

zumtobel group

**Report
of the Supervisory Board
ZUMTOBEL AG
June 27, 2008 for the Financial Year 2007/2008**

Dear Shareholders,

During the 2007/08 financial year the Supervisory Board carried out the duties defined by Austrian law and the articles of association. We supervised the direction of the company by the Management Board and monitored the management of Zumtobel AG on a regular basis. The Management Board provided us with regular, timely and extensive verbal and written reports on major events, the position of the company and the general development of business. Furthermore, the Management Board consulted with the Chairman of the Supervisory Board between the scheduled meetings to ensure a continuous flow of information. Experts were invited to the meetings of the Supervisory Board to provide in-depth reports on specific points of the agenda. Specific issues and decisions were reviewed jointly by the Chief Executive Officer and the Supervisory Board. These activities enabled the Supervisory Board to meet the obligations defined by law and the articles of association.

Meetings of the Supervisory Board

The Supervisory Board held four meetings during the 2007/08 financial year. Only one member was not present at one of these four meetings.

The following issues and topics were handled at these meetings:

In conjunction with the regular reporting, we held detailed discussions with the Management Board on the financial position of the company and relevant major events. We pursued the strategic development of the Zumtobel Group and also reached decisions on major investments,

acquisitions and measures. As the Supervisory Board of a listed company, we ensured that we received regular reports on compliance with legal requirements as well as on the views and appraisals of the analysts. Based on this knowledge, together with the Management Board we then signed off a capital market communications strategy. This has led the Investor Relations department at Zumtobel AG to embrace a proactive and comprehensive communications policy. At the first meeting of the 2007/08 financial year in July 2007 we discussed the audited annual financial report and the directors' report for 2006/07, the consolidated financial statements and the directors' report on the Group for 2006/07, accepted these documents and approved the annual financial report for 2006/07 in accordance with a recommendation by the Accounting Committee. Moreover, we approved the recommendation for the distribution of profit for 2006/07 and discussed the company's dividend policy.

We monitored the ongoing financial management of the company, and requested and received detailed information on the development of business. At this meeting we also approved the report of the Supervisory Board on the 2006/07 financial year for release to the annual general meeting and accepted the definition of the scope of activities for the compliance officer in accordance with the Austrian Issuer Compliance Regulations. Additionally, we discussed and evaluated the strategic focus of the Zumtobel Group in an extensive dialogue with the Management Board. In particular, we reached a common understanding with the Management Board concerning the requirements that must be met by potential acquisition targets, to ensure that they match the strategic direction of the Zumtobel Group.

The major topics of the meeting in October 2007 involved the management report on the first quarter of 2007/08, human resource development and strategic planning for the 2008/09 financial year. We were also provided with information on the latest business developments, including a report on the construction of the new plant in Spennymoor (UK). One key topic in the context of strategic planning was technological progress in LEDs and how this affects the Zumtobel Group.

In January 2008 we analysed the six-month results for 2007/08 in detail, and continued the dialogue from the previous meeting on strategic planning and the cornerstones of mid- and long-range objectives. One outcome of this dialogue was the decision to bring the Group's LED activities under the control of a single management body. At the same time the management of the two segments was reorganised and supplemented. At this meeting we also received a

progress report on the construction of the new plant in Spennymoor (UK). In addition, we approved the Management Board's proposal to make two small-scale acquisitions.

The meeting in April 2008 took place at the largest lighting trade fair, the Light + Building in Frankfurt, which gave an opportunity to gather first-hand information on the latest products and the competitive situation at the Zumtobel stand. The management report on the third quarter of 2007/08 and the forecast for the fourth quarter were discussed in detail. The budget for 2008/09 was approved after extensive consultations. The Management Board also provided information on projects to implement the Group strategy. In addition, the contract with CEO Andreas Ludwig was extended to April 2012.

Committees of the Supervisory Board

The Supervisory Board has established two committees, whose members are listed in the corporate governance section of the annual report.

The Committee for Management Board Matters is responsible for relations between the company and the members of the Management Board. This committee held ten meetings in 2007/08, which took the form of conference calls. The members also exchanged information on the latest issues and developments before and/or after the official meetings of the Supervisory Board. In particular, these discussions covered organisational development as well as the extension of the contract with the Chief Executive Officer.

The Audit Committee dealt with the audit and preparations for the approval of the annual financial report and consolidated financial statements, the recommendation for the distribution of profit and the management report. It also nominated an auditor for the annual financial report, subject to the approval of the annual general meeting. The Audit Committee met twice during the 2007/08 financial year and all members were present at both meetings. Other topics of discussion included the internal review of compliance with the Austrian Corporate Governance Code, the evaluation of the risk management system by the auditor, the yearly report by corporate internal audit, the auditor's management letter and the fast close process.

Annual Financial Report

The annual financial report and the directors' report as well as the consolidated financial statements and the directors' report for the Group for the 2007/08 financial year were audited by KPMG Austria GmbH, which was elected as the auditor by the annual general meeting. All these documents were awarded an unqualified opinion.

Representatives of KPMG Austria GmbH took part in the meetings of the Audit Committee and Supervisory Board that dealt with the financial statements, and provided the requested information. Since the audits did not reveal any grounds for objections, we declared our agreement with the results – following an in-depth examination of the annual financial report and the directors' report, the consolidated financial statements and the directors' report for the Group as well as the recommendation of the Management Board for the distribution of profit – and announced our agreement with the recommendation for the distribution of profit.

The Supervisory Board approved the annual financial report, which were prepared by the Management Board. Therefore, these annual financial report are considered to be formally approved in accordance with § 125 (2) of the Austrian Stock Corporation Act. The Supervisory Board also accepted the consolidated financial statements and the directors' report for the Group.

Changes on the Supervisory Board

With the end of today's meeting, Johannes P. Huth will resign from the Supervisory Board for personal reasons. The Supervisory Board would like to thank Mr. Huth, who has been a member of this body since 2000, for his excellent work. Johannes P. Huth played a key role in the successful IPO of Zum-tobel AG and also made an important contribution to the positive financial development of the Group.

As successor to Johannes P. Huth, the Supervisory Board recommends that the annual general meeting appoint Mr. Hero Brahms, whose curriculum vitae and career track can be reviewed at http://www.zumtobelgroup.com/com/de/ir_shareholder_meeting_f.htm

The Supervisory Board would also like to thank the members of the Management Board and the employees of Zumtobel AG and its Group companies for their strong personal commitment during the 2007/08 financial year.

For the Supervisory Board

DI Jürg Zumtobel

Chairman of the Supervisory Board

Dornbirn, 27 June 2008