

The changing landscape of FDI in Europe – The Zumtobel experience

Christian Schröder – Head of Strategy & Corporate Development, Zumtobel AG

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Zumtobel has put additional focus on the Eastern European luminaire markets in the recent past

- Eastern Europe has a luminaire market of 600 mn euro – about 10% of Western Europe
- The average luminaire turnover per capita is well below Western Europe
- Zumtobel has been present in Eastern Europe with both luminaire brands, Zumtobel and Thorn, for many years
- Until two years ago, lack of management focus has resulted in lackluster development of business
- During 2005/06, the Zumtobel Group has generated some 35 mn euro of turnover in Eastern Europe
- New ambitions and learnings from past experiences will lead to significant growth this year and in the foreseeable future

=> While the Eastern European luminaire market will stay small compared to Western Europe, it offers Zumtobel significant growth potential both in terms of market share and increasingly sophisticated lighting solutions

In spite of all preparations, there are always additional learnings

- There are tremendous potentials for lighting projects
- System approach – rather than mere product selling – is a well accepted value proposition
- Key account relationships from Western European countries are a strong basis to build relationships and business
- Recruiting of good personnel cannot yet leverage Zumtobel's elsewhere well known brand names
- The need to communicate to customers and employees in their languages creates more challenges than foreseen
- Too little time invested in preparation of commercial ramp up of new sales offices or acquired organizations

The new Zumtobel factory in Curtici / Romania was inaugurated in October 2006

- Zumtobel decided to build its new Eastern European factory in Curtici / Romania in the Arad free trading zone, appr. 70 km from Timisoara
- Zumtobel has developed a total factory surface of 12.000 m²
- The industrial site has been leased for 25 years plus a long term extension option
- The factory installation has been financed by and is leased from Raiffeisen
- In the initial configuration, 150 employees will work at the Curtici factory and manufacture luminaires worth some 20 mn euro
- Zumtobel plans to expand factory, employees and manufacturing volume over time

The Romanian Zumtobel factory had a successful start – plenty of challenges remain for the future

- Keep away from the fashionable boomtowns where all other Western companies invest
- Involve Romanians on the Zumtobel side in order to get things done efficiently locally
- Accept a higher level of bureaucracy
- Training of future employees – supervisors and key employees – during 3 - 6 months in existing factories prior to factory opening saves time and reduces risks
- Plan for continuing on-site support for several months after start-up of manufacturing
- Release the people transferring products to Curtici from their responsibility only after new factory has proven itself
- A successful start-up does not guarantee an organization that functions effectively and efficiently over the long run