued for an amount that is not significantly lower than the market price. This authorisation allows the Company to quickly and flexibly utilise market opportunities in its various areas of business and thereby cover related capital requirements, also on a very short-term basis, without drawing on existing bank credit lines. The exclusion of subscription rights not only allows for timely action, but also permits the placement of shares close to the market price, i.e. without the discount that normally accompanies a subscription rights issue. This generally leads to higher issue proceeds for the benefit of the Company. A placement of this type can also be used to attract new institutional (also strategic) shareholders, e.g. potential cooperation partners whose investment is interesting for strategic or operating considerations and who link their cooperation to an investment in the Company.
5. The Management Board will only utilise the authorisation for a capital increase under the full or partial exclusion of subscription rights when the above-mentioned conditions and all legal requirements are met. Since the proposed authorisation represents the authorisation to exclude subscription rights (and not the direct exclusion of subscription rights), this report cannot deal with concrete transactions. The objective justification for the exclusion of subscription rights must be evaluated with regard to a concrete transaction when the authorisation is used and on the basis of the framework described in this report.
6. With regard to the five-year period defined for authorised capital, no information can be provided on the issue price of the new shares at the present time. The issue price depends on the business development of the Company and the development of its share. The issue price for the new shares will be determined by the Management Board in full consideration of the interests of the Company and its shareholders.
7. In conclusion, the Management Board of the Company establishes that the above-mentioned reasons for the exclusion of subscription rights in the event of a capital increase from authorised capital are to the benefit of all shareholders. The Management Board also determines that the exclusion of subscription rights within the defined limits is necessary, suitable and appropriate as well as objectively justified and essential in the overriding interest of the Company.

8. The resolution for the use of Authorised Capital 2014 also requires the approval of the Company's Supervisory Board. The Management Board is required by law to submit a further report to the Supervisory Board two weeks prior to voting on a resolution to expressly exclude subscription rights in connection with the planned use of Authorised Capital 2014. This report by the Management Board must provide detailed information on the reasons for the exclusion of subscription rights and must be published, at the latest, two weeks before the Supervisory Board resolution.

Dornbirn, June 2014

The Management Board of ZUMTOBEL AG