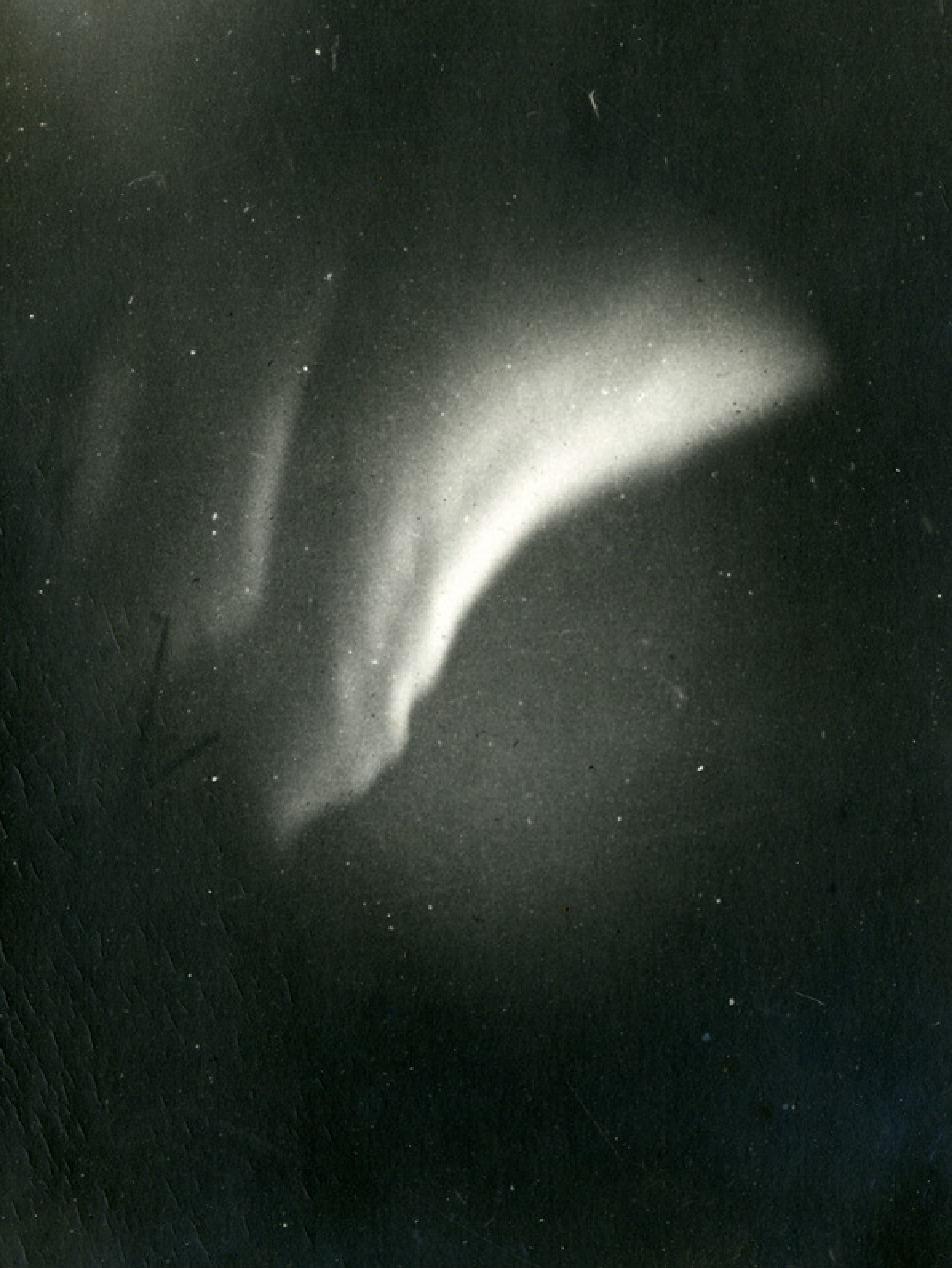
Zumtobel Group Annual Financial Report 2013 | 14 1 May 2013 to 30 April 2014



Annual Financial Report 2013/14 Zumtobel AG

1 May 2013 to 30 April 2014

zumtobel group

Five-Year Overview

in EUR million	2013/14	2012/13	2011/12	2010/11	2009/10
Revenues	1,246.8	1,243.6	1,280.3	1,228.2	1,114.6
Adjusted EBIT	47.6	35.7	35.0	78.4	51.4
as a % of revenues	3.8	2.9	2.7	6.4	4.6
Net profit/loss for the year	(4.8)	6.1	15.2	51.3	(69.8)
as a % of revenues	(0.4)	0.5	1.2	4.2	(6.3)
Total assets	1,006.6	994.8	1,036.3	1,020.5	972.8
Equity	327.6	357.4	370.6	378.7	340.4
Equity ratio in %	32.5	35.9	35.8	37.1	35.0
Net debt	126.2	113.2	141.4	141.3	131.4
Cash flow from operating results	79.5	79.8	88.1	123.2	80.4
Investments	65.6	59.5	57.1	57.3	48.7
as a % of revenues	5.3	4.8	4.5	4.7	4.4
R&D total	71.8	69.1	58.7	48.6	39.8
as a % of revenues	5.8	5.6	4.6	4.0	3.6
Headcount incl. contract worker (full-time equivalent)	7,291	7,162	7,456	7,814	7,329

See section 5. Service – Financial terms for the definition of the above indicators.

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Chief Executive's Review

Dear Shareholders,


Ulrich Schumacher

I took over as Chief Executive Officer of the Zumtobel Group on 1 October 2013 and would now like to report to you on the most important events of the past financial year as well as the changes and progress that occurred during that time. The 2013/14 financial year was characterised by the increasing stabilisation of the European economy and the extensive reorganisation of the Zumtobel Group.

The Zumtobel Group performed very respectably during the reporting year in view of the still difficult economic environment. A look at the income statement shows a slight 0.3% increase in Group revenues to EUR 1,246.8 million (2012/13: EUR 1,243.6 million). In particular, the steady improvement during the course of the year provides grounds for optimism. Another very positive factor is the 52.6% year-on-year growth in Group revenues from the sale of LED products to EUR 419.0 million (2012/13: EUR 274.5 million). That confirms the Zumtobel Group's strategic decision to concentrate investments on the expansion of the innovative LED product portfolio, in spite of the difficult economic conditions. Group EBIT adjusted for special effects rose significantly year-on-year to EUR 47.6 million in 2013/14 (2012/13: EUR 35.7 million) despite the flat development of revenues. Sound liquidity, low gearing and a solid balance sheet structure place the Zumtobel Group in a good financial position to benefit from an economic recovery.

Extensive reorganisation of the Zumtobel Group

Despite the sound development of business during the past year, I am convinced that the Zumtobel Group needs a culture, structures and processes which will promote cooperation and entrepreneurial actions. Only in this way can we optimally benefit from the technology shift and the resulting market opportunities and sustainably improve earnings. Meeting these goals will, however, require a number of fundamental changes. The new organisational structure that was implemented on 1 December 2013 supports the stronger entrepreneurial management of the Zumtobel Group, the optimal utilisation of production and sales synergies and the strengthening of innovative power. Our plants in both segments have been merged into a global network to substantially improve cost structures and capacity utilisation. In the multi-brand Lighting Segment, we are creating a flat, customer-oriented sales organisation to market both the Zumtobel and Thorn product portfolios in all regions from a single hand. A separate business division has been installed in each of our three brands (Zumtobel, Thorn and Tridonic) and the merchandise business (OEM & TPP) to drive the strategic development of the product portfolio, sharpen the brand profile and significantly accelerate the time-to-market process. The newly created Group technology and Group purchasing departments will identify synergy effects and strengthen our innovative power by improving cooperation at the Group level and optimising the use of existing resources and know-how.

Good progress in transformation process

The new organisational structure led to the identification of necessary restructuring measures in our sales and operation networks, which we are now implementing quickly. Projects involving substantial downsizing, sale or shutdown were defined for four to six of the current 18 production facilities to improve capacity utilisation and reduce costs. In April and May 2014, we approved the implementation of measures to terminate production in Landskrona (Sweden), Tianjin (China) and Ennenda (Switzerland). The production in Tianjin and Landskrona will be relocated to our other lighting plants. The conventional ballasts produced for high-intensity discharge lamps in Ennenda are exposed to substantial competitive pressure and a resulting massive drop in price. These products will be purchased from external sources starting in 2015. One of the main focal points for sales is to merge the previously separate Zumtobel and Thorn sales structures. Significant cost savings will be realised from the consolidation of administrative functions and infrastructure, e.g. showrooms and offices, as well as the streamlining of management functions. The implementation of many of these sales-related measures started during the fourth quarter of 2013/14.

Medium-term forecast to 2016/17: doubling of profitability based on slight revenue growth

Construction industry and technology shift will support slight revenue growth

The latest Euroconstruct statistics for the European construction industry point to signs of a trend reversal from a declining to a slight improving market environment. In the lighting industry, this trend is strengthened by the technology shift to LED and energy efficiency as well as growth opportunities in the new markets. The Zumtobel Group has an outstanding position to realise above-average benefits from the growth impulses in the industry due to its multi-brand strategy, extensive know-how in lighting applications, strong technology position and the complete coverage of the value chain. Against this backdrop, the management of the Zumtobel Group has set a goal to generate organic growth of 3% to 5% on average over each of the next three years through an increase in market shares.

Significant cost savings and efficiency improvements

Significant cost savings and efficiency improvements, above all in production and sales, should support a steady increase in the operating return on sales (adjusted EBIT margin) from the current level of approx. 4% to 8% - 10% by 2016/17. In relation to revenues, the cost of goods sold should fall three to four percentage points below the current level of approx. 62% and selling and administrative expenses two to three percentage points below the current level of approx. 29% over the medium-term.

Outlook on 2014/15: reserved optimism, structural improvement in earnings

Year of transition

The 2014/15 financial year will be an important year of transition for the Zumtobel Group, in which a stable foundation is created for future profitable and dynamic growth. Our key tasks are to bring the new structures to life, eliminate past inefficiencies and, in this way, leverage growth and cost synergies from our multi-brand strategy. The necessary restructuring measures will result in negative special effects of roughly EUR 20 million on operating earnings in 2014/15.

Slight revenue growth and sound improvement in operating results

Based on the positive economic signals from the second half of 2013/14 and the planned significant cost savings, the management of the Zumtobel Group looks toward the coming months with reserved optimism in spite of the still limited visibility. The development of revenues will be supported by slight tailwinds from the recovering market environment in Europe, but revenues from the sale of magnetic ballasts ended with our exit from this technology in 2013/14. For the 2014/15 financial year, we expect an increase of approx. 3% in revenues as well as an improvement in the adjusted EBIT margin to 5% to 6% (adjusted EBIT margin 2013/14 financial year: 3.8%) despite the end of magnetic revenues. Based on the above-mentioned expected positive development, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel AG on 25 July 2014 calling for a dividend of EUR 0.18 per share for the 2013/14 financial year.

Ladies and Gentlemen: I look forward to the challenges facing me in my new function. The first nine months with the Zumtobel Group have confirmed the company's outstanding market and technology position and the related sound growth potential, which we will realise together through further performance improvements, cost reduction and portfolio optimisation. The major changes that are currently taking place in our industry require full commitment and high flexibility by the entire Zumtobel Group.

In addressing these changes we can rely on our dedicated and highly qualified employees, who I would like to expressly thank – also on behalf of my colleagues on the Management Board – for their commitment and performance. We would also like to thank our customers, suppliers and shareholders for their confidence, support and open dialogue.

Ulrich Schumacher
Chief Executive Officer

1. Group Management Report

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1. Group Management Report

1.1 The Zumtobel Group - An Overview

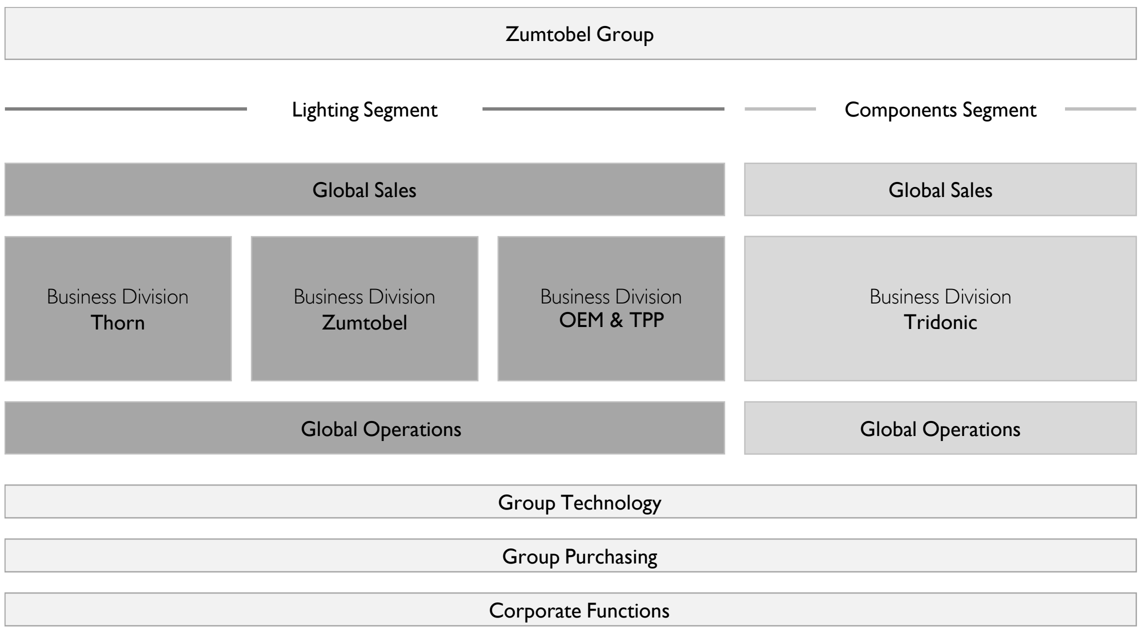
1.1.1 Group structure

Changes on the Management Board in 2013/14

The Management Board of Zumtobel AG is responsible for the control and direction of the Group. As of 1 October 2013 Ulrich Schumacher was appointed Chief Executive Officer (CEO) and interim Chief Financial Officer (CFO) of the Zumtobel Group. His term of office extends to 30 April 2017. He took over as CEO from Harald Sommerer, who left the company on 30 September 2013 together with Mathias Dähn, CFO of the Zumtobel Group. As of 1 May 2014 Karin Sonnenmoser was appointed CFO of the Zumtobel Group. Martin Brandt has served as Chief Operating Officer (COO) since 1 September 2009.

Extensive reorganisation of the Zumtobel Group

The new organisational structure that was implemented on 1 December 2013 allows the Zumtobel Group to be managed in a more entrepreneurial manner. It also supports the maximum realisation of production and sales synergies and strengthens innovative power.



*simplified illustration

Business divisions with clear strategic focus

The three brands – Zumtobel, Thorn and Tridonic – are now organised as business divisions. The responsibility for merchandise and OEM lighting is now centred in a fourth division "OEM & TPP". From an organisational standpoint, product management, development, marketing and quality are allocated to the individual business divisions. This structure is intended to support the strategic development of the product portfolio, sharpen the brand profile and significantly accelerate the time-to-market process. The divisional managers are responsible for financial performance as well as the entire logistics chain from customer orders to delivery of the finished product.

Global sales structure

Global sales for the lighting and components businesses are organised in seven regions. In the Lighting Segment, this structure is supplemented by central key account management and the international projects department. The key account managers provide support for the Zumtobel Group's major customers in all countries and regions. The international projects department services the worldwide architects' and light planners' network. The newly created central sales department is responsible, among others, for developing standard selling processes, methods and instruments and, in this way, defining the framework for the Group's sales activities. The function of the regional managers is to maximise market shares by optimally utilising the offerings of all brands.

Global operations network and central purchasing

One central step in the development of the new organisational structure was the integration of all lighting plants into a global operations network. The plants are now linked in a way that best utilises their regional and technological strengths for the benefit of the entire Group. The most important goal of this plant network is to supply the required products in the specified quantity and quality at specified competitive target costs. The newly created central purchasing department bundles the procurement volumes from all Group companies in order to better utilise synergy effects.

Standardisation and development of platform concepts

The activities of Group technology are focused on the internal standardisation of LED components and the development of platform concepts. Another important function is technology scouting with upstream research, above all in the areas of sensors, interfaces and data formats as well as the architecture of future lighting systems.

The corporate functions include controlling, human resources, Group accounting, tax and legal, internal audit, insurance, treasury (including central financing and liquidity management for the Group), IT, corporate communications and investor relations as well as the corporate centre, which is responsible, among others, for strategy development, M&A activities and process management. These central functions are responsible for supporting the corporate strategy through standardised processes and instruments and ensuring transparency and efficiency throughout the entire Group.

Segment reporting based on Lighting and Components Segments

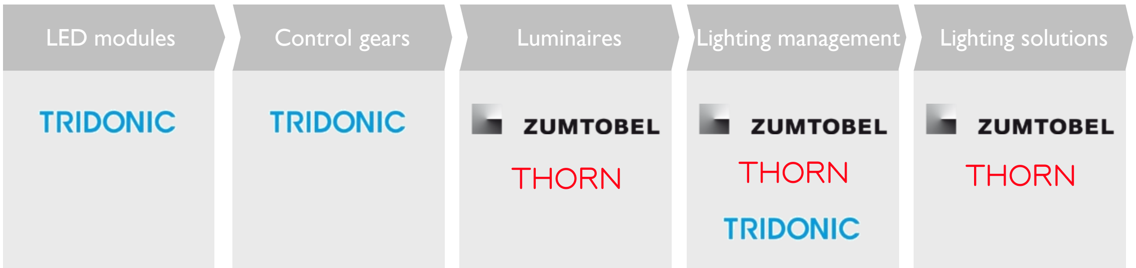
Segment reporting is based on the Lighting Segment and the Components Segment. Revenues generated by the sale of LED-based products – i.e. LED luminaires and LED components – involve both segments and are allocated according to the type of product. The Lighting Segment includes the Zumtobel and Thorn brands as well as the OEM lighting and lighting merchandise business. The Components Segment covers business activities related to the Tridonic brand.

1.1.2 Products and production locations

The Zumtobel Group covers the entire value chain

The Zumtobel Group offers complete professional lighting solutions, luminaires, light management systems and lighting components for indoor and outdoor applications. The Lighting Segment with the Zumtobel and Thorn brands covers the following areas of application: office and communication, education and science, presentation and retail, hotel and wellness, health and care, art and culture, industry and engineering as well as outdoor lighting for public areas, roads and tunnels, cityscapes and sports facilities. Gaps in the product portfolio are filled with purchased products. The broad-based product offering of the Components Segment comprises electronic and digital dimmable luminaire control gear, ignition devices, light management systems, LED modules, OLED modules, LED converters and connection technology and, up to the end of the 2013/14 financial year, also magnetic control gears. The Zumtobel Group made a strategic decision many years ago not to invest in capital-intensive LED chip production and purchases these products from chip manufacturers.

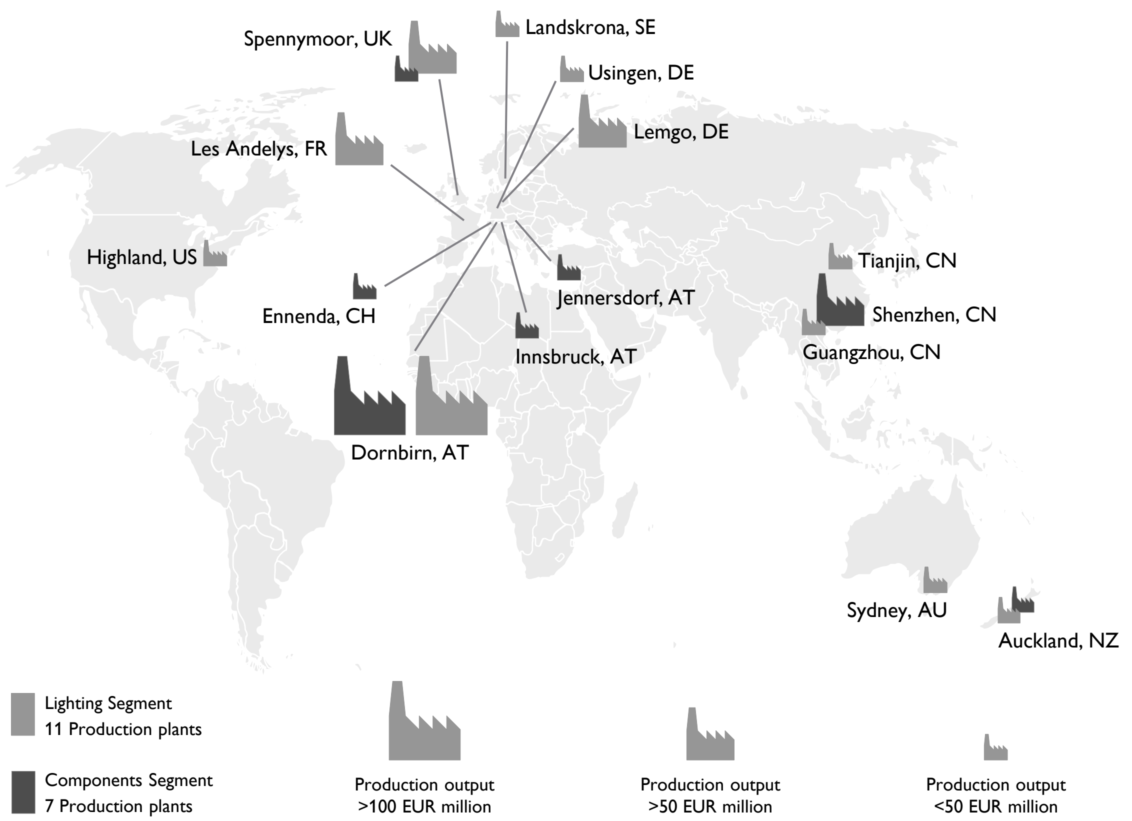
The five-step value chain in the professional lighting sector is covered in full by the Zumtobel Group's brands.



Fragmented production network

As of 30 April 2014 the Group operated 18 plants on four continents and had sales companies and partners in over 100 countries. The components plants in Fürstenfeld (Austria) and Melbourne (Australia) were closed, respectively sold during the 2013/14 financial year in connection with the exit from magnetic ballast and transformer production. Measures were also introduced in April and May 2014 to terminate production in Landskrona (Sweden), Tianjin (China) and Ennenda (Switzerland).

Production network of Zumtobel Group as of 30 April 2014



1.1.3 Market position and brand positioning

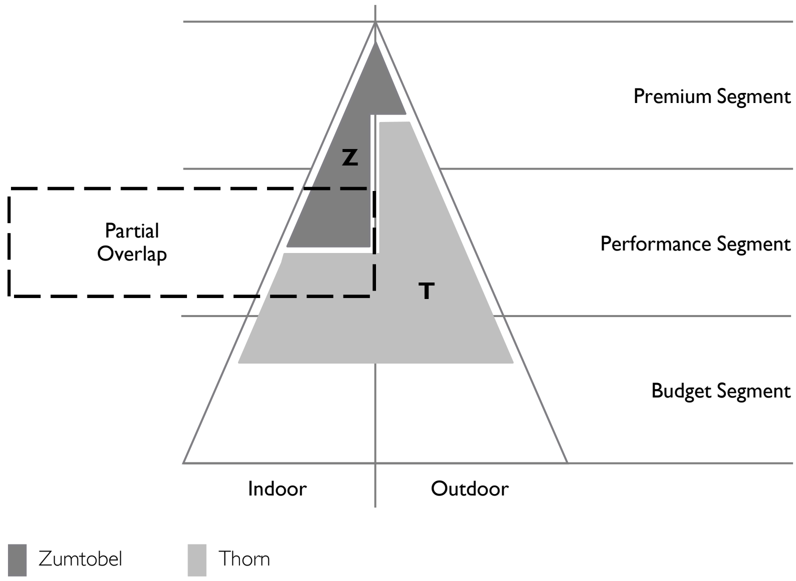
Global player in the lighting industry

The Zumtobel Group holds a leading position on the professional lighting market and the control gear market in Europe and Australia, which makes the Group one of the few global players in the international lighting industry. Approximately 80% of Group revenues are generated in Europe. The European professional lighting industry is still highly fragmented with over 800 suppliers, and the ten largest European luminaire producers cover only slightly more than 40% of the total market. In contrast, the worldwide conventional components industry is more consolidated. The market for LED modules and LED converters has seen the entry of numerous competitors in recent years, above all from Asia.

Multi-brand strategy

The Group follows a multi-brand strategy with strong internationally established brands (Thorn, Zumtobel, Tridonic) that address different business areas, customer target groups and sales channels in the lighting marketplace and therefore ensure broad coverage of the international lighting market. The foundation for these brands is formed by a continuous focus on energy-efficiency as well as innovation and sustainability.

Brand positioning Zumtobel and Thorn



Zumtobel is an international premium brand for complete lighting solutions

Zumtobel, as a premium lighting brand and innovation leader, offers a wide range of high-end luminaires and lighting management systems for many different types of professional building applications. Valuable impulses for the further development of the portfolio are created not only by the latest research and technology developments, but also by long-standing cooperation with leading international architects, lighting planners and artists in the project business. Outstanding design and innovative technology merge harmoniously in Zumtobel products and form the central element of the brand philosophy – which is to use light to create worlds of experience. In the future, Zumtobel intends to strengthen its focus on the globalisation of its market presence, the innovative development of the product portfolio, the expansion of activities in the area of controls and the further development of the service business.

Thorn is an international brand with a focus on reliable performance

Customers in over 100 countries trust Thorn for reliability, simple, user-friendly functionality and the technically demanding design of the extensive product portfolio. The Thorn brand markets its luminaires and lighting solutions to a large target group that ranges from wholesalers, electricians, planners and municipalities to end-users. Thorn products support a wide variety of applications in and around buildings, urban areas, sport venues, tunnels and streets. Especially in the outdoor lighting segment, Thorn is one of the leading global suppliers. Thorn's future activities will include a greater focus on the modernisation of the product portfolio for outdoor lighting and the development of cost-efficient volume products for indoor applications.

Increased use of platform concepts

Top management is responsible for coordinating the development process and product road maps for all brands to minimise duplication in the portfolio and, above all, to maximise the use of similar components and platform concepts.

Tridonic is the specialist for lighting operations, controls and management

Tridonic is the global brand for the inner values of light. As an OEM supplier (Original Equipment Manufacturer), the company services luminaire producers throughout the world and generates approx. 80% of its revenues outside the Zumtobel Group. Customers value Tridonic as an innovative and competent partner. The brand sets new standards with its specially designed solutions, uncompromising quality and advanced production technologies. More than 2,000 patents document Tridonic's innovative strength. This components producer has further expanded its expertise in recent years, above all in the area of LED.

1.1.4 Key success factors for the Zumtobel Group

The outstanding competitive position of the Zumtobel Group is based, above all, on wide-ranging market access, extensive know-how in lighting applications, comprehensive coverage of the value chain and a strong technology position.

Multi-brand approach with focus on sales as customer interface

The sales function plays a key role in the Zumtobel Group's business model. The Group had 2,146 employees working in this area during the reporting year. Under the new organisational structure, selling activities in all seven sales organisations of the Lighting Segment were given a transparent structure based on four sales channels: project business, end customers, wholesale and outdoor public lighting. Sales activities for the Zumtobel brand are concentrated primarily on the project business in the commercial construction sector and on the end customer business. The Thorn brand markets its products through all four sales channels. One element that links the Thorn and Zumtobel brands is their participation in networks that have been developed over many years. The importance of market access is also visible in the Components Segment, since these products are sold in the fragmented luminaire manufacturers market. One of Tridonic's particular strengths is its long-term customer relations with a large number of luminaire producers.

Know-how in lighting applications

The design of a customer-specific lighting solution requires extensive knowledge of the concrete application of light. The sales staff must therefore understand not only the technical and functional aspects of light, but also its aesthetic and emotional implications, the positive influence of good lighting on the user's sense of well-being and the potential for energy savings. Accordingly, detailed and wide-ranging education and continuous training are decisive for the quality of sales.

Full coverage of the value added chain

An important success factor for the Zumtobel Group is its ability to cover the entire value chain in professional lighting – from modules to complete lighting solutions. The growing use of LEDs and controls and the resulting increased digitalisation of the lighting industry will make this expertise even more important in the future. Research and development cooperation between the Lighting and Components Segments will increase opportunities for the realisation of Group-wide synergies as well as differentiation from the competition.

Strong technology position

In 2013/14 the Zumtobel Group increased research and development (R&D) expenditures by 3.9% to EUR 71.8 million. The technological shift from conventional lighting sources to LEDs and the increasing complexity of intelligent lighting systems represent major challenges for R&D and, in turn, lead to increasing demands on capital and resources. The Zumtobel Group is one of the largest suppliers in Europe and therefore has numerous advantages in competition with the many small and mid-sized luminaire producers. An extensive patent portfolio underscores the company's innovative power and also protects growth, competitive advantages and access to strategic cooperation with companies in the electronics industry. Additional information on this subject is provided in section 1.11 Research and Development.

1.1.5 Energy efficiency and LED technology as structural revenue drivers

The major structural revenue driver for the professional lighting industry is the trend toward energy efficiency with a special focus on intelligently managed lighting solutions and the opportunities created by LED technology.

Energy efficiency is the central growth driver

The subject of energy-efficiency is receiving greater attention in connection with the reduction of CO_2 emissions and has become the central growth driver for the Zumtobel Group. Lighting is currently responsible for 19% of worldwide electricity consumption. Of this amount, nearly two-thirds are used for commercial buildings and outdoor lighting – which represents light in exactly those areas of application that form the core expertise of the Zumtobel Group.

Energy savings of up to 80% through intelligently managed lighting solutions

Comprehensive intelligently managed lighting solutions can reduce electricity consumption by up to 80%. In addition to the design of the luminaire, energy efficiency can best be improved through the use of intelligent control systems, electronic and dimmable electronic ballasts as well as new, innovative lighting sources such as LEDs. The energy savings potential results from the combination of various optimisation measures, which include the design of a luminaire to improve thermal management and light distribution (reflector surfaces, reflector profiles, diffuser optics etc.), the selection of the optimal lamp technology and materials, and the exact calculation of reflectors and prisms (optical systems). Another important factor is the use of electronic and dimmable electronic ballasts as a substitute for their much less efficient magnetic counterparts. Intelligent control systems can also regulate light intensity as needed, for example based on presence detection and dependent on the available daylight and time. In addition to a significant potential for cost reduction, the growing demand for energy-efficient lighting is supported by legal regulations that include the EU directives on the energy efficiency of buildings and ecodesign.

Good lighting gives people a sense of well-being

Marketing activities for energy-efficient products are focused increasingly on the comparison of energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership). However, the Zumtobel Group aims to create lighting solutions that balance energy savings and optimal lighting quality. Good lighting can increase the sense of well-being and create ideal conditions for fitness, satisfaction and health - while also minimising the impact on the environment.

Strong rise in demand for LED lighting

The potential of LED technology is one of the key issues that will define the future direction of the lighting industry. LEDs (light-emitting diodes) have a number of important advantages over conventional lighting with respect to performance, service life and energy consumption. In addition, their compact form opens up a range of new approaches for product design and functionality. The growing importance of this technology is a direct result of continued performance improvements and a parallel decline in the cost of LED chips as well as an increasing awareness of the need to improve energy efficiency. In many areas of application, the higher initial investment is justified by a significant reduction in energy costs, maintenance and operating expenses over the service life. The amortisation period generally ranges from one to six years depending on the application.

1.1.6 Corporate strategy and medium-term goals

Multi-brand approach as strategic success factor

The Zumtobel Group follows a long-term, profitable global growth strategy. The central elements of this strategy include the multi-brand approach and the comprehensive coverage of the value chain from modules to complete lighting solutions. These elements allow the Zumtobel Group to realise opportunities for synergy and to differentiate itself from the competition. Therefore, management's goal is to optimise and lead the Zumtobel Group as a whole.

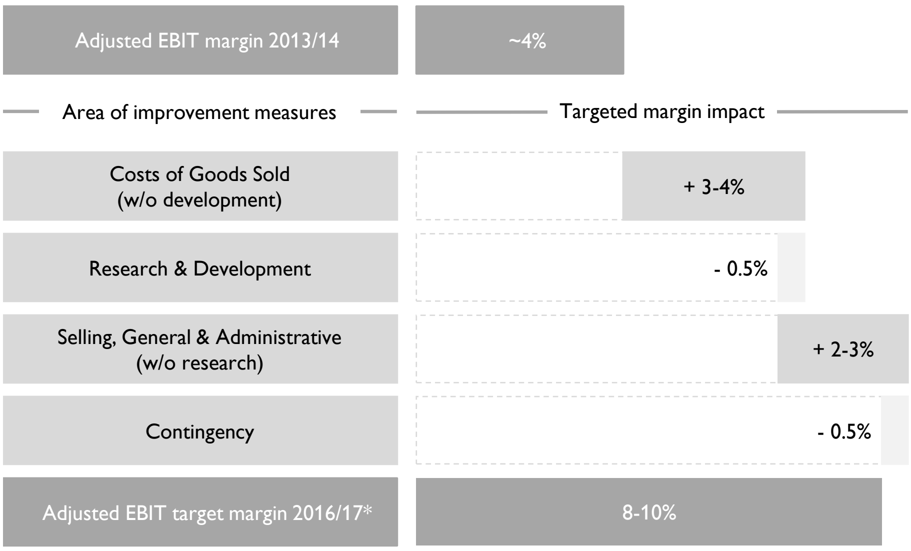
Annual growth of 3% to 5% in revenues

The latest data issued by Euroconstruct for the European construction industry point to signs of a trend reversal from a declining to a slight improving market environment. In the professional lighting industry, this trend is strengthened by the technology shift to LED and energy efficiency with a special focus on intelligently managed lighting solutions as well as growth opportunities in Asia and the Middle East. The Zumtobel Group has an outstanding position to realise above-average benefits from the growth impulses in the industry due to the broad market access of its brands, extensive know-how in lighting application, strong technology position and complete coverage of the value chain. Against this backdrop, the Zumtobel Group has set a goal to generate organic growth of 3% to 5% on average over each of the next three years through an increase in market share.

Steady improvement in profitability to a range from 8% to 10% by 2016/17

The 2013/14 financial year was characterised, above all, by the extensive reorganisation of the Zumtobel Group. The new organisational structure that was implemented on 1 December 2013 supports the stronger entrepreneurial management of the Zumtobel Group, the optimal utilisation of production and sales synergies and the strengthening of innovative power. Management has set a goal to gradually increase profitability from the current level of approx. 4% to 8% - 10% over the next three years. Based on the new organisational structure, the company is expecting significant cost savings in the sales administration and infrastructure, better capacity utilisation in production and synergies in procurement.

Zumtobel Group – Mid term targets 2016/17



*Adj. EBIT target margin 2016/17 assuming sales growth of 3-5% per annum

Global opertions network with improved capacity utilisation

The organisational changes in the production area involve the merger of the previous Zumtobel and Thorn plants into a single global network. The plants are now organised to best utilise their regional and technological strengths for the benefit of the entire Group. There will be greater cooperation and product shifts within this network, above all to Asia. Projects involving substantial downsizing, sale or shutdown were defined for four to six of the current 18 production facilities to improve capacity utilisation and reduce costs. In April and May 2014, the management of the Zumtobel Group initiated measures to terminate production in Landskrona (Sweden), Tianjin (China) and Ennenda (Switzerland). The optimisation of plant structures in China will include the relocation of the entire production volume from Tianjin to Guangzhou in the south of the country. Lighting production in Landskrona should be terminated by the end of the 2014 calendar year. The conventional ballasts produced for high-intensity discharge lamps in Ennenda are exposed to substantial competitive pressure and a resulting massive drop in price. These products will be outsourced to an external supplier in the future. In addition to further efficiency and quality improvements, significant cost savings will be realised with the creation of a Group purchasing department. Plans call for a reduction of three to four percentage points in the cost of goods sold from the current approx. 62% of revenues by 2016/17.

Significant cost savings in sales administration and -infrastructure

In the Lighting Segment, the focus of sales is to merge the previously separate Zumtobel and Thorn sales organisations. The selling activities in all seven sales organisations were allocated under four sales channels – project business, end customer, wholesale and outdoor public lighting – to improve transparency. Significant cost savings are expected from the consolidation of administrative functions and infrastructure (e.g. showrooms and offices) as well as leaner management functions. The goal is to reduce the Group's selling and administrative expenses from the current level of approx. 29% by two to three percentage points by 2016/17. The new sales organisation is also characterised by closer contacts with customers and greater entrepreneurship in the regions as well as coordinated, widespread marketing of the product portfolios for both lighting brands.

Strengthening of technology position

The Zumtobel Group intends to increase its investments in research and development over the coming years. The focus will remain on LED efficiency and optics, the architecture of future lighting systems, sensors and controls. The Group-wide standardisation of components and the development of platform concepts will support the realisation of synergies, reduce complexity and speed up development. R&D costs will increase up to 0.5 percentage points over the current level to roughly 6% of revenues during the coming years, above all due to higher expenditures for software development.

Continuation of structural adjustments at Tridonic

The Tridonic brand will undergo further restructuring as a reaction to the technology shift. Revenue from the sale of conventional components is declining for structural reasons and new, aggressive competitors are entering the market for LED components. The magnetics business is based on an outdated technology, and Tridonic therefore terminated the production and sale of magnetic ballasts at the end of the 2013/14 financial year. The challenge is, on the one hand, to bring cost structures in line with sales and, on the other hand, to invest quickly in new, innovative LED products and expand global activities. The long-standing partnerships with OEM customers were, and still are, an important success factor for Tridonic. However, the focus will no longer be placed on individual components, but on solutions and services that are designed to meet the needs of customers. In order to offer the necessary, wide-ranging portfolio, Tridonic will be looking to form an increasing number of strategic partnerships with customers and other players along the value chain in the future.

1.1.7 Continuing commitment to sustainability

Sustainability is closely related to the core business

Sustainability and responsible actions are firmly anchored in the Zumtobel Group. This is underscored by numerous activities in the ecological and social areas over the past decades. The Zumtobel Group's commitment to sustainability is closely related to the core business: the use of energy-efficient, intelligently managed lighting technology plays an important role in conserving resources.

The Zumtobel Group's contribution to energy efficiency is demonstrated by an estimate of the energy savings potential of its portfolio of energy-efficient products in 2013/14. Under these assumptions, the Zumtobel Group helped to realise energy savings of 1,100,710 megawatt hours in 2013/14 (2012/13: 642,289 MW). This represents the annual electricity requirements of 366,903 two-person households (2012/13: 214,096). Based on the CO_2 emissions of a coal-fired power plant, the energy savings contribution of the Zumtobel Group amounted to approx. 946,611 tonnes of CO_2 in 2013/14.

Sustainability activities adjusted to reflect new structure

Since 2009 the Zumtobel Group has provided transparent information each year on its sustainability activities, progress and goals in a sustainability report and on its website. The positive response to this sustainability reporting is illustrated by good rankings in the Austrian Sustainability Reporting Award. In this competition, where the sustainability reports are evaluated by independent experts, the Zumtobel Group was rated third in 2013.

Sustainability activities represent an integral part of the business and will also be adapted to reflect the new structures and strategic focal points that followed the significant changes, above all to the corporate structure, in the Zumtobel Group during 2013/14. Against this backdrop, a separate sustainability report will not be issued for 2013/14, but this annual financial report will include information on previously reported non-financial indicators and issues. In 2014/15 a structured materiality analysis will be prepared in accordance with the GRI 4 requirements (Global Reporting Initiative, Version 4) and compared with the results of a stakeholder survey. The Zumtobel Group will use these results as the basis for reorienting its commitment to sustainability – based on the new corporate strategy.

1.2 General Economic Environment

Global growth weakens during the reporting year

The 2013/14 financial year was characterised by a continuation of the difficult economic environment not only in Europe, but also in the most important overseas regions. This weakness led to a series of downward forecast revisions by the International Monetary Fund (IMF) during the course of the year and a stronger-than-expected weakening in global growth during the Zumtobel Group's reporting year (1 May 2013 to 30 April 2014). The IMF estimated global growth at 3.0% in 2013, compared with 3.2% in 2012[1].

End of recession in the euro zone

The euro zone recorded a decline of 0.5% in economic performance for 2013. The recession persisted in Southern Europe, above all Italy (minus 1.9%), Spain (minus 1.2%) and Portugal (minus 1.4%), as well as a number of the East European countries, but growth also slowed in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group. The IMF reported an increase of only 0.5% for the German economy and 0.4% for Austria in 2013, but growth of 2% for Switzerland. However, the last quarter of the 2013 calendar year saw an end to the six quarter recession in the euro zone. The growing confidence in the stability of the euro zone is most clearly reflected in the declining risk premiums for government bonds issued by the peripheral countries. As a reaction to falling inflation rates, the European Central Bank (ECB) again cut the key interest rate to a new record low in November 2013 and confirmed its readiness and flexibility to introduce further measures.

The USA recorded the strongest growth among the western industrial countries in 2013 with a plus of 1.9%. Developments in the USA were influenced by spending cuts and political disputes over the debt ceiling. The US Federal Reserve announced its intention to end its extremely expansive monetary policy, but key interest rates should remain low as the purchase of government bonds is gradually reduced. Growth in the emerging and developing countries was less dynamic than in earlier years due to the absence of structural reforms and impending capital problems as well as the weakness in the industrial countries and the related decline in exports. Results for the BRIC countries show a 7.7% increase in the gross national product for China and a sound plus of 4.4% for India, but significantly lower momentum for Brazil and Russia with a plus of 2.3% and 1.3%, respectively.

Growing economic optimism, but persistent downward risks

In its April 2014 forecast, the IMF paints a reserved positive picture for the global economy with growth of 3.6% in 2014 and 3.9% in 2015. The developed economies stabilised, and in part improved, towards the end of the 2013/14 financial year, but growth continued to slow in the emerging and developing countries. The IMF experts now see the emerging countries and prolonged stagnation in Europe as the greatest dangers for the worldwide economy. There are growing demands on the European Central Bank to loosen monetary policy to provided added stimulus and counter the risk of deflation.

[1] Source: IMF forecast, World Economic Outlook, April 2014

1.3 The Zumtobel Share

Improved performance by leading international markets in 2013/14

Generally good year for global stock markets

Developments on the international stock markets were generally positive during the reporting year. This improvement in performance was supported by the end of the recession in Europe, a more optimistic medium-term outlook for growth in the industrial countries and the declining probability of economic risk scenarios. The leading Austrian Traded Index (ATX), which also includes the Zumtobel share, rose from 2,414 to 2,525 points, for a slight increase of 4.6%. Other leading indexes recorded sound performance during this period, including the US Dow Jones (11.7%), the German DAX (plus 21.3%) and the leading European Euro Stoxx 50 (plus 17,9%).

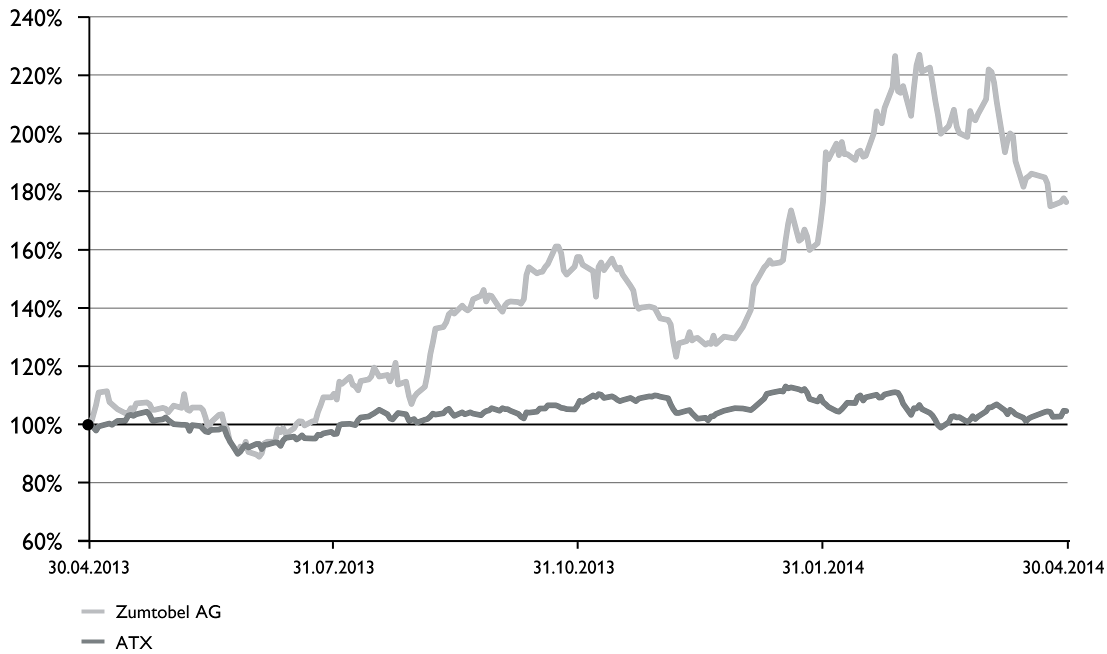
The stock markets started the 2014 calendar year on a weak note, primarily due to concerns over the emerging countries. Weaker-than-expected economic reports from China were followed by political unrest in Turkey and Ukraine. Fears over slowing growth in the otherwise dynamic emerging markets were increased by the US Federal Reserve's announcement of plans to tighten monetary policy. This led to an increase in yields for investments in the USA and triggered a flight of capital from the emerging countries. Despite the gradual improvement in the economic outlook, the upward potential of the stock markets was further limited at the end of the 2013/14 financial year by lower corporate profit outlooks, the risk of deflation and stagnation and the danger of war in Ukraine.

Zumtobel share with 76.4% increase in 2013/14

Zumtobel share outpaces ATX average

The 2013/14 financial year brought favourable developments for Zumtobel shareholders, with a 76.4% increase in the share price from the beginning of May 2013 to the end of April 2014. With these results, the Zumtobel share clearly outperformed the leading Austrian ATX index (plus 4.6%). The annual low of EUR 7.559 was reached during the first quarter on 2 July 2013, but followed by a steady increase from quarter to quarter. This development was supported by solid financial data, the first signs of the hoped-for recovery in the European economy with positive impulses for the construction industry and, above all, positive expectations related to the change on the Management Board and the related strategy and cost adjustments in the Zumtobel Group. The annual high of EUR 19.3 was recorded on 6 March 2014. Further share price increases were limited by the generally weak capital market environment and profit-taking. The Zumtobel share ended the reporting year on 30 April 2014 at a price of EUR 15.0.

Development of the Zumtobel Share



The market capitalisation of Zumtobel AG reflected the development of the share price in 2013/14. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 653 million as of 30 April 2014 (30 April 2013: EUR 370 million). In a ranking to determine ATX membership, the Zumtobel share was 22nd among the largest listed companies in Austria as of 30 April 2014 based on market capitalisation and 19th based on trading volume. The average daily turnover on the Vienna Stock Exchange fell from 115,328 shares in the prior year to 104,035 shares (double-count, as published by the Vienna Stock Exchange).

Market capitalisation rises to EUR 653 million

Key Data on the Zumtobel Share for the FY 2013/14

Closing price at 30.04.14	EUR 15.000	Currency	EUR
Closing price at 30.04.13	EUR 8.503	ISIN	AT0000837307
Performance FY 2013/14	76.4%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.14	EUR 653 Mio	Market segment	Prime Market
Share price - high at 06.03.14	EUR 19.300	Reuters symbol	ZUMV.VI
Share price - low at 02.07.13	EUR 7.559	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	104,035	Number of issued shares	43,500,000

Shareholder structure

There were no major changes in the shareholder structure of Zumtobel AG during the 2013/14 financial year. The Zumtobel family has remained the stable core shareholder of Zumtobel AG since the initial public offering with a stake of 35.4%. As of 30 April 2014 the institutional investors Delta Lloyd Asset Management NV and SICAV Objectif Small Caps euro (Lazard Freres Gestion) each held an investment of over 5% and BlackRock Inc. held an investment of over 4%. BlackRock informed Zumtobel AG that its investment in the company had been reduced to below 4% as of 30 May 2014. The remainder of the shares is held predominately by institutional investors, according to the information available to the company. At the end of the 2013/14 financial year, the company held 360,940 treasury shares (2012/13: 366,110 shares).

Zumtobel family continues to hold 35.4%

Steady dividend policy

Recommended dividend of EUR 0.18 for the 2013/14 financial year

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on the current profitability, earnings forecasts and general economic developments. Based on the stabilising economic environment, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel AG on 25 July 2014 calling for a dividend of EUR 0.18 for the 2013/14 financial year (2012/13: EUR 0.07).

Investor relations activities focused on transparency and dialogue

Zumtobel currently covered by 13 analysts

Transparent, continuous and open communications with all capital market participants have top priority for the management of the Zumtobel Group. Consequently, the Management Board and the investor relations department continued their in-depth dialogue with investors and analysts in Austria and other countries during the reporting year with participation in numerous road shows and one-on-one meetings. Discussions were held, among others, with institutional investors in London, New York, Boston, Zurich, Frankfurt, Paris, Amsterdam, Warsaw and Vienna. In 2013/14 the following 13 well-known Austrian and international investment banks issued regular reports on the Zumtobel share with their evaluation of the corporate strategy and estimates for the valuation of the company (in alphabetical order): Agency Partners (London), Baader Bank (Munich), Berenberg Bank (London), Deutsche Bank (Vienna), Erste Bank (Vienna), Goldman Sachs (London), HSBC Trinkaus (Düsseldorf), J.P. Morgan (London), Kepler Capital Markets (Vienna), Landesbank Baden-Württemberg (Stuttgart), Morgan Stanley (London), Raiffeisen Centrobank (Vienna) and UBS (Frankfurt). Every two years at the Light + Building trade fair in Frankfurt, the Zumtobel Group holds a so-called Capital Markets Day for analysts and institutional investors. Roughly 70 participants took advantage of this invitation on 1 and 2 April 2014. At this event the Management Board and management discussed the Group's operating development, new corporate structure, strategy and medium-term targets in tours of the stand and in lectures.

In connection with quarterly reporting and the publication of the annual financial report, Zumtobel holds regular conference calls to provide detailed information on results. These opportunities are utilised by numerous investors and analysts. The Internet represents an important medium to ensure that investors and other interested stakeholders receive information at the same time. All publications and additional information on the Zumtobel Group can be reviewed on the corporate website under *www.zumtobelgroup.com*. The investor relations department is also available to answer specific questions and can be reached as follows:

Zumtobel AG
Investor Relations
Höchster Strasse 8
A-6850 Dornbirn
Tel. +43 (5572) 509-1125
investorrelations@zumtobelgroup.com

1.4 Significant Events since 30 April 2013

Tridonic exists from magnetic technology

On 25 June 2013 Tridonic, the Zumtobel Group's brand for lighting components, announced that it will terminate the production of magnetic ballasts and transformers. This exit from the magnetics business affected two production sites, the Fürstenfeld plant in Styria (Austria) with 102 employees and magnetics production in Melbourne (Australia) with 49 employees. The sale of the Melbourne plant to Custom Mould Plastics was finalised on 31 October 2013, and the plant in Fürstenfeld was closed at the end of the 2013/14 financial year.

AGM approves dividend for 2012/13

The 37th annual general meeting of Zumtobel AG on 26 July 2013 approved the payment of a EUR 0.07 dividend per share for the 2012/13 financial year. This dividend was paid on 2 August 2013.

Ulrich Schumacher appointed new CEO

The Supervisory Board of Zumtobel AG appointed Ulrich Schumacher Chief Executive Officer and interim Chief Financial Officer of the Zumtobel Group as of 1 October 2013. His term of office runs to 30 April 2017. He replaced Harald Sommerer who, together with Mathias Dähn, Chief Financial Officer of the Zumtobel Group, left the company as of 30 September 2013.

Karin Sonnenmoser appointed new CFO

In January 2014 the Supervisory Board of Zumtobel AG appointed Karin Sonnenmoser as the company's new Chief Financial Officer. Ms. Sonnenmoser was appointed for a three-year term and started work on 1 May 2014.

Announcement of medium-term plans

At the Capital Markets Day, which was held on 2 April 2014 at the Light + Building trade fair, the Zumtobel Group presented details on its strategic plans and related restructuring measures for the period up to the 2016/17 financial year.

Optimisation of plant network in China

On 28 April 2014 the Zumtobel Group started the shutdown process for the lighting plant in Tianjin (China), which will involve 70 employees. The production volumes from Tianjin will be transferred to the lighting plant in the southern city of Guangzhou in connection with the optimisation of the plant network in this country.

No other significant events occurred during the reporting period.

1.5 Related Party Transactions

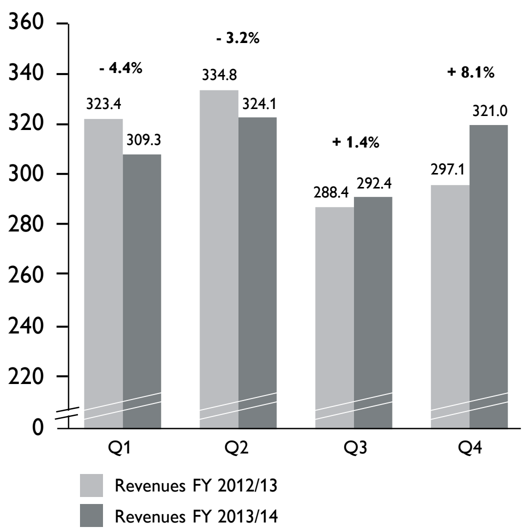
Related parties include the Management Board and Supervisory Board of Zumtobel AG. As of the balance sheet date on 30 April 2014, there were no business relations with related parties. The Group has concluded supply and delivery agreements with associated companies that are based on normal market conditions. Additional information is provided in section 2.6.15 of the notes.

1.6 Review of Business Performance

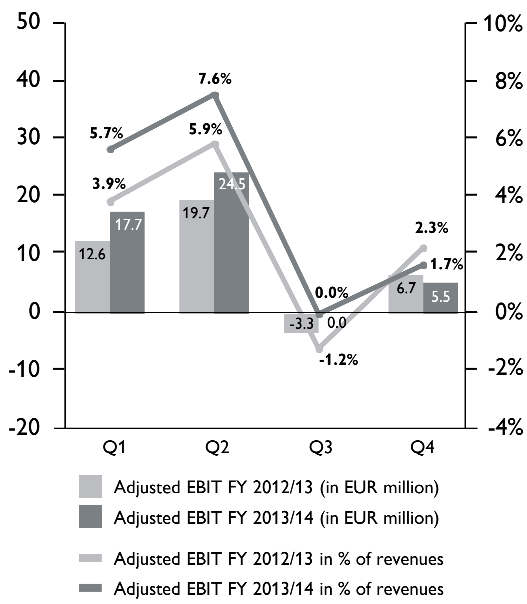
1.6.1 At a glance

The development of business in 2013/14 was influenced by the increasing stabilisation of the economy in Europe. Accordingly, the analysis of revenues by quarter shows a steady increase in momentum over the previous year. The first two quarters brought revenue declines, but the third quarter and, above all, the fourth quarter saw a return to growth. Revenues recorded by the Zumtobel Group for the reporting year rose by 0.3% to EUR1,246.8 million in 2013/14.

Revenues (in EUR million)



Adjusted EBIT



Group EBIT, adjusted for special effects, rose by 33.3% or EUR 11.9 million to EUR 47.6 million in 2013/14 (2012/13: EUR 35.7 million). The return on sales increased from 2.9% to 3.8%. Both the Lighting Segment and the Components Segment recorded a substantial increase over the adjusted prior year results.

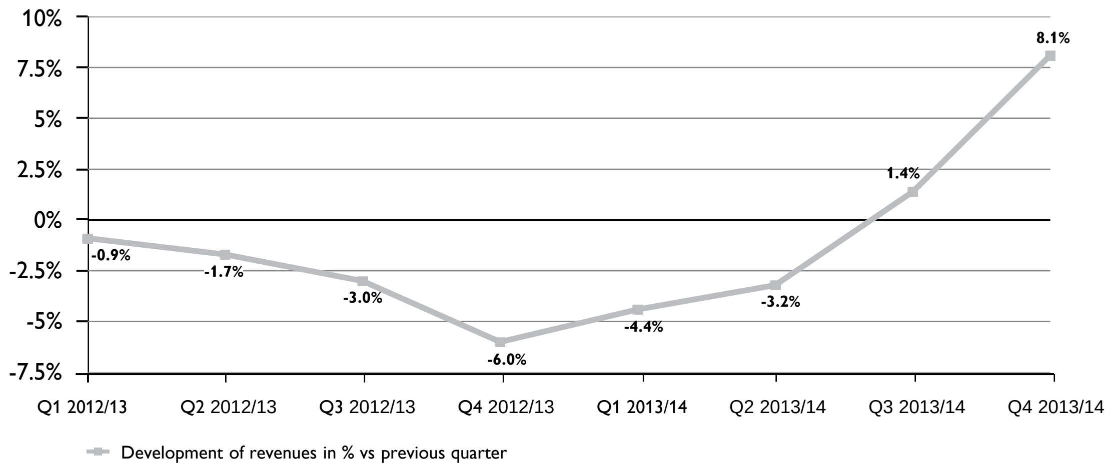
1.6.2 Revenues

>> Group revenues rise by 0.3%
>> Strong growth momentum with LED products (plus 52.6%)
>> Revenues in Lighting Segment slightly higher than prior year with plus 0.3%
>> Components Segment reports first growth in two years (plus 1.8%)

Group revenues rise by 0.3%

Revenues recorded by the Zumtobel Group rose by 0.3% to EUR 1,246.8 million for the 2013/14 financial year, which covered the period from 1 May 2013 to 30 April 2014 (2012/13: EUR 1,243.6 million). The first half-year (May 2013 to October 2013) brought a 3.8% decline in revenues, but the second six months (November 2013 to April 2014) were characterised by increasing stabilisation in the economic environment. With an increase of 4.8%, revenues were therefore significantly higher than the second half of 2012/13. An analysis of revenue development by quarter shows a steady increase in momentum.

Development of revenues in the last 8 quarters



Strong growth momentum with LED products

Energy efficiency remains the central revenue driver for the Zumtobel Group. Important growth impulses have been created, in particular, by the trend to intelligently managed, energy-efficient lighting and also by LED technology. This was reflected in continued dynamic growth with LED products during the reporting year. Revenues from the sale of LED products rose by 52.6% year-on-year to EUR 419.0 million in 2013/14 (2012/13: EUR 274.5 million). The LED share of Group revenues grew to 33.6%, compared with 22.1% in 2012/13. Both the Lighting Segment (plus 50.0%) and the Components Segment (plus 65.3%) benefited from the sharp rise in the demand for LED lighting with their extensive portfolio of innovative LED products.

Segment development in EUR million	2013/14	2012/13	Change in %
Lighting Segment	938.5	935.7	0.3
Components Segment	384.5	377.7	1.8
Reconciliation	(76.2)	(69.8)	9.2
Zumtobel Group	1,246.8	1243.6	0.3

Stabilisation in market for lighting industry

In the late cyclical Lighting Segment, there are growing signs of stabilisation in the European commercial construction industry. Segment revenues rose slightly by 0.3% to EUR 938.5 million in 2013/14 (2012/13: EUR 935.7 million), whereby a minus of 4.1% in first half-year was more than offset by a plus of 5.3% in the second half-year. The second half of the previous year was negatively influenced by a difficult economic environment in the core markets of Great Britain and France, cutbacks in public spending and de-stocking in the wholesale business.

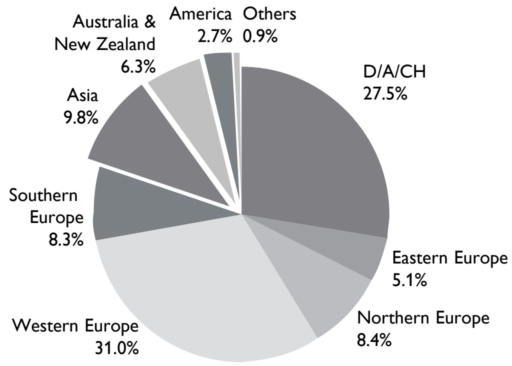
Solid development in Components Segment

The shift to LED continues to represent a major challenge, especially for the Components Segment (Tridonic brand). After a sharp drop in revenues during 2012/13 (minus 7.4%) and 2011/12 (minus 6.7%), revenues rose by 1.8% to EUR 384.5 million for the reporting year. Good progress in the development and sale of LED converters and LED modules successfully offset the substantial decline in demand for magnetic and electronic ballasts. This development also confirmed the strategic decision to terminate the production and sale of magnetic ballasts and transformers at the end of the 2013/14 financial year in order to concentrate resources more directly on LED technology.

Development of revenues by region

YTD	Revenues in EUR million	Change in %
D/A/CH	342.8	0.7
Eastern Europe	63.9	(1.2)
Northern Europe	104.5	1.1
Western Europe	386.0	3.6
Southern Europe	104.0	7.5
Europe	**1,001.1**	**2.4**
Asia & Middle East	122.1	11.7
Australia & New Zealand	78.3	(26.0)
America	34.3	(13.0)
Others	11.0	(2.9)
Total	**1,246.8**	**0.3**

Regional distribution of revenues



Stabilisation on European markets

Developments in the individual regions differed significantly during 2013/14, but all European regions showed a steady improvement in revenues during the course of the year. Revenues in the D/A/CH region were slightly higher at EUR 342.8 million (2012/13: EUR 340.5 million), with modest growth for the Lighting Segment especially in Germany and Switzerland. Eastern Europe was the only European region to record a decline in revenues (minus 1.2%). In Northern Europe (Denmark, Finland, Norway, Sweden, Iceland), Group revenues increased 1.1%. Western Europe (Great Britain, France, Benelux), which is the strongest sales region in the Zumtobel Group, was negatively affected by foreign exchange effects resulting from the decrease in the value of the British pound versus the euro. However, revenues rose by 3.6% to EUR 386.0 million. In Southern Europe (Italy, Spain, Greece, Turkey), both the Lighting Segment and the Components Segment reported an increase in revenues (in total, plus 7.5%). The relative share of Europe in Group revenues rose slightly to 80.3% (2012/13: 78.6%).

Disappointing development in Asia, the USA and Australia

The development of revenues in the Middle East was sound, but the lighting business in Asia remained disappointing. In total Group revenues in the Asia & Middle East region (which consists primarily of China, Hong Kong, Singapore, India and the Middle East) rose by 11.7% to EUR 122.1 million. The America region remained substantially below expectations with a drop of 13.0% to EUR 34.3 million for the full year, but the second six months brought an increase in revenues. In Australia & New Zealand, slower business development in both segments and negative foreign exchange effects led to a decline of 26.0% in revenues.

1.6.3 Earnings

- Adjusted EBIT rises from EUR 35.7 million to EUR 47.6 million
- Higher investments in new products and innovation
- Selling expenses at prior year level
- Negative special effects from transformation process (EUR 35.5 million)
- Loss of EUR 4.8 million for the reporting year

Income statement in EUR million	2013/14	2012/13	Change in %
Revenues	1,246.8	1,243.6	0.3
Cost of goods sold	(845.4)	(855.0)	(1.1)
Gross profit	401.5	388.6	3.3
as a % of revenues	*32.2*	*31.2*	
SG&A expenses adjusted for special effects	(353.9)	(352.9)	0.3
Adjusted EBIT	47.6	35.7	33.3
as a % of revenues	*3.8*	*2.9*	
Special effects	(35.5)	(14.0)	>100
EBIT	12.1	21.7	(43.9)
as a % of revenues	*1.0*	*1.7*	
Financial results	(14.6)	(13.8)	(5.7)
Profit/loss before tax	(2.4)	7.9	<(100)
Income taxes	(2.3)	(1.6)	38.9
Net loss from discontinued operations	(0.1)	(0.2)	55.1
Net profit/loss for the year	(4.8)	6.1	<(100)
Depreciation and amortisation	(68.1)	(57.8)	17.7
Earnings per share (in EUR)	(0.12)	0.14	<(100)

Note: EBITDA amounted to EUR 80.2 million in 2013/14 (2012/13: EUR 79.5 million).

Adjusted EBIT rises to EUR 47.6 million

Group EBIT adjusted for special effects rose significantly year-on-year to EUR 47.6 million in 2013/14 (2012/13: EUR 35.7 million) despite the flat development of revenues (plus 0.3%). That represents an improvement in the return on sales from the operating business to 3.8% (2012/13: 2.9%). The gross profit margin increased to 32.2% in the reporting year (2012/13: 31.2%). The Lighting Segment was able to reduce material costs through lower procurement prices and optimised product design. In the Components Segment, the product mix was improved by the structural shift from conventional ballasts to LED components. Strong demand for LED modules and LED converters led to the first positive earnings contribution from the sale of LED components after a series of losses in earlier years.

Higher investments in new products and innovation

In line with the goal to further strengthen the Zumtobel Group's technology position, R&D activities were expanded during the reporting year. Development costs included in the cost of goods sold rose by 4.6% to EUR 68.6 million (2012/13: EUR 65.6 million).

Selling expenses at prior year level

Selling expenses remained constant at EUR 320.3 million (2012/13: EUR 321.6 million) despite the sizeable costs related to the biennial Light + Building trade fair in the fourth quarter of 2013/14 and wage and salary increases mandated by collective bargaining agreements. One focal point of the Zumtobel Group's new structure is the merger of the previously separate Zumtobel and Thorn sales organisations. The first measures were introduced during the final quarter of 2013/14. The number of employees in sales was reduced by 104 in comparison with 30 April 2013. Administrative expenses increased slightly to EUR 40.4 million in 2013/14 (2012/13: EUR 39.7 million). As in the previous year, other operating results, excluding special effects, consisted primarily of license income from the LED business and government grants. These items declined from EUR 8.4 million to EUR 6.8 million.

Negative special effects from transformation process

The reporting year was characterised by significant negative special effects of EUR 35.5 million (2012/13: EUR 14.0 million). These effects are attributable to both segments and are related, above all, to the following factors: the exit from the magnetic ballast business, the termination of wire production in Australia, expenses for termination agreements related to the changes on the Management Board of Zumtobel AG, expenses related to the planned shutdown of the plants in Tianjin (China), Landskrona (Sweden) and Ennenda (Switzerland), an impairment charge to a production hall at the Lemgo (Germany) lighting plant that will not be used in the future and restructuring measures in the Lighting Segment sales organisations. Additional detailed information is provided in section 2.6.4.3 of the notes.

The following table shows EBIT after an adjustment for the above-mentioned special effects:

Adjusted EBIT in EUR million	2013/14	2012/13	Change in %
Reported EBIT	12.1	21.7	(43.9)
thereof special effects	(35.5)	(14.0)	>100
Adjusted EBIT	47.6	35.7	33.3
as a % of revenues	3.8	2.9	

Financial results deteriorated by EUR 0.8 million

Financial results deteriorated by EUR 0.8 million to minus EUR 14.6 million (2012/13: minus EUR 13.8 million). Interest expense, which consists mainly of interest on the current credit agreement, fell by EUR 1.0 million during the reporting year. Other financial income and expenses totalled minus EUR 6.8 million (2012/13: minus EUR 4.6 million). The change in comparison with the prior year resulted primarily from foreign exchange differences, above all a decline in the value of key currencies for the Zumtobel Group versus the euro in 2013/14. Additional information is provided in sections 2.6.4.4 and 2.6.4.5 of the notes.

Financial result in EUR million	2013/14	2012/13	Change in %
Interest expense	(8.9)	(9.9)	(9.7)
Interest income	0.8	1.2	(33.4)
Net financing costs	(8.1)	(8.6)	6.3
Other financial income and expenses	(6.8)	(4.6)	(47.3)
Result from companies accounted for at-equity	0.3	(0.6)	>100
Financial results	(14.6)	(13.8)	(5.7)

Loss of EUR 4.8 million for 2013/14

Profit before tax fell to minus EUR 2.4 million for the 2013/14 financial year. However, income tax expense equalled EUR 2.3 million based on the different taxable results in individual countries (2012/13: EUR 1.6 million). The Zumtobel Group therefore recorded a net loss (including non-controlling interests) of EUR 4.8 million for the 2013/14 financial year (2012/13: net profit of EUR 6.1 million). Earnings per share for the shareholders of Zumtobel AG (based on 43.1 million shares) equalled minus EUR 0.12 (2012/13: plus EUR 0.14 based on 43.1 million shares).

1.6.4 Cash flow, financial and asset position

- >> Working capital slightly higher than prior year
- >> Capital expenditure rises to EUR 65.6 million
- >> Free cash flow equals EUR 7.2 million
- >> Continued solid liquidity position and balance sheet structure

Seasonality of the business

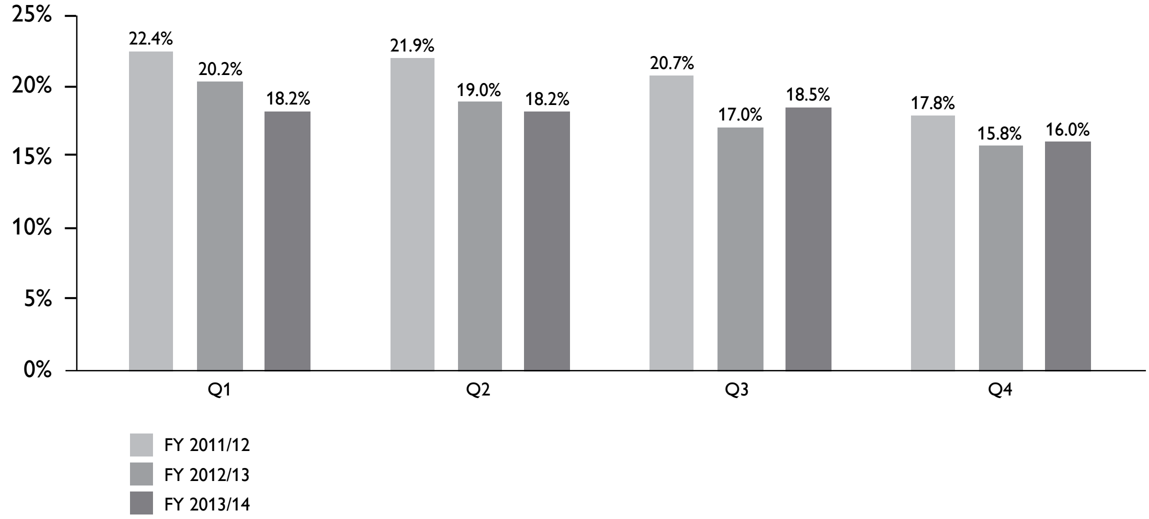
The development of business in the Zumtobel Group follows a seasonal pattern: during the first half of the financial year (1 May to 31 October) the volume of business is normally higher because most construction projects are concluded during the summer and autumn and the installation of the lighting represents one of the last steps prior to completion. During the third quarter (1 November to 31 January), revenues are substantially lower as a result of the Christmas and winter break in the construction industry. In the fourth quarter (1 February to 30 April), the pace of business begins to accelerate again. Earnings (based on adjusted EBIT) reflect the development of revenues and are also subject to seasonality, which is illustrated by the significantly lower results in the second half of the year. Additionally, earnings for the second half-year are often negatively influenced by expenditures for lighting industry trade fairs.

Cash flows are translated at the average monthly exchange rate and then aggregated, while balance sheet positions are translated at the exchange rate in effect on the balance sheet date. This can lead to significant differences between individual positions on the balance sheet and cash flow statement, above all under cash flow from operating activities.

Working capital slightly higher than prior year

Working capital was slightly higher than the prior year at EUR 200.0 million as of 30 April 2014 (2012/13: EUR 196.7 million). The increase resulted from the rising volume of business at year-end (plus 8.1% in the fourth quarter) and higher inventory levels compared with 30 April 2013. Stocks of raw materials and finished goods were expanded at a higher rate than the change in revenues in order to safeguard production and supply capabilities to customers. Working capital equalled 16.0% of rolling 12-month revenues at the end of the 2013/14 financial year (2012/13: 15.8%) and was therefore within the Group's defined target corridor of 16% to 18%. The reduction of working capital in the prior year led to cash inflows of EUR 31.4 million, but cash outflows of EUR 10.9 million were recorded in 2013/14. At the same time, factoring remained nearly constant at EUR 40.2 million (2012/13: EUR 41.8 million). The positive cash flow effect from current provisions (EUR 8.9 million) resulted chiefly from the addition to provisions for current restructuring measures. Cash flow from operating activities declined by EUR 31.5 million to EUR 71.8 million (2012/13: EUR 103.3 million).

Working Capital in % of rolling 12-month revenues



Increase in capital expenditure

Capital expenditure in the Zumtobel Group amounted to EUR 65.6 million for the reporting year (2012/13: EUR 59.5 million). These expenditures covered investments in the manufacture of tools for new products, expansion and maintenance investments as well as capitalised R&D costs of EUR 19.0 million (2012/13: EUR 16.1 million). The expansion and maintenance investments were made primarily at the luminaire plant in Dornbirn (Austria).

Free cash flow declines to EUR 7.2 million

Free cash flow was substantially lower than the prior year at EUR 7.2 million for 2013/14 (2012/13: EUR 44.8 million) due to the increase in capital expenditure and working capital. Cash flow of minus EUR 13.1 million from financing activities (2012/13: minus EUR 46.3 million) consisted, above all, of the EUR 3.0 million dividend paid to the shareholders of Zumtobel AG for the 2012/13 financial year and interest payments of EUR 6.9 million.

Secure liquidity position

In order to ensure its ability to meet payment obligations at any time, the Zumtobel Group held unsecured lines of credit totalling EUR 89.0 million as of 30 April 2014 (2012/13: EUR 88.0 million) as well as a consortium credit agreement concluded in November 2011 with a term extending to October 2016 and a maximum volume that currently equals EUR 350 million. Of this total, EUR 170 million had been drawn by 30 April 2014. The financing from the consortium credit agreement is linked to compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2014 with a debt coverage ratio of 1.57 (2012/13: 1.42) and an equity ratio of 32.5% (2012/13: 35.9%). Net liabilities totalled EUR 126.2 million at the end of the 2013/14 financial year (2012/13: EUR 113.2 million), which represents an increase of EUR 13.0 million over the comparable prior year value.

Balance sheet data in EUR million	30 April 2014	30 April 2013
Total assets	1,006.6	994.8
Net debt	126.2	113.2
Debt coverage ratio	1.57	1.42
Equity	327.6	357.4
Equity ratio in %	32.5	35.9
Gearing in %	38.5	31.7
Investments	65.6	59.5
Working capital	200.0	196.7
As a % of rolling 12 month revenues	16.0	15.8

Solid balance sheet structure

The quality of the balance sheet structure did not change significantly during the reporting year. The balance sheet total was higher than on 30 April 2013 due to the increase in working capital. Equity declined, above all, due to negative foreign exchange effects from the translation of data from companies that do not report in the Group currency (euro). Actuarial losses from the valuation of pension and severance compensation obligations as of the closing date also had a negative effect on equity. These actuarial losses were recorded directly in equity without recognition through profit or loss in accordance with IAS 19. Additional information is provided in the notes under sections 2.6.8.3 and 2.6.6.11. The equity ratio therefore declined from 35.9% on 30 April 2013 to 32.5%. Gearing, the ratio of net debt to equity, deteriorated from 31.7% to 38.5%.

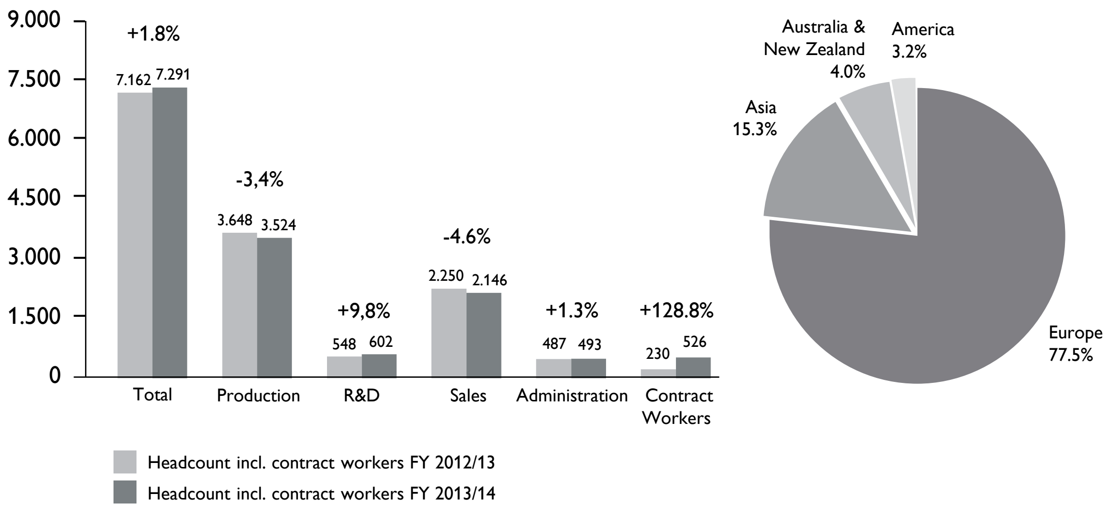
1.7 Human Resources

Qualified, committed and motivated employees play an important role in the entrepreneurial success of the Zumtobel Group. With their technical expertise, personal competence and passion for light as well as their focused customer orientation and high innovative spirit, they create demanding lighting solutions that set worldwide benchmarks.

Selective increase in the workforce vs. 2012/13:

There were numerous changes in the workforce during the reporting year. The number of employees in production declined by 124, chiefly due to the shutdown, respectively sale of the magnetics plants in Fürstenfeld (Austria) and Melbourne (Australia). The sales workforce was also reduced by 104 employees, above all due to the merger of the previously separate Zumtobel and Thorn sales organisations. The Zumtobel Group increased its investments in R&D during 2013/14, which led to the addition of 54 employees in these areas. The number of contract workers rose by 296 towards the end of the reporting year due to the sound development of revenues, especially in the fourth quarter, and the related higher production volumes. The Zumtobel Group had 7,291 full-time employees (including contract workers) as of 30 April 2014, or 129 more employees than in the previous year. The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region



Slight improvement in revenues per employee

Labour productivity – i.e. adjusted EBIT as a per cent of personnel expenses – rose from 8.3% in the prior year to 11.1% for 2013/14 due to the sound improvement in operating results. Average revenues per employee (including contract workers) increased slightly from EUR 167,700 to EUR 172,700.

Current challenges

Support for cultural shift and optimal utilisation of synergy effects

A sustainable and responsible human resources policy is the basis for the entrepreneurial success of the Zumtobel Group. This policy covers the qualification of existing employees through specialised and personal development, new talent recruiting, the integration of colleagues in new markets and know-how transfer. One of the most important challenges currently facing the Group is the merger of the previously separate Zumtobel and Thorn sales organisations based on the new organisational structure. In order to successfully complete this cultural shift and optimally realise synergy effects, it is necessary to advance the quality of management and to train supervisors and their staffs. Other challenges include the development of talented employees for key positions through directed succession planning and the further development of the Group's management culture.

Employee training programmes and apprenticeships

Internal and external training programmes

The Zumtobel Group offers its employees an extensive range of internal and external training and development programmes. The brand academies focus on the transfer of product-specific expertise – for example on technologies, applications and customer requirements as well as energy efficiency and sustainable lighting solutions. In connection with the reorganisation of sales structures, the central sales department and HR are coordinating the interfaces and content of the Group-wide training measures.

Corporate training

The corporate training programmes cover management, processes and social skills. Employees and supervisors took part in 929 training days during the reporting year (2012/13: 990), whereby company instructors held roughly two-thirds of the courses. The online training offering was further expanded in 2013/14 to take advantage of the related substantial savings in time, travel and costs and, in particular, to open the courses to a higher number of potential participants. Management development activities included a variety of special programmes as well as the Global Leadership Day. This event, which was held for the second time, included a focus on the further development of the management mission statement.

Apprenticeship training in 11 professions

As of 30 April 2014, the Zumtobel Group had 147 apprentices (2012/13: 179). Internal professional training is an important instrument to counter the lack of specialists caused by demographic shifts. The apprenticeship training programme is operated primarily in Austria and Germany, and includes the following eleven professions: electronics, electrical engineering, machine mechanics, plastics engineering, production engineering, plant electronics, tool mechanics, machining, mechatronics, industrial clerk and media expert.

Social responsibility

High labour standards

As an employer with a strong corporate culture that has grown over many decades, the Zumtobel Group is well aware of its social responsibility for the employees in its many companies throughout the world and remains focused on the further development of responsible working conditions. The code of conduct of the Zumtobel Group calls for mandatory compliance with the core principles defined by the International Labour Organisation (ILO). The Group also provides various voluntary social benefits for its employees, including subsidies or company programmes for health, accident and/or life insurance.

Support for the work-life balance

The compatibility of family and career are also important values for the Zumtobel Group. This orientation is underscored by the part-time and home office working models that are open to employees. In 2013/14, the number of part-time employees equalled 4.0% of the full-time equivalent workforce. Mothers and fathers who return to work after parental leave are actively supported in their reintegration. A survey of the Group companies in Germany, Austria and Switzerland to determine the number of employees returning to the company after parental leave showed a share of approx. 84.0%.

Equal opportunity and diversity

The Zumtobel Group does not tolerate any form of discrimination. Accordingly, all personnel decisions are based on performance and qualifications. The share of women in the Zumtobel Group's workforce currently equals approx. 35% and there is no quota for the appointment of women to management positions. Qualified applicants are rare because of the general lack of specialists, and the recruitment of the right persons for the right jobs represents a major challenge. The share of women in management positions currently equals 11.2%.

Integrative projects

The Zumtobel Group supports the integration of young people and adults with special needs in the working world. Employees with physical handicaps are provided with special on-the-job assistance at a number of the Group companies. At locations that do not meet the legal hiring requirements for people with special needs, the Zumtobel Group makes the required compensation payments. A new programme was created to support young people who are working to complete their secondary education through "second chance learning". The pilot project gives young men and women an opportunity for a traineeship in the Zumtobel Group, which is intended to support their return to the labour market after their graduation.

Remuneration

Performance-based remuneration schemes

The Zumtobel Group follows a uniform remuneration scheme that promotes high transparency and ensures performance-based compensation. Remuneration normally exceeds the level required by legal regulations or collective bargaining agreements. Internal and external comparisons are used to confirm that wages and salaries reflect the market level. In countries with low-wage standards, the Zumtobel Group also pays compensation over the legal minimum. New rules governing variable remuneration for mid-level and upper management were introduced in May 2012. The focus of upper management is directed to sustainable decisions by variable compensation that is distributed over three to five years with separate goals for each tranche. The base performance indicator is absolute EBIT, which is compared with the development of earnings in comparable companies (peer group).

Detailed position descriptions ("grading") allow for the systematic classification of remuneration and ensure that the salary or wage reflects the employee's qualifications and is also fair and appropriate. This procedure limits any gender-specific irregularities. The grading system was rolled out throughout the Group during the reporting year.

Annual employee review

The annual employee review forms an important instrument in the interaction between employees and their supervisors. In this structured discussion, a common understanding is developed for the values, corporate strategy and goals, mutual expectations are coordinated and development opportunities are systematically identified. Following the revision of the process, the annual employee review was implemented in all Group companies by the end of the 2013/14 financial year.

Workplace safety

Focus on occupational safety

The Zumtobel Group places high importance on accident prevention and health protection for all its employees. Local officers monitor compliance with specific environmental, health and safety guidelines for all brands. Measures are implemented on a continuous basis to increase workplace safety, including employee training, improvements to protective clothing and the replacement of machinery. The TRI rate (Total Recorded Injuries = number of work accidents based on one million work hours) is monitored monthly for all plants. The most frequent injuries involve cuts. In 2013/14 the TRI rate fell to 14.7 in the lighting plants (2012/13: 15.2) and to 4.8 in the components plants (2012/13: 5.4). The overall rate for the Group improved from 12.0 to 11.7.

1.8 Suppliers

Focus on quality, costs and supplier reliability

The cooperation between the member companies of the Zumtobel Group and their suppliers is based on long-term mutual trust and fairness. That provides economical, ecological and socially responsible protection for the supply chain, while ensuring optimal quality. The procurement specialists in the Zumtobel Group are continuously faced with new challenges due to the general economic uncertainty, highly volatile exchange rates, the technological shift and the growing shortage of raw materials.

Lead buyer concept and multi-sourcing strategy

In connection with the structural changes in the Zumtobel Group, the purchasing function was also adjusted at the beginning of 2014. The newly created central purchasing department bundles the procurement volumes for the entire Group. Specialised lead buyers operate on behalf of all brands and are responsible for specific groups of goods, which improves the negotiating position with suppliers and allows for the realisation of synergy effects (bundling of volumes, standardisation and expansion of supplier relationships). A platform and multi-sourcing strategy protects supply security, even in the event of unexpected external incidents and demand shifts. This multi-sourcing strategy means at least two suppliers for each product and is necessary, especially for volume products, in order to allow for flexible reaction. Strategic partnerships with suppliers help the Group to react flexibly to changes in the operating environment and also support innovation.

Long-term supplier relationships

Both segments have established long-standing relationships with their suppliers, whereby business relationships with over half these companies have existed for more than 15 years. The Zumtobel Group has a network of 1,350 suppliers in Europe alone, whereby 6.4% are responsible for 75% of procurement volumes. The goal is to further reduce the number of suppliers, whereby these efforts led to a 17% decrease below the 2011 level in the reporting year.

LED components are purchased above all in Asia

All brands purchase their key raw materials, e.g. steel, copper, aluminium and plastic granulate, in Central Europe. Electronic and LED components are sourced primarily in Asia, where the most competitive suppliers for these parts are located. The share of the total procurement volume sourced in Asia equalled 7.5% for the Lighting Segment in 2013/14. For Tridonic, the share declined to 74% during the reporting year (2012/13: 81%) because a number of suppliers have started to relocate their business activities from Asia to Eastern Europe.

Systematic evaluation and audits of suppliers

All of the Zumtobel Group's brands have implemented systematic processes for the regular evaluation and auditing of suppliers. These reviews are coordinated by the strategic procurement department in cooperation with the engineering, purchasing and supplier quality staffs. In addition to the success factors of supplier reliability, quality and service, sustainability aspects are also evaluated (environmental management system, code of conduct). The Lighting Segment carried out 38 audits in 2013/14, including 26 with potential new suppliers and 12 with existing suppliers. Tridonic carried out 22 audits during the reporting year; 21 represented sustainability audits, which concentrated above all on occupational safety and environmental management. These assessment systems generally facilitate the introduction of measures for the joint development of suppliers, which allow for the elimination of weak points and ensure long-term supplier quality. All new suppliers must, among others, demonstrate the availability of a verifiable environmental management system and confirm compliance with the Zumtobel Group's code of conduct in writing. As part of this process, the suppliers agree to observe the core standards of the International Labour Organisation (ILO) and to prevent corruption. Violations of the code of conduct or environmental standards by business partners are documented and corrective measures are required. If these measures are not implemented within an appropriate period of time, legal steps are taken and the business relationship is terminated.

1.9 Quality

Highest quality demands

The Zumtobel Group is committed to the highest quality standards. Quality not only means faultless production, but also standardised process and service quality in all areas of the company throughout the world. The Group's claim is to deliver the desired product with all necessary functions and related services to the customer at the right time. The Zumtobel Group also demands the same quality standards from its suppliers.

High-quality processes and products

As part of its continuous improvement efforts, the Zumtobel Group aims to eliminate redundant processes, to reduce refuse and the waste caused by production errors, to avoid unnecessary transportation and - through these activities - to conserve resources. This minimises external and internal costs and, at the same time, reduces the negative impact on the environment. The Lighting and Components Segments use a wide variety of methods and control measures to continuously improve the quality of processes and products. Total Quality Management (TQM) and Lean Six Sigma form the core of these activities. TQM utilises various instruments to create an awareness of quality among all employees and at every workplace. The goal of Lean Six Sigma is to minimise errors and activities that do not create added value. With the exception of one plant in the USA, all production facilities in the Zumtobel Group's worldwide network have been certified according to the ISO 9001 international standard for quality management systems. Preparations for the certification of the lighting plant in Highland (USA) were made during the reporting year. The Zumtobel brand sales organisations in Austria, Germany, Switzerland, Italy and Benelux, the Thorn sales organisation in Sweden and the Tridonic sales organisation in Germany have also been certified. Both Zumtobel and Thorn have voluntarily extended the legally required warranty period to five years.

Standards and directives

The Zumtobel Group guarantees that the products in both segments meet all applicable standards and regulations. In particular, this applies to directives concerning light quality and energy efficiency as well as labelling requirements. The relevant legal regulations include, among others, CE labelling (agreement with EU directives), WEEE labelling (directive on the disposal of waste electrical and electronic equipment), REACH (EU directive on chemicals) and RoHS (EU directive on the use of hazardous substances).

Preparations continued during the reporting year for the Group-wide implementation of material compliance software that will help to monitor and document suppliers' compliance with standards and regulations. This software will allow suppliers to upload material declarations directly into the documentation system. Tridonic will complete this installation during the second calendar quarter of 2014, and the roll-out will then proceed in the lighting plants.

1.10 Environmental Protection

Integral element of sustainability strategy

Environmental protection represents a key focal point for the Zumtobel Group, not only with respect to the development of energy-efficient products but also in connection with efforts to make production more environmentally compatible. This approach is reflected in the careful and efficient use of raw materials as well as the minimisation of emissions and waste over the entire product lifecycle.

Environmental management: global guidelines, local implementation

Environmental management in the Zumtobel Group is based on three main supports: compliance with internal and external guidelines, environmental management systems that are certified according to ISO 14001 and the application of the Lean Six Sigma method. In order to better deal with local requirements, the responsibility for environmental management lies with designated staff members in the individual plants. These environmental officers define their focal points and goals together with the respective plant managers, and are responsible for the implementation of the related measures.

Training in environmental protection

The Zumtobel Group's commitment to environmental protection is anchored in the code of conduct, in the Thorn and Zumtobel environmental, health and occupational safety guidelines and quality guidelines and in the corporate policies of Tridonic. In order to continuously improve performance in the area of environmental protection, external and internal opportunities for improvement are registered in programmes in all plants and dealt with in structured form. Special courses are held for employees to create an increased awareness for environmental protection, including specific training for new employees as part of their introduction to the company. In addition, the European plants in the Lighting Segment hold annual information events to present changes in environmental protection regulations.

Environmental management certified under ISO 14001

The certification of an environmental management system under ISO 14001 requires, among others, processes to ensure the systematic and continuous improvement of a company's environmental performance. Following the certification of the Thorn plant in Guanghzou (China), seven of the eleven production facilities in the Lighting Segment as well as all Tridonic electronic plants and the Tridonic connection technology plant in Innsbruck are currently certified under ISO 14001. Preparations are currently underway in the Lighting Segment for the certification of further locations outside Europe, including the lighting plant in Highland (USA).

The Tridonic plant in Dornbirn received ISO 50001 certification during the reporting year and now meets the international standards for energy management systems (EMS). Dornbirn is the first location in the Zumtobel Group to be certified under this norm. The goal of the ISO 50001 energy management system is to monitor and manage energy performance in companies as a means of increasing energy efficiency. Preparations were made during the reporting year for the introduction of ISO 50001 and the related certification in the Dornbirn, Lemgo and Usingen lighting plants.

Lean Six Sigma method

Lean Six Sigma has been successfully used by the Components Segment since 2003 and by the Lighting Segment since 2008. This management philosophy comprises resource-efficient production, the reduction of negative effects on the environment and an increase in safety for employees. The careful use of resources is an important part of the Lean Six Sigma philosophy that is reflected in the regular analysis of indicators, the identification of opportunities for improvement and the implementation of related measures.

1.11 Research and Development

Key data on R&D

Further increase in R&D expenditures

Through its role in the development and application of new technologies, research and development (R&D) is a decisive success factor for the Zumtobel Group. In accordance with the goal to further expand the outstanding technology position of the Zumtobel Group, R&D expenditures were increased by 3.9% to EUR 71.8 million in 2013/14 and the R&D team was enlarged.

Research and Development in EUR million	2013/14	2012/13	Change in %
Development costs	68.6	65.6	4.6
Research costs	3.2	3.5	(8.6)
R&D total	71.8	69.1	3.9
as a % of revenues	*5.8*	*5.6*	
Headcount (full-time equivalent) R&D	602	548	9.8

Individual brands are responsible for product development

The individual brands are responsible for product development because their close proximity to product management plays an important role in accelerating development cycles. Specific responsibilities are concentrated at the Group level, above all the coordination of research subsidies and committee work, the standardisation and development of tools such as CAD and simulation programmes and the registration, administration and defence of intellectual property rights. The standardisation of LED modules and drivers, the further development of light management systems and technology scouting are also handled at the Group level.

Focus on energy-efficiency, light quality and intelligent controls

The focal points for R&D activities are derived from the "functional chain" of lighting: light sources, optics, control gears and light management. Accordingly, the key focal points include LED and OLED in light sources, new optical methods to focus LED light, new control gears for the operation of LEDs and OLEDs and new approaches for the management of lighting equipment. These focal points create opportunities for differentiation in lighting quality, energy-efficiency, added value and the intelligence of lighting controls.

Continued high innovation power

The company's innovative strength is closely linked to R&D. An extensive patent portfolio, especially in the area of new technologies, protects the positions of the Group's brands in the areas of growth, competitive advantage and access to strategic cooperation with other companies. In 2013/14 the Lighting Segment registered 94 (2012/13: 108) and the Components Segment 73 patents (2012/13: 80). Statistics issued by the Austrian Patent Office rank the Zumtobel Group sixth in the number of patent registrations in Austria during 2013. The Zumtobel Group also collects data on the contribution made by new products (products not older than three years) to revenues. In 2013/14 the share of revenues generated with new products equalled 32.6% in the Lighting Segment (in Europe; 2012/13: 26.2%) and 54.1% in the Components Segment (worldwide; 2012/13: 46.0%). The number of active commercial property rights – currently approx. 7,500, including 4,250 patents – and the share of revenues recorded with new products speak for the company's innovative strength

Technological shift

Technology shift to more electronics and LED

LED technology continues to have a significant influence on R&D in the Zumtobel Group. The short lifecycles of LED products therefore represent a major challenge, since they lead to a steady increase in the speed of the development process as well as a sharp rise in R&D expenses at the same time. Other important factors are the need for greater system competence, higher demands on quality and increasing competition.

Growing importance of strategic partnerships

In addition to specially directed support for employees‘ qualifications in electronics and systems, the Zumtobel Group meets the current challenges by focusing on the modular development of products, the use of technical platforms and the internal standardisation of components. Development partnerships will also become even more important in the future. An important role in this respect is played by the Group's long-term strategic partnerships with suppliers, research institutions and industrial partners, such as the Competence Centre for Light and LG Innotec.

The Zumtobel Group also plans to further extend its R&D organisation beyond Europe's borders. All brands intend to expand their R&D activities in China. The goal is to improve information transfer in the area of new technologies, increase the use of similar tools and promote the creation of standardised processes to drive the development of global products for global brands and low-cost products for the local Asian market.

Cooperation with universities on research

In addition to its own research, cooperation programmes help to support sustainable innovation processes. The Zumtobel Group and its partners are currently working on a wide variety of research assignments. They are focused on the development of new technical solutions and, above all, on the effects of light on people and the environment in a wide variety of applications. The project partners include universities, which also play an important role in the promotion of new talents. These universities include, among others, the Engineering Universities in Ilmenau and Berlin and the Hamburg University of Applied Sciences (all in Germany), the Technical Universities in Graz (Austria) and Lund (Sweden), the KTH Royal Institute of Technology in Stockholm (Sweden), the Swiss Federal Institute of Technology in Zurich (Switzerland) and Durham University (Great Britain). Another important network partner for the Zumtobel Group is the Fraunhofer Institute for Production Technology in Aachen (Germany).

1.12 Significant Events after the Balance Sheet Date

Measures introduced to terminate lighting production in Landskrona

In connection with the 2 April 2014 announcement of restructuring projects to improve cost structures in the operation network, the Zumtobel Group informed employees and the local union at the plant in Landskrona (Sweden) on 5 May 2014 of its intention to terminate lighting production at this location by the end of the 2014 calendar year. The planned shutdown would affect 155 employees.

Tridonic Switzerland plans to terminate production in Ennenda

Tridonic, the Zumtobel Group brand for lighting components, started consultations with employee representatives at the Ennenda (Switzerland) plant on 8 May 2014 concerning the possible termination of production. The conventional ballasts for high-intensity discharge lamps that are produced in Ennenda are exposed to substantial competitive pressure and a resulting massive drop in price. Plans call for the outsourcing of this production to external suppliers by the end of the 2014 calendar year. The planned shutdown would affect 115 employees.

Management buyout for Tridonic connection technology

On 6 June 2014 Tridonic announced its intention to terminate the connecting clamp business. The local management of Tridonic connection technology GmbH, formerly a subsidiary of Tridonic with headquarters in Innsbruck (Austria), subsequently acquired all shares in the company retroactively as of 30 April 2014. Tridonic connection technology employs a workforce of 97.

No other significant events occurred after the balance sheet date on 30 April 2014.

1.13 Risk Management

Systematic approach for the early identification of opportunities and risks

The Zumtobel Group is well aware that an effective opportunity and risk management system – as well as a system of internal controls – represents an important factor for maintaining and expanding its competitive position. Risk management in the Zumtobel Group covers the direct interaction and handling of risk to protect the asset, financial and earnings positions of the Group and to support the identification of opportunities and the evaluation of entrepreneurial decisions. The goal of risk management is to identify risks and opportunities at an early point in time through a systematic approach, and thereby permit the implementation of suitable measures to deal with changes in the operating environment. Risk management in the Zumtobel Group is an independent strategic process that forms an integral part of operational management. The basic instruments for the monitoring and management of risks are the risk management software that was installed throughout the Group in 2011/12 as well as standardised planning and controlling processes, Group guidelines, regular reporting and the system of internal controls (see section 1.14).

Risk management based on recognised best practices and standards

The corporate risk management department, a section of the controlling department at corporate headquarters, is responsible for the continuous development of risk management processes as well as the coordination of Group-wide risk management and risk monitoring. The risk management system used by the Zumtobel Group is closely linked with corporate controlling processes and the system of internal controls. The underlying framework for these two systems is formed by the COSO[2] model "Enterprise Risk Management – Integrated Framework" (COSO II, 2004), an internationally recognised guideline for risk management and internal control. Risks and opportunities are systematically identified at least three-times each year by the "risk owners" at the operating unit level based on standardised tools and processes. The conclusions and the potential effects on corporate performance as well as the probability of occurrence are also analysed with uniform methods defined by the Group. Measures to manage the major risks and opportunities are then developed and implemented. Corporate risk management accompanies these processes and routinely evaluates the respective measures. Any major unexpected risks that occur are reported immediately to corporate risk management, and the Management Board is informed accordingly. Guidelines and process descriptions for risk management are available to all companies in the Zumtobel Group.

Most of the risks are managed directly in the operating units. However, individual risks that are relevant for the entire Group are handled centrally based on special guidelines, e.g. financing and foreign exchange risks.

Central role of reporting

Reporting plays a central role in the monitoring and management of economic risks. The operating units provide the Management Board with regular information on the current and expected development of business as well as the existing risks and available opportunities. In addition to the monthly financial report, a performance report and risk report are prepared to analyse the critical success factors and short-term risk issues for the segments and the Group. The Supervisory Board is supplied with information on the Group's major risks and opportunities in the form of a quarterly report and semi-annual presentations to the audit committee. The tools and processes used by the Group to identify and evaluate risk are continuously developed and improved with the support of internal audit and the auditor. The auditor evaluates the effectiveness of risk management at Zumtobel every two years and reports to the Supervisory and Management Boards on the results of this analysis.

The opportunities for the Zumtobel Group are described extensively in section 1.1. The major risks and countermeasures are discussed in the following sections.

[2] COSO = Committee of Sponsoring Organizations of the Treadway Commission (www.coso.org)

1.13.1 Market and competitive risks in the lighting industry

Macroeconomic risks

A major risk for the development of business in the Zumtobel Group is the economic uncertainty in key selling markets. Renewed economic weakness could lead to a significant decline in incoming orders for the Zumtobel Group as well as the postponement or cancellation of existing orders. These factors create risks for earnings growth, in particular through the underutilisation of production capacity, increased pressure on prices and negative shifts in the product mix. Necessary measures to bring structural costs and capacity in line with the market environment could lead to unscheduled restructuring costs.

Technology shift through LED

The speed of the technological transformation from conventional lighting to LED has clearly exceeded the expectations of the Zumtobel Group. It represents a major challenge for the entire lighting industry and, above all, for the components business. In particular, the larger range of products, shorter innovation cycles and rising complexity of digital lighting systems lead to substantially higher R&D expenditures.

Competition from Asia

New suppliers, above all the Asian LED chip producers, are entering the professional lighting market with strategies that include forward integration. These companies compete to a certain extent with the LED components business of the Zumtobel Group, especially in the areas of LED modules and LED converters. The result is increasing pressure on the prices of LED standard components and LED lighting. However, these companies generally lack specific application knowledge in the most important areas of indoor and outdoor lighting as well as the expertise to develop complex light management systems and an extensive direct sales network.

Risk in personnel management

A lack of specialised personnel, especially in R&D and sales, could endanger the successful pursuit of a company's strategy over the long-term and prevent the full realisation of growth opportunities. The Zumtobel Group ensures the availability of the necessary expertise through training and continuing education that take place in internal academies as well as external institutions. Other important elements of human resources work are performance-based remuneration, a positive working climate, international career opportunities and measures to support the work-life balance. However, it cannot be excluded that qualified employees may leave the company.

1.13.2 Business risks / sales / production

Access to global decision-making networks

Access to a global network of opinion leaders and decision-makers is an important success factor for the project business of the Zumtobel and Thorn brands as well as the Zumtobel Group's OEM business. The Zumtobel Group optimally services this network with highly qualified sales and marketing teams that have been trained in internal academies. Extensive training courses for customers form an additional part of the customer loyalty process. An extensive technological network with research institutes and universities allows the Zumtobel Group to defend its leading technical position and to remain a technological and design-oriented trendsetter.

Market acceptance of new products

Differentiation from the competition can strengthen a company's market position and ensure appropriate margins. In both the lighting and components businesses, the Zumtobel Group must regularly defend its strong technology position in the industry and adapt new developments to meet the changing requirements of various applications. The Zumtobel Group meets this challenge with a steady focus on innovation and close cooperation between development and sales.

Political risks

The Zumtobel Group operates in a global business environment, whereby Europe is the most important market with 80.3% of revenues. Investments in property, plant and equipment are also concentrated in these core regions, where political risks such as the expropriation of assets, restrictions on the transfer of capital, war and the like are considered to be low. In other markets the Group operates primarily through local sales organisations and agency contracts. The analysis of new investment projects also includes an assessment of the political risk at the target location. The latest unrest in Ukraine and the continuing crises in the North African countries, Turkey and Syria also lead to increased economic uncertainty that can have a negative effect on both selling and procurement markets. However, the share of Group revenues generated in these countries is very low.

Procurement risks

The sharp rise in the global demand for raw materials during phases of accelerated economic growth can lead to worldwide supply shortages. In some cases, uninterrupted supplies can only be guaranteed by long-term contracts. Global market prices for the most important materials used by the Zumtobel Group – e.g. plastic granulate, aluminium and steel – stabilised or, in some cases, declined during the past year because of the general economic uncertainty. Energy sources such as electricity, gas and oil are less important for the Zumtobel Group, and the potential impact of higher energy prices on earnings is therefore immaterial. The current technology shift has led to a significant increase in LED purchases (LED chips, LED modules and LED light engines) as a share of total raw material requirements, but the Zumtobel Group has already observed a sharp decline in the prices of these products.

The Zumtobel Group is well known as a manufacturer of quality products and sets the same high standards for its suppliers. Regular audits of supplying companies and the inspection of incoming goods help to identify quality risks at an early point in time and allow the Group to implement appropriate measures. Professional communications and cooperation with suppliers support the identification and elimination of possible risks. Single sourcing is avoided wherever possible to minimise the impact of a supplier's inability to deliver. Additional details are provided in section 1.8 Suppliers.

IT risks

The Group uses state-of-the-art hardware and software, and has concluded appropriate maintenance contracts to minimise IT risk. In addition, firewalls and virus protection software have been installed as a precaution against hacker attacks. IT systems are protected by a modern high-security computing centre as well as a back-up facility. In order to ensure that the Group's information technology always meets the demands of the business, IT management has developed a wide variety of procedures, guidelines and measures. These processes and procedures are evaluated regularly and adjusted whenever necessary. The routine replacement of hardware and software minimises the risk of breakdown and data loss. Databases are scanned continuously by anti-virus software and stored on a regular basis.

1.13.3 Asset risks

Regular maintenance and replacement investments

A policy that calls for regular maintenance and replacement investments reduces the risk of interruptions in production. Investments in key equipment are linked to maintenance contracts. The selection of suppliers is based on the criteria described in section 1.8.

A resident fire brigade at the main production locations as well as the regular review of technical safety standards by external experts minimises the risk of damage and business interruption. In addition, the Zumtobel Group has concluded comprehensive all-risk insurance that will generally provide compensation for substantial damage to assets. Risk management also works closely with the insurance department to identify other risks that can be insured and arrange for the appropriate coverage. The Group is currently working to successively achieve a "high protected risk status" (HPR) at all major production locations, e.g. through the installation of sprinkler systems. Three major production locations – Dornbirn (Austria), Spennymoor (Great Britain) and Sydney (Australia) – are currently qualified as HPR.

Inventory valuation risks

The balance sheet risks arising from inventories are reduced by the use of a prudent valuation approach that also includes turnover rates. The shorter innovation cycles and rising complexity of digital lighting systems require tighter inventory management and more restrictive procedures for the capitalisation of development costs.This reduces the risk of write-offs to inventories and capitalised development costs.

1.13.4 Pension risks

The Zumtobel Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. The obligations remaining after the deduction of plan assets are recognised as provisions. The amount of the pension provision is primarily dependent on the market value of the invested assets, but also on the development of wages and salaries, life expectancy according to the applicable mortality tables and the discount rate. Additional details on this subject are provided in section 2.6.6.11 of the notes.

1.13.5 Product liability risks

These risks represent regress claims and the subsequent damage to the Group's image as a result of quality defects caused by errors in the internal and/or external supply chain. Quality assurance systems monitor compliance with the Group's internally defined, high standards for product quality. Additional details on this subject are provided in section 1.9 Quality. The Zumtobel Group also carries product liability insurance. The five-year warranty introduced by a number of Group companies could lead to higher warranty costs. The necessary provisions were recognised in 2010/11 and will be gradually increased up to 2014/15.

1.13.6 Legal risks

Legal risks can arise from changes in labour laws, political risks or legal disputes as well as from changes in environmental regulations.

The legal department of the Zumtobel Group regularly reviews the legal environment in the core markets and evaluates all pending proceedings to ensure that appropriate actions are taken at the required time. The Group's intellectual property is considered a major competitive factor and is therefore monitored and protected. Third party property rights are respected. There are no pending legal proceedings that could pose a substantial risk for the Zumtobel Group.

1.13.7 Financial risks

Market risk

The Zumtobel Group is exposed to a variety of financial risks from its global operations. Market risk is understood to mean the risk arising from changes in market prices that are denominated in foreign currencies as well as changes in interest rates and raw material prices that could have a negative influence on earnings and the market value of financial instruments used by the Group. The goal of market risk management is to evaluate the existing risks and to minimise these risks as far as possible with suitable measures. Derivative financial instruments are used in some cases to hedge these risks, whereby the respective contracts are only concluded with selected banks in order to limit the credit risk associated with these transactions. The Zumtobel Group has issued a hedging policy to regulate the use of derivative financial instruments. No derivatives are used for trading or speculative purposes. In general, hedges are concluded on a rolling basis for a period of two to three quarters to cover planned cash flows and the risks arising from fluctuations in exchange rates or raw material prices. This method leads to a relatively constant volume of hedges and levels foreign exchange exposure.

Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet current and/or future payments obligations in full or on a timely basis. In order to ensure the ability to meet these obligations at any time, the Zumtobel Group maintains liquidity reserves that generally take the form of demand deposits with banks and can be used to service expected operating expenses and financial liabilities. The Group can also access extensive working capital credits to offset seasonal liquidity fluctuations arising from business activities, both in specific months and during the course of the year. As of 30 April 2014 the Zumtobel Group had short-term, unsecured lines of credit totalling EUR 89.0 million (2012/13: EUR 88.0 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. The maximal line provided under the credit agreement was reduced voluntarily by the Zumtobel Group in two steps (November 2012 and June 2013) from the original level of EUR 500 million to EUR 350 million, whereby this reduction was accompanied by a reduction in the standard commitment fee. As of the balance sheet date on 30 April 2014, the amount drawn under the credit agreement totalled EUR 170 million. This financing requires compliance with specific financial covenants (a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%). These financial covenants were met in full as of 30 April 2014 with a debt coverage ratio of 1.57 (2012/13: 1.42) and an equity ratio of 32.5% (2012/13: 35.9%). A deterioration or improvement in these financial indicators could lead to a gradual increase or decrease in the credit margin. Failure to comply with the covenants could cause the lending banks to call existing loans.

In order to improve the efficiency and effectiveness of liquidity management, the Group uses a cash pooling system for the major European countries. This allows for the optimisation of interest income and expense on short-term cash surpluses and borrowings and reduces the need for short-term unsecured overdrafts.

Interest rate risk

The interest rates on existing bank liabilities are variable. In order to reduce the resulting interest rate risk, the Zumtobel Group has concluded interest rate swaps with various banks for a total nominal volume of approx. EUR 120 million (of this total, EUR 20 million as a cross-currency swap with payment obligations in Swiss francs). These instruments are structured over various terms (up to June 2019 at the latest) and convert the variable interest payments on the financing into fixed interest payments and limit the interest rate to a maximum of 3.18%. Additional information on the fair value of the instruments used to hedge interest rates is provided in section 2.6.11.3 of the notes.

Foreign exchange risk

The foreign exchange markets are still characterised by high uncertainty and volatility. The earnings recorded by the Zumtobel Group are exposed to foreign exchange risk, in particular from transaction effects – i.e. when local companies buy and/or sell their products in a currency other than their local currency. Intragroup dividends or loans can also be paid and received in a currency other than the local currency. Translation risk – i.e. when foreign company financial statements are converted into the Group currency (euro) for consolidation – is of lesser importance for the Zumtobel Group and is not hedged. Transaction risk is generally hedged with forward exchange contracts that have a term of up to one year and, in selected cases, by options. The Group's main currencies are the EUR, GBP, USD (as well as Asian currencies that are linked to the USD), AUD and CHF. Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met. Additional information is provided in section 2.6.11.3 of the notes.

1.13.8 Credit risk

The default risk associated with trade receivables is largely limited by credit management processes and appropriate merchandise credit insurance (also see section 2.6.11.1 of the notes). In cases where credit insurance companies have reduced or refused coverage, the Group carries out a careful risk assessment and, if necessary, sets its own limits after an internal approval procedure. The Zumtobel Group also requests bank guarantees or advance payments in specific cases. The information available at the present time does not lead to expectations of increased default risk during the 2014/15 financial year.

1.13.9 Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The asset and earnings positions of the Group are directly influenced by foreign exchange effects as well as the necessary use of estimates and judgment in valuing non-financial assets, deferred tax assets, inventories, receivables, the provisions for pensions, severance payments and service anniversary bonuses, and the provisions for guarantees and warranties. The major balance sheet risks for the Zumtobel Group are related to goodwill from the Thorn acquisition in 2000/01, the valuation of capitalised development costs and inventories, and the valuation of the pension fund in Great Britain. Detailed information on goodwill is provided in section 2.6.6.1 of the notes. Assets with an indefinite useful life are tested each year for signs of impairment, while assets with a finite useful life are tested when there are indications of impairment. The valuation effects of assets denominated in a foreign currency are recorded under equity without recognition through profit or loss.

1.13.10 Other risks

In many countries the Zumtobel Group is faced with extensive and increasingly strict environmental, health and safety regulations. The production companies make regular investments to minimise the risks associated with these requirements, but additional investments to meet changing environmental regulations cannot be excluded in the future.

Overall risk evaluation of the Zumtobel Group

No recognisable risks that could endanger the continued existence of the Group

A general analysis of the above factors shows a concentration on market risks, which reflect the Group's dependency on economic developments that influence prices and volumes for both sales and procurement. The technological transformation process is connected with risks in the form of new competition, higher R&D expenditures and the rising complexity of products and systems, but also creates opportunities through the development of new market segments and applications. The technology shift to LED is shortening innovation cycles and, in this way, increases the risk of write-offs to inventories and capitalised development costs. In contrast, internal production processes are associated with substantially lower risk. Financial risks can be controlled through hedging activities (also see section 2.6.11 of the notes). Group controlling and the system of internal controls are able to quickly identify all major risks with a high degree of probability.

Based on the information available at the present time, there are no major individual risks that could endanger the continued existence of the Zumtobel Group.

1.14 System of Internal Controls

COSO models and recognised best practice as basis

The COSO models have formed the basis for the system of internal controls and risk management in the Zumtobel Group for many years, while control activities for IT are based on Cobit. The system of internal controls covers all measures integrated into monitoring and management processes to protect the Group's assets, to guarantee the completeness and reliability of information and systems, to ensure the efficiency and effectiveness of processes and to support compliance with legal, contractual and internal regulations.

Responsibility for internal controls is business responsibility

Internal controls are implemented and monitored at both the corporate and local levels, whereby responsibility lies with the individual business process managers. The general framework and rules are defined by the Management Board for the entire Group and published in the corporate policy on internal control systems. Line management is responsible for the implementation of these rules. Group internal audit, as a staff department reporting to the Management Board, supports management in the on-going monitoring and improvement of the internal control system.

1.14.1 Principles of the internal control system

Recognised and accepted controls

The system of internal controls in the Zumtobel Group has been based for many years, among others, on the following key controls:

- A transparent organisation with clear assignment of roles and responsibilities
- Sufficient progressive levels for release and approval procedures
- Appropriate documentation of processes
- Dual controls and separation of functions
- Controls for completeness, plausibility, cross-comparisons and variance analyses
- Agreement procedures, verification of consistency and validity
- Analytical review by specialised departments and management
- IT application controls that include mandatory fields, check digits and logic queries

- Appropriate general IT controls

Appropriateness of risks and controls

The following principles form the basis for the individual control and management measures in the Zumtobel Group:

- Monitoring and control measures must reflect the scope and intensity of the relevant risk (cost-benefit analysis). Therefore, internal controls always follow a risk-oriented approach.
- The system of internal controls does not operate separately from business processes, but is much more an integral part of these processes.
- Automatic control mechanisms (e.g. IT-operated controls) should be used wherever possible. In cases where this is not possible or reasonable, manual or organisational controls should be used.

Suitable written documentation

The written process documentation, the system of internal controls and the actual controls are designed to give an expert third party a reliable view of processes, risks and controls within an appropriate period of time.

1.14.2 Internal control system in financial reporting

The corporate policy on internal controls includes a comprehensive description of the processes and systems used for financial reporting in the Zumtobel Group.

- Annual and quarterly financial statements as well as consolidated financial statements of Zumtobel AG and the major Group companies, each including a management report and notes as well as information for analysts, investors and road shows.
- All major IT systems used for financial reporting, i.e. accounting systems as well as the main systems used to publish the financial reports.

The Zumtobel Group has created a separate Intranet portal to document the processes and the internal control system for financial reporting. This portal includes, among others, the so-called COSO matrix, which describes the major elements of the internal control system based on the five components of the COSO model (internal environment, risk management, control activities, information & communications and monitoring).

Internal environment

The Zumtobel Group's Intranet includes numerous documents that are available to all employees, among others the corporate values, the code of conduct and the organisational chart. The same applies to the articles of association, the rules of procedure, plans for the distribution of duties among the Management Board members, information on corporate responsibility and other corporate directives.

Risk management

Risk management in the Zumtobel Group comprises two main elements: a separate enterprise risk management process directed by corporate headquarters that focuses on Group-wide risks and central risk reporting, and process-specific risk management that is integrated in the individual business processes by the respective process owners. An extensive description of risk management is provided in section 1.13 of this Group management report.

Control activities

Control activities in the Zumtobel Group are based, among others, on the corporate policies and corporate authorisation framework. Of special importance for the internal control system in financial reporting are the finance group manual and the Group-wide closing checklist. The finance group manual includes all major accounting and valuation principles applied by the Zumtobel Group. The closing checklist defines the duties and control steps that must be completed in connection with accounting processes.

Information & communication

Centralised SAP systems are generally used to collect and process data in the Zumtobel Group. Data input and output is managed with these systems or with the SAP Business Warehouse. The results subsequently flow into standardised monthly, quarterly and annual reports that assist the Management Board and management in exercising their monitoring and control functions. The Group-wide Intranet (Lightweb), which is based on an enterprise wiki, and Microsoft Sharepoint represent the most important additional information, documentation and cooperation platforms in the Zumtobel Group.

Monitoring

Monitoring includes regular assessments of routine management activities as well as special evaluations by separate supervising functions. For example, management monitors the performance of the segments and subsidiaries based on monthly reviews. Corporate internal audit, corporate controlling and quality management are responsible for the separate monitoring of the internal control system. The external review of the half-year financial statements and the audit of the annual financial statements are carried out by a chartered accounting firm, whose international network guarantees the application of uniform auditing standards in all Group companies. The internal control system is also monitored by the Audit Committee of Zumtobel AG. At each meeting this committee receives a detailed report on the accounting process, the audit of the annual financial statements or the half-year review, the current status of risk management and the system of internal controls in financial reporting and the activities of corporate internal audit.

Further development

In order to improve its effectiveness and efficiency, the Zumtobel Group's internal control system is continuously adapted to meet changes in the operating environment as well as newly identified risks and opportunities.

In 2013/14 Tridonic organised an international conference for its financial managers at the headquarters in Dornbirn. The meeting focused on changes in financial processes and tools as well as best practice exchange. Activities in the Lighting Segment covered increased training for local financial staff members, for example on credit management. A special focal point for financial reporting included preparations for reviews by the Austrian Financial Reporting Enforcement Office, which was established as of 1 July 2013 pursuant to the Austrian Accounting Control Act. The consolidated financial statements of Zumtobel AG as of 30 April 2014 are the first financial statements by the company that fall under these new regulations.

Other focal points included the adaptation of various corporate policies, among others as a result of the corporate reorganisation, and an improvement in the content of individual controls.

The interim balance sheet and cash & bank reviews by corporate finance and corporate treasury that were introduced several years ago were continued during the reporting year. Work also continued to consolidate and document the bank accounts used worldwide by the Group companies in the central treasury system.

The fraud awareness information portal in the Intranet presented a series of announcements, among others with warnings to employees about external phishing attacks via telephone and email, in order to raise employees' awareness and attention. The questionnaire-based fraud awareness check was carried out for the third time and covered an expanded group of participants. This check will be continued in the coming years.

The compliance management system was evaluated by an external institution during the reporting year. In order to strengthen compliance, the decision was taken to install a designated compliance officer. This manager will start work during the first quarter of the 2014/15 financial year and will be responsible, above all, for training employees and further improving preventive anticorruption measures, e. g. through verification and approval routines that are integrated in SAP processes.

The importance of corporate governance for the Zumtobel Group is underscored by the establishment of the above-mentioned compliance office, by the creation of a corporate center during the reporting year (which is responsible, among others, for process management) and by an increase in the corporate internal audit staff in summer 2014.

This focus on the continuous improvement and further development of the system of internal controls will also be strengthened and continued during the 2014/15 financial year.

1.15 Information pursuant to § 243a of the Austrian Commercial Code

1. The share capital of Zumtobel AG totals EUR 108,750,000 and is divided into 43,500,000 zero par value shares, which are fully paid-in and have a proportional value of EUR 2.50 each in share capital. All of the 43,500,000 shares are securitised in a collective certificate and deposited with Österreichische Kontrollbank (OeKB). All of the company's shares are listed under ISIN AT0000837307 and were admitted to trading on the Vienna Stock Exchange as of 30 April 2014. As of 30 April 2014 the company held 360,940 shares as treasury stock.

2. Each share entitles the holder to one vote and carries the right to participate in the company's annual general meetings.

AUGMENTOR private foundation (4,215,752 shares), ASTERIX private foundation (4,157,002 shares), GWZ private foundation (1,044,660 shares), Hektor private foundation (2,310,180 shares), ORION private foundation (3,090,752 shares), Ingrid Reder (264,088 shares), Fritz Zumtobel (176,210 shares) and Jürg Zumtobel (144,248 shares) (together: "the syndicate") are parties to a syndicate contract.

This syndicate contract, which has not been disclosed to the Management Board, requires the parties to agree on a course of action prior to each annual general meeting and to designate one party as a representative to vote on behalf of all parties in accordance with the decisions made by the syndicate. This contract includes restrictions on the transfer of the shares held by the parties, which apply as long as the parties together hold at least 25% of the voting rights in share capital. The syndicate contract will expire on 31 December 2014, but the parties assume it will be extended.

The articles of association do not include any restrictions on the transfer of shares. With the exception of the syndicate contract, the Management Board is not aware of any other agreements that restrict the transfer of shares.

3. As of 30 April 2014 the syndicate held 35.4% of the company's share capital. In addition, the institutional investors Delta Lloyd Asset Management NV and SICAV Objectif Small Caps euro (Lazard Freres Gestion) each held an investment of over 5% and BlackRock Inc. held an investment of over 4%. BlackRock informed Zumtobel AG that its investment in the company had been reduced to below 4% as of 30 May 2014. The company is not aware of any other reportable holdings.

4. None of the company's shares carry special control rights.

5. The Zumtobel Group had a stock option programme (SOP) from 2004 to 2008. Options are no longer granted under the SOP, but the exercise period runs to 2015. Detailed information is provided under section 2.6.8.4 of the notes.

6. The Management Board was authorised, 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 – at a minimum issue price equalling 100%

of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for three years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 22 July 2011, was recorded in the company register (i.e. up to 6 August 2014). Furthermore, the Management Board was empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital. The Supervisory Board was authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital

If a member of the Supervisory Board resigns before the end of his/her term of office, a replacement will be elected at the next annual general meeting. However, vacant seats must be filled without delay by an extraordinary general meeting if the number of members on the Supervisory Board falls below three. New members are elected for the remaining term of office of the member who has resigned. The maximum age for members of the Management Board on the date of initial appointment or reappointment is 65 years. There is no age limit for the initial appointment or reappointment of members to the Supervisory Board. The premature dismissal of Supervisory Board members is possible with a simple majority of votes cast.

The annual general meeting passes its resolutions with a majority of votes cast, unless legal or other requirements call for a greater majority. There are no other extra-legal regulations governing the appointment or dismissal of members of the Management Board and Supervisory Board or amendments to the articles of association of the company.

7. In accordance with a resolution of the annual general meeting on 7 April 2006 and a resolution of the Management Board on 29 June 2006, and in agreement with the Supervisory Board, 800,000 shares of Zumtobel stock were repurchased up to 31 October 2006 to service the employee stock participation programmes.

A total of 1,943,555 shares were repurchased in accordance with §65 (1) 8 and §65 (1a) of the Austrian Stock Corporation Act based on a resolution of the Management Board on 29 July 2008 in accordance with a resolution of the annual general meeting on this same date and the approval of the Supervisory Board to repurchase up to 10% of share capital. Of these shares, 1,204,344 were withdrawn during 2009/10.

A total of 1,178,271 shares had been distributed to employees by 30 April 2014 as part of the employee stock participation programmes.

8. The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. The maximal line provided under the credit agreement was reduced voluntarily by the Zumtobel Group in two steps (November 2012 and June 2013) from the original level of EUR 500 million to EUR 350 million, whereby this reduction was accompanied by a reduction in the standard commitment fee. As of the balance sheet date on 30 April 2014, the amount drawn under the credit agreement totalled EUR 170 million. The agreement includes a change-of-control clause, which is linked to a change in the absolute majority of voting rights.

9. In the event of a mandatory offer or an offer that is directed to obtaining a controlling interest as defined in the Austrian Takeover Act, all options to be granted under the "SOP" employee stock participation programme for the current financial year or the following financial year are considered to be granted in full. Moreover, the granted options (including options that are considered to be granted) will be classified as exercised on the last day of the relevant offer (with no additional notice required by the company). Every option classified as exercised entitles the holder to a cash payment, which equals the positive difference

between the offer price and the exercise price (if applicable to the SOP participant). Any such difference is due and payable on the 15th calendar day after the announcement of the results of the offer.

A cash-based long-term incentive programme (LTI) was introduced for key managers in the Zumtobel Group during 2012/13. The distribution from the LTI is spread over the three following years. In the event of a (successful) public takeover bid, the buyer must assume responsibility for any outstanding LTI payments to the members of the Management Board and/or employees.

10. The Management Board contracts include a change of control clause. If the company is taken over by a new majority shareholder, the members of the Management Board have the right to terminate their contracts unilaterally. In this case, the member(s) of the Management Board would be entitled to receive the previously agreed fixed and variable remuneration up to the end of the originally agreed contract term, with a minimum payment covering a period of 12 months. The members of the Management Board have no other special claims or entitlements at the end of their function.

11. The most important elements of the risk management system and the internal control system are described in sections 1.13 and 1.14 of the Group management report.

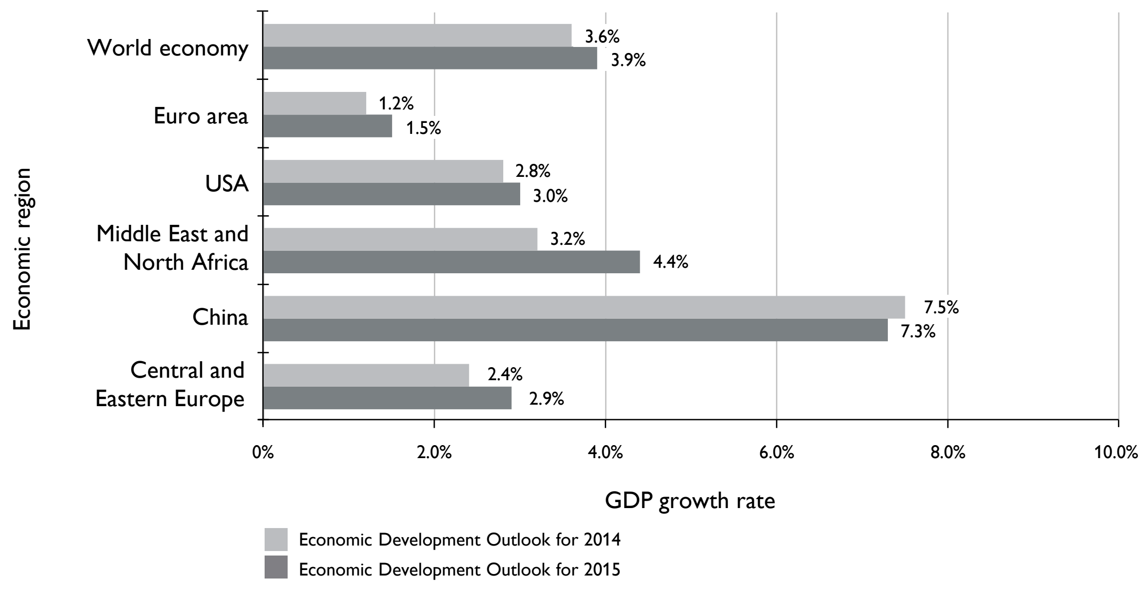
1.16 Outlook and Goals

Increasing signs of recovery in Europe

Forecasts by the International Monetary Fund (IMF)[3] for the global economy point to moderate growth of 3.6% in the 2014 calendar year and 3.9% in 2015. However, expectations differ substantially by region. The USA will remain the central growth driver and the euro zone will see sound recovery, but momentum in the developing and emerging countries will continue to slow. These regions are expected to generate growth of 4.9% in 2014 and 5.3% in 2015. The IMF has cut its forecasts from Brazil to Russia, whereby the emerging countries are still responsible for nearly 60% of worldwide growth. Forecasts for the industrialised countries point to an increase of 2.2% in 2014 and 2.3% in 2015. The US economy can hope for a sound plus of 2.8% and 3.0%, respectively, in these two years. Following a 0.5% decline in the euro zone's gross national product in 2013, the IMF is projecting an increase of 1.2% in 2014 and 1.5% in 2015. This more optimistic – compared with the previous year – outlook is in line with the latest trends in key sentiment indicators for the euro zone. Support for this positive development in 2014 will be provided, above all, by the countries in Central and Northern Europe: for example Germany with plus 1.7%, Austria with plus 1.7%, Great Britain with plus 2.9% and Sweden with plus 2.8%.

The construction industry in Europe will not make a substantial contribution to economic recovery during the current calendar year. However, the November 2013 report by Euroconstruct confirms that the commercial construction sector should stabilise in 2014 after several years of declines. In the seven most important European markets for the Zumtobel Group (Austria, Germany, Switzerland, France, Great Britain, Italy and Scandinavia), Euroconstruct is predicting growth of 0.1% for the 2014 calendar year and 1.4% for the 2015 calendar year.

Economic Development Outlook for 2014 and 2015



[3] Source: IMF forecast, World Economic Outlook, April 2014

Medium-term forecast to 2016/17: doubling of profitability based on slight revenue growth

Construction industry and technology shift will support slight revenue growth

The European construction industry shows signs of a trend reversal from a declining to a slight improving market environment. In the lighting industry, this trend is strengthened by the technology shift to LED and energy efficiency as well as growth opportunities in the new markets. The Zumtobel Group has an outstanding position to realise above-average benefits from the growth impulses in the industry due to its multi-brand strategy, extensive know-how in lighting applications, strong technology position, complete coverage of the value chain and solid balance sheet and financing structure. Against this backdrop, the management of the Zumtobel Group has set a goal to generate organic growth of 3% to 5% on average over each of the next three years through an increase in market shares.

Significant cost savings and efficiency improvements

Significant cost savings and efficiency improvements, above all in production and sales, should support a steady increase in the operating return on sales (adjusted EBIT margin) from the current level of approx. 4% to 8% - 10% by 2016/17. In relation to revenues, production costs should fall three to four percentage points below the current level of approx. 62% and selling and administrative expenses two to three percentage points below the current level of approx. 29% over the medium-term.

Outlook on 2014/15: reserved optimism, structural improvement in earnings

Year of transition

The 2014/15 financial year will be an important year of transition for the Zumtobel Group in which a stable foundation is created for future profitable and dynamic growth. Key tasks are to bring the new structures to life, to eliminate past inefficiencies and, in this way, to leverage growth and cost synergies from the multi-brand strategy. The necessary restructuring measures will result in negative special effects of roughly EUR 20 million on operating earnings in 2014/15.

Slight revenue growth and sound improvement in operating results

Based on the positive economic signals from the second half of 2013/14 and the planned significant cost savings, the management of the Zumtobel Group looks toward the coming months with reserved optimism in spite of the still limited visibility. The development of revenues will be supported by slight tailwinds from the recovering market environment in Europe, but revenues from the sale of magnetic ballasts ended with our exit from this technology in 2013/14. For the 2014/15 financial year, we expect an increase of approx. 3% in revenues as well as an improvement in the adjusted EBIT margin to 5% to 6% (adjusted EBIT margin 2013/14 financial year: 3.8%) despite the end of magnetic revenues.

Dornbirn, 16 June 2014

The Management Board

Ulrich Schumacher	Karin Sonnenmoser	Martin Brandt
Chief Executive Officer	Chief Financial Officer	Chief Operating Officer

2. Consolidated Financial Statements

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2. Consolidated Financial Statements

2.1 Income Statement

in TEUR	Notes	2013/14	2012/13	Change in %
Revenues	2.6.4.1	1,246,831	1,243,616	0.3
Cost of goods sold	2.6.4.2	(845,356)	(855,048)	(1.1)
Gross profit		**401,475**	**388,568**	**3.3**
as a % of revenues		*32.2*	*31.2*	
Selling expenses	2.6.4.2	(320,263)	(321,581)	(0.4)
Administrative expenses	2.6.4.2	(40,424)	(39,664)	1.9
Other operating results	2.6.4.3	(28,645)	(5,663)	<(100)
thereof special effects		*(35,452)*	*(14,043)*	*<(100)*
Operating profit/loss		**12,143**	**21,660**	**(43.9)**
as a % of revenues		*1.0*	*1.7*	
Interest expense	2.6.4.4	(8,904)	(9,856)	(9.7)
Interest income	2.6.4.4	815	1,225	(33.4)
Other financial income and expenses	2.6.4.5	(6,763)	(4,592)	47.3
Result from companies accounted for at equity	2.6.6.4	289	(560)	>100
Financial results		**(14,563)**	**(13,783)**	**(5.7)**
as a % of revenues		*(1.2)*	*(1.1)*	
Profit/loss before tax		**(2,420)**	**7,877**	**<(100)**
Income taxes	2.6.4.6	(2,263)	(1,629)	38.9
Net profit/loss from continuing operations		**(4,683)**	**6,248**	**<(100)**
Net loss from discontinued operations	**2.6.4.7**	**(73)**	**(162)**	**55.1**
Net profit/loss for the period		**(4,756)**	**6,086**	**<(100)**
as a % of revenues		*(0.4)*	*0.5*	
thereof due to non-controlling interests		*239*	*127*	*88.5*
thereof due to shareholders of the parent company		*(4,995)*	*5,959*	*<(100)*
Average number of shares outstanding – basic (in 1,000 pcs.)		43,133	43,122	
Average diluting effect (stock options) (in 1,000 pcs.)		3	3	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,136	43,125	
Earnings per share (in EUR)	**2.6.4.8**			
Basic earnings per share		(0.12)	0.14	
Diluted earnings per share		(0.12)	0.14	
Earnings per share from continuing operations (in EUR)				
Basic earnings per share		(0.11)	0.14	
Diluted earnings per share		(0.11)	0.14	
Earnings per share from discontinued operations (in EUR)				
Basic earnings per share		0.00	0.00	
Diluted earnings per share		0.00	0.00	

2.2 Statement of Comprehensive Income

in TEUR		2013/14	2012/13	Change in %
Net profit/loss for the period		**(4,756)**	**6,086**	**<(100)**
Actuarial loss	2.6.5.3	(8,775)	(11,214)	21.7
Deferred taxes due to actuarial loss	2.6.5.4	48	2,096	(97.7)
Total of items that will not be reclassified ("recycled") subsequently to the income statement		**(8,727)**	**(9,118)**	**4.3**
Currency differences	2.6.5.1	(11,457)	(1,341)	<(100)
Currency differences arising from loans	2.6.5.2	(1,441)	(337)	<(100)
Hedge accounting		1,881	(970)	>100
Deferred taxes due to hedge accounting		*(470)*	*243*	*<(100)*
Total of items that will be reclassified ("recycled") subsequently to the income statement		**(11,487)**	**(2,405)**	**<(100)**
Subtotal other comprehensive income		**(20,214)**	**(11,523)**	**75.4**
thereof due to non-controlling interests		*(105)*	*50*	*<(100)*
thereof due to shareholders of the parent company		*(20,109)*	*(11,573)*	*73.8*
Total comprehensive income		**(24,970)**	**(5,437)**	**<(100)**
thereof due to non-controlling interests		*136*	*177*	*(23.2)*
thereof due to shareholders of the parent company		*(25,104)*	*(5,614)*	*<(100)*

2.3 Balance Sheet

in TEUR	Notes	30 April 2014	in %	30 April 2013	in %
Goodwill	2.6.6.1	187,792	18.7	190,035	19.1
Other intangible assets	2.6.6.2	55,682	5.5	52,837	5.3
Property, plant and equipment	2.6.6.3	230,635	22.9	239,966	24.1
Financial assets accounted for at-equity	2.6.6.4	2,441	0.2	3,667	0.4
Financial assets	2.6.6.5	1,466	0.1	1,101	0.1
Other assets	2.6.6.6	4,354	0.4	4,233	0.5
Deferred taxes	2.6.6.7	37,509	3.7	38,413	3.9
Non-current assets		**519,879**	**51.5**	**530,252**	**53.4**
Inventories	2.6.6.8	181,426	18.1	160,472	16.1
Trade receivables	2.6.6.9	199,303	19.8	185,533	18.6
Financial assets	2.6.6.5	2,731	0.3	2,435	0.3
Other assets	2.6.6.6	29,071	2.9	29,098	2.9
Liquid funds	2.6.6.10	74,191	7.4	87,048	8.7
Current assets		**486,722**	**48.5**	**464,586**	**46.6**
ASSETS		**1,006,601**	**100.0**	**994,838**	**100.0**
Share capital		108,750	10.8	108,750	10.9
Additional paid-in capital		335,249	33.3	335,210	33.7
Reserves		(115,215)	(11.5)	(96,042)	(9.7)
Net profit/loss for the period		(4,995)	(0.5)	5,959	0.6
Capital attributed to shareholders of the parent company		323,789	32.1	353,877	35.5
Capital attributed to non-controlling interests		3,765	0.4	3,509	0.4
Equity	**2.6.8**	**327,554**	**32.5**	**357,386**	**35.9**
Provisions for pensions	2.6.6.11	77,486	7.7	74,669	7.5
Provisions for severance compensation	2.6.6.11	41,374	4.1	42,744	4.3
Provisions for other employee benefits	2.6.6.11	12,860	1.3	14,146	1.4
Other provisions	2.6.6.13	1,073	0.1	921	0.1
Borrowings	2.6.6.14	197,357	19.6	197,001	19.9
Other liabilities	2.6.6.17	2,575	0.3	1,911	0.2
Deferred taxes	2.6.6.7	4,337	0.4	7,307	0.7
Non-current liabilities		**337,062**	**33.5**	**338,699**	**34.1**
Provisions for taxes		20,057	2.0	20,487	2.1
Other provisions	2.6.6.13	32,985	3.3	24,580	2.5
Borrowings	2.6.6.14	5,314	0.5	4,264	0.4
Trade payables		159,912	15.9	131,801	13.2
Other liabilities	2.6.6.17	123,717	12.3	117,621	11.8
Current liabilities		**341,985**	**34.0**	**298,753**	**30.0**
EQUITY AND LIABILITIES		**1,006,601**	**100.0**	**994,838**	**100.0**

2.4 Cash Flow Statement

in TEUR	Notes	2013/14	2012/13
Operating profit from continuing and discontinued operations	2.1	12,070	21,497
Depreciation and amortisation	2.6.4.2	68,067	57,811
Gain/loss from disposal of fixed assets		508	1,246
Changes in the consolidation range		(1,050)	(420)
Results from discontinued operations		(73)	(382)
Cash flow from operating results		**79,522**	**79,752**
Inventories		(24,833)	12,459
Trade receivables		(19,846)	26,849
Trade payables		30,477	(2,414)
Prepayments received		3,298	(5,473)
Change in working capital		**(10,904)**	**31,421**
Non-current provisions		(11,414)	(10,787)
Current provisions		8,905	1,910
Other current and non-current assets and liabilities		11,079	6,193
Change in other operating items		**8,570**	**(2,684)**
Taxes paid		**(5,423)**	**(5,181)**
Cash flow from operating activities		**71,765**	**103,308**
Proceeds from the sale of non-current assets		429	111
Capital expenditures on non-current assets		(65,553)	(59,509)
Change in non-current and current financial assets		(1,545)	702
Change in liquid funds from changes in the consolidation range		2,117	237
Cash flow from investing activities		**(64,552)**	**(58,459)**
FREE CASH FLOW		**7,213**	**44,849**
Change in net borrowings		(2,238)	(30,979)
thereof restricted cash		*11*	*185*
Change in minority interest		(1,524)	0
Dividends		(3,258)	(8,957)
Exercise of options		39	205
Interest paid		(6,922)	(7,792)
Interest received		815	1,222
Cash flow from financing activities		**(13,088)**	**(46,301)**
Effects of exchange rate changes on cash and cash equivalents		(6,444)	616
CHANGE IN CASH AND CASH EQUIVALENTS		**(12,319)**	**(836)**
Cash and cash equivalents at the beginning of the period	2.6.7.1	82,902	83,738
Cash and cash equivalents at the end of the period	2.6.7.1	70,583	82,902
Change absolute		**(12,319)**	**(836)**

2.5 Statement of Changes in Equity

2013/14 Financial Year

in TEUR	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the period	Total	Non-controlling interests	Total equity
	Attributed to shareholders of the parent company										
30 April 2013	**108,750**	**335,210**	**9,894**	**(29,466)**	**(4,371)**	**19,732**	**(91,831)**	**5,959**	**353,877**	**3,509**	**357,386**
+/- Additions to reserves	0	0	5,959	0	0	0	0	(5,959)	0	0	0
+/- Total comprehensive income	0	0	0	(12,793)	1,411	0	(8,727)	(4,995)	(25,104)	136	(24,968)
+/- Stock options – exercises	0	39	0	0	0	0	0	0	39	0	39
+/- Dividends	0	0	(3,019)	0	0	0	0	0	(3,019)	(239)	(3,258)
+/- Change in minority interest	0	0	(1,883)	0	0	0	0	0	(1,883)	359	(1,524)
+/- Changes in the consolidation range	0	0	132	0	0	(253)	0	0	(121)	0	(121)
30 April 2014	**108,750**	**335,249**	**11,083**	**(42,259)**	**(2,960)**	**19,479**	**(100,558)**	**(4,995)**	**323,789**	**3,765**	**327,554**

2012/13 Financial Year

in TEUR	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the period	Total	Non-controlling interests	Total equity
	Attributed to shareholders of the parent company										
30 April 2012	**108,750**	**335,005**	**3,293**	**(27,738)**	**(3,643)**	**19,732**	**(82,714)**	**15,222**	**367,907**	**2,714**	**370,621**
+/- Additions to reserves	0	0	15,222	0	0	0	0	(15,222)	0	0	0
+/- Total comprehensive income	0	0	0	(1,728)	(728)	0	(9,117)	5,959	(5,614)	177	(5,437)
+/- Capital increases	0	0	0	0	0	0	0	0	0	402	402
+/- Stock options – exercises	0	205	0	0	0	0	0	0	205	0	205
+/- Dividends	0	0	(8,621)	0	0	0	0	0	(8,621)	(336)	(8,957)
+/- Changes in the consolidation range	0	0	0	0	0	0	0	0	0	552	552
30 April 2013	**108,750**	**335,210**	**9,894**	**(29,466)**	**(4,371)**	**19,732**	**(91,831)**	**5,959**	**353,877**	**3,509**	**357,386**

2.6 Notes to the Consolidated Financial Statements

2.6.1 General Information

The consolidated financial statements were prepared in accordance with § 245a of the Austrian Commercial Code and the provisions of IFRS/IAS that were issued by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and Standing Interpretations Committee that were valid as of the balance sheet date, to the extent that these regulations have also been adopted by the European Union through its endorsement proceedings. Therefore, the consolidated financial statements of Zumtobel AG reflect all International Financial Reporting Standards (IFRS) that are applicable in the European Union for the 2013/14 financial year.

The Management Board of Zumtobel AG released the consolidated financial statements for distribution to the Supervisory Board on 16 June 2014. The Supervisory Board is responsible for examining the consolidated financial statements and issuing a statement that indicates whether or not it approves the consolidated financial statements. The relevant Supervisory Board meeting is scheduled for 24 June 2014 in Dornbirn.

Zumtobel is an international lighting group. The headquarters of the parent company, Zumtobel AG, are located at Höchster Strasse 8, A-6850 Dornbirn, Austria, and the company is registered with the Provincial and Commercial Court in Feldkirch, Austria, under FN 62309g. The balance sheet date is 30 April, and the reporting year covers the period from 1 May 2013 to 30 April 2014. The reporting currency is the euro. The business activities of the Group are carried out primarily through the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic lighting components, LED lighting components, connection technology and, up to the end of the reporting year, also magnetic ballasts).

The annual financial statements of the companies included in the consolidated financial statements were prepared on the basis of uniform accounting and valuation principles. The income statement was prepared in accordance with the cost of sales method. In order to improve the transparency and explanatory power of these consolidated financial statements, certain items were combined on the balance sheet and income statement, and are presented separately in the notes. The amounts in the tables are presented in thousand euros (TEUR), unless stated otherwise. The use of automatic data processing equipment can lead to rounding differences.

The consolidated financial statements were prepared on the basis of historical acquisition cost, with the exception of the following positions:

- Derivative financial instruments (measurement at fair value)
- Financial instruments carried at fair value through profit or loss

2.6.2 Consolidation Range and Methods

2.6.2.1 Consolidation range

The consolidated financial statements for 2013/14 include 96 (2012/13: 93) fully consolidated companies in which Zumtobel AG exercises management control or directly or indirectly owns the majority of shares. Two companies were included in the consolidation at equity (2012/13: five), and no companies were included using the proportional method. Eleven companies were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial.

IFRS interim financial statements were prepared as of 30 April for companies that have a different balance sheet date.

Any additional obligations to prepare subgroup financial statements based on local requirements are met with the publication of these consolidated financial statements.

The consolidation range changed as follows during the reporting year:

	Consolidation Method		
	full	at equity	Total
30 April 2013	**93**	**5**	**98**
Change in consolidation method	3	(3)	0
Included during reporting period for first time	2	0	2
thereof newly founded	*2*	*0*	*2*
Deconsolidated during reporting period	(1)	0	(1)
Liquidated during reporting period	(1)	0	(1)
30 April 2014	**96**	**2**	**98**

Zumtobel Lighting s.r.o. was founded in May of the 2013/14 financial year.

In July 2013 51% of the shares in LEDON OLED Verwaltungs-GmbH, Germany, and 49% of the shares in LEDON OLED Lighting GmbH & Co. KG (now "Tridonic Dresden GmbH & Co. KG"), Germany, were acquired. The Zumtobel Group now owns 100% of the shares in both companies. These companies, which were previously included in the consolidated financial statements at equity, were fully consolidated as of July 2013. A total of TEUR 150 was paid to purchase the remaining shares in these two companies. The fair value of the equity stake held in these companies immediately before the acquisition amounted to TEUR 593 as of the acquisition date. The full consolidation of these investments resulted in the takeover of net assets totalling TEUR 703.
These share purchases represent an investment to strengthen the Zumtobel Group's business activities in the future-oriented area of OLED technology.

The contracts for the sale of Tridonic Manufacturing Pty Ltd, Australia, were signed during the first quarter of 2013/14, but the shares were transferred in October 2013. The company was therefore deconsolidated during the second quarter of the reporting year.

Zumtobel Lighting Limited, Hong Kong, was founded during the second quarter of 2013/14.

The Australian company Conlux Pty Limited has been in liquidation since the third quarter of the reporting year. The company was therefore deconsolidated during the third quarter of 2013/14.

The investment in Tridonic SA (Proprietary) Limited, a South African sales company, was increased from 49.99% to 100% as of 1 February 2014. The additional shares were purchased from the previous joint venture partner Power Technologies (Pty) Ltd. The purchase price for the remaining shares was TEUR 900. The fair value of the equity stake held in the company immediately before the acquisition amounted to TEUR 711 as of the acquisition date. The full consolidation led to the takeover of net assets totalling TEUR 1,465. The revaluation of the company's equity resulted in profit of TEUR 189, which was recorded under other operating results. Goodwill of TEUR 335 was also recognised.

2.6.2.2 Consolidation methods

Basis of consolidation
The principles set forth in IFRS 3 are used to eliminate the investment and equity for subsidiaries included through full consolidation. In accordance with this method, the subsidiary's identifiable assets and liabilities are recognised at fair value as of the acquisition date. If the acquisition price exceeds the fair value of the acquired identifiable assets and liabilities, the difference is recognised as goodwill. Any negative differences are recognised immediately to profit or loss in accordance with IFRS 3.

Non-controlling interests are carried at the respective proportion of the fair value of recognised assets and liabilities.

The profit or loss recorded by a subsidiary that is acquired or sold during the year is included in the Group income statement as of the effective date of acquisition or up to the effective date of disposal.

The equity method is applied to associated companies over which the Zumtobel Group generally exercises significant influence – as a rule, based on a 20 – 50% share of voting rights. Companies valued at equity are consolidated in accordance with the proportional share of equity owned by the Zumtobel Group, whereby the carrying amount as of the balance sheet date is adjusted to reflect the proportional share of profit or loss for the reporting period less any distribution of profit, material interim profits and impairment charges to goodwill. All adjustment items are recognised to the consolidated income statement.

Other consolidation principles
During the consolidation of liabilities, trade receivables are netted out with the corresponding liabilities. Revenue and expenses arising from transactions between Group companies are eliminated during the consolidation. Interim profits from inventories as well as the production and transfer of fixed assets between Group companies are eliminated if they are not immaterial.

Foreign currency translation
The functional currency method is used to translate the financial statements of foreign companies included in the consolidation. The local currency represents the functional currency for all these companies because the entities operate independently from a financial, economic and organisational standpoint. The functional currency of the Zumtobel Group is the euro. Assets and liabilities are translated using the average exchange rate on the balance sheet date. On the income statement, revenues and expenses are translated using monthly average exchange rates. The same applies to income and expenses recognised directly in equity. The resulting net difference is shown on the statement of comprehensive income.

The most important currencies for the Zumtobel Group are shown in the following table:

	Average exchange rate Income Statement		Closing rate Balance sheet	
1 EUR equals	30 April 2014	30 April 2013	30 April 2014	30 April 2013
AUD	1.4591	1.2463	1.4947	1.2649
CHF	1.2298	1.2117	1.2200	1.2238
USD	1.3466	1.2858	1.3850	1.3072
SEK	8.7882	8.5812	9.0723	8.5420
GBP	0.8414	0.8172	0.8230	0.8443

2.6.3 Accounting and Valuation Methods

2.6.3.1 Effects of new and revised standards

The rules defined in the revised version of IAS 19 "Employee Benefits" were applied prematurely already in the 2012/13 financial year. This standard was announced by the IASB in June 2011, adopted by the European Union in June 2012 and requires mandatory application for financial years beginning on or after 1 January 2013.

The following new or revised standards and interpretations are relevant for the Zumtobel Group and were applied for the first time in the reporting year.

The revised IAS 1 "Presentation of Financial Statements" involves changes in the presentation of the statement of comprehensive income. The individual components of other comprehensive income are categorised to separately present items that will not be reclassified (recycled) to the income statement and items that could be reclassified (recycled) under certain conditions. The statement of comprehensive income in these consolidated financial statements was adjusted accordingly.

The changes to IFRS 1 "First-time Adoption of International Financial Reporting Standards" are related to the accounting treatment of government grants as defined in IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". IAS 20 requires government grants granted at a below-market rate of interest to be initially recognised at fair value. First-time adopters of IFRS must therefore apply this IAS 20 requirement prospectively to loans. However, companies may apply these requirements retrospectively to government loans received prior to the transition to IFRSs if the necessary information had been obtained before the loans were initially recognised.

The changes to IFRS 7 "Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities" involves expanded disclosures on offsetting rights. Future reporting must cover not only actual offsetting in accordance with the current and expanded disclosure requirements under IAS 32, but also existing offsetting rights. The disclosures depend on whether the offsetting is actually realised. This revised standard does not have a material effect on the consolidated financial statements of the Zumtobel Group.

IFRS 13 "Fair Value Measurement", which requires mandatory application as of 1 January 2013, defines fair value, provides a uniform framework for measuring fair value and requires disclosures concerning financial and non-financial assets and liabilities. The revised version also defines methods for determining fair value. The changes and the expanded disclosure requirements are described in section 2.6.10.1.

IFRIC 2 "Members' Shares in Cooperative Entities and Similar Instruments" describes guidelines for the classification of shares as financial liabilities or equity based on the related redemption conditions. IFRIC 2 is not relevant for the Zumtobel Group and therefore has no effect on these consolidated financial statements.

IFRIC 20 defines when and how the benefits from surface mining activities are to be accounting for and how these benefits are to be initially recognised and subsequently measured. This interpretation is also not relevant for the Zumtobel Group and therefore has no effect on these consolidated financial statements.

The following new or revised IAS/IFRS/IFRIC interpretations were not applied prematurely and are therefore not relevant for the 2013/14 consolidated financial statements of the Zumtobel Group:

Revised standards and interpretations		Mandatory application in financial years beginning on or after
IAS 19	Improvements to Defined Benefit Plans: Employee Benefits	1 July 2014*
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Offsetting of Financial Assets and Liabilities	1 January 2014
IAS 36	Disclosures on the Recoverable Amount for Non-financial Assets	1 January 2014
IAS39	Conversion of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9	Financial Instruments	to be announced*
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	1 January 2014
IFRS 14	Regulatory Accruals	1 January 2016*
IFRIC 21	Levies	1 January 2014*

* This standard has not yet been adopted by the European Union through its endorsement proceedings.

The IASB also issued improvements to the transition guidance for IFRS 11, IFRS 12 and IFRS 13 as well as improvements to IFRS 10, IFRS 12 and IAS 27 in connection with investment entities. These improvements are applicable to financial years beginning on or after 1 January 2014. In addition, the IASB is continuing its annual improvement projects for various standards.

The changes resulting from the new standards and interpretations were analysed, and these new rules are not expected to have any effect on the consolidated financial statements for the 2014/15 financial year.

2.6.3.2 Major accounting and valuation methods

Goodwill

Goodwill represents the excess cost of a business combination over the fair value of the Group's share of the identifiable assets and liabilities in the subsidiary, associated company or joint venture on the acquisition date.

Goodwill is recognised as an asset and tested for impairment with the relevant cash-generating unit or group of cash-generating units at least once each year. Any impairment is recognised immediately to the income statement (also see the section on "Discretionary decisions and estimation uncertainty").

Other intangible assets

Patents, licenses and similar rights are recognised initially at acquisition or production cost, and amortised on a straight-line basis over their presumed useful life (four to ten years).

Internally generated intangible assets that result from product development or the implementation of software by the Group are only capitalised when the requirements defined in IAS 38.57 – above all the following conditions – are met:

- The internally generated asset is identifiable
- It is probable that the asset will generate a future economic benefit
- The costs of the asset can be reliably estimated.

Internally generated intangible assets are recognised on a straight-line basis (three to ten years). If the recognition of an internally generated intangible asset is not permitted, the related development costs are expensed in the period incurred. Research costs are expensed as incurred.

Property, plant and equipment

Acquired and internally generated property, plant and equipment are recognised at acquisition or production cost and, if depreciable, are depreciated over their presumed useful life on a straight-line basis. Production costs include direct costs as well as an appropriate part of material and production overheads.

Straight-line depreciation is based on the following depreciation rates:

Straight-line depreciation	Depreciation rate per year
Buildings	2 - 3.3%
Technical equipment and machinery	14.3 - 20%
Other equipment, furniture, fixtures and office equipment	14.3 – 33.3%

Leases

Leases are classified as finance leases when the conditions of the respective agreement substantially transfer all risks and rewards associated with the ownership of an asset to the lessee. All other leases are classified as operating leases.

Lease payments on operating leases are recognised as expenses on a straight-line basis over the lease term.

Assets held under finance leases are recognised on the balance sheet at the commencement of the lease term at the lower of fair value or the present value of the minimum lease payments. The corresponding liability to the lessor is reported on the balance sheet under current or non-current financial liabilities as an obligation arising from a finance lease. The lease payments are apportioned between a finance charge and amortisation of the outstanding liability to produce a constant periodic rate of interest on the remaining liability balance. The finance charge is recognised directly to the income statement.

Inventories

Inventories are measured at the lower of purchase or production cost (based on the average price method) and the net realisable value. The purchase or production cost of finished goods and work in process also includes an appropriate part of fixed and variable manufacturing and material overheads based on normal capacity utilisation. Production cost does not include interest expense or administrative and selling overheads. Appropriate discounts are recorded to reflect the risks arising from the length of storage or reduced opportunities for use or sale; these discounts are standardised throughout the Group and are based on inventory turnover.

Financial instruments

The Zumtobel Group distinguishes between the following classes of financial instruments:

- Securities and similar rights
- Trade receivables and trade payables
- Other liabilities
- Loans received and originated
- Finance leases
- Positive/negative market values of derivatives held for trading
- Positive/negative market values of derivatives (hedge accounting)
- Liquid funds

>> Securities and similar rights

Securities and similar rights are initially recognised at acquisition cost. They are classified as held for trading and measured at fair value through profit and loss in subsequent periods.

>> Trade receivables

Receivables are generally carried at amortised cost, whereby recognisable risks are reflected in allowances for bad debts.

>> Originated loans, other receivables (financial assets)

Originated loans and other receivables are carried at amortised cost.

>> Loans, finance leases (financial liabilities)

Loans and finance lease liabilities are carried at their repayment amount or nominal value, including transaction costs (amortised cost). Non-current liabilities are carried at their present value.

>> Derivative financial instruments

Derivative financial instruments are carried at fair value in accordance with IAS 39, whereby fair value is determined in line with the rules defined in IFRS 13. The Zumtobel Group only uses derivative financial instruments to hedge risks arising from the operating business. Interest rate swaps are used to optimise the variable and fixed interest components of financial liabilities. Foreign currency futures are used to preclude transaction risks. Net investments in foreign operations are hedged with cross-currency swaps. In accordance with IFRS 13, derivative financial instruments are measured and recognised at fair value when the contract is signed; this fair value also includes the counterparty default risk. The valuation of forward exchange contracts is based on the present value of future cash flows and reflects the application of current market-based interest rate curves for the respective currency and the foreign exchange rates in effect on the valuation date. The Zumtobel Group does not use listed derivative financial instruments. Off-market interest rate instruments are carried at fair value, which is determined by discounting the expected future payments at the current market interest rate. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative financial instruments that do not meet the requirements for hedge accounting are classified as held for trading.

>> Market value of derivatives held for trading
Changes in the value of derivative instruments that are not part of hedge accounting are shown on the income statement under financial results.

>> Market value of derivatives (hedge accounting)
The Zumtobel Group applies the requirements of IAS 39 (hedge accounting) in connection with interest rate hedges. Increases or decreases in the fair value of derivative instruments that qualify for hedge accounting as defined in IAS 39 (cash flow hedges) and are highly effective are credited or charged to equity. The ineffective portion is recognised immediately through profit or loss. The amounts accumulated under equity are recognised as gains or losses of the same period in which the hedged item is recognised to the income statement. The hypothetical derivative method is used to confirm the effectiveness of these derivatives.

>> Market value of a net investment in a foreign operation
Derivative instruments concluded to hedge a net investment in a foreign operation (IAS 21) are recorded on the balance sheet as derivatives (hedge accounting). In accordance with IAS 39, all changes in the market value of the effective portion of the hedge are recorded under equity without recognition through profit or loss (cash flow hedge). The gain or loss on the foreign currency translation of the hedged investment is recorded in equity under other comprehensive income.

>> Determination of fair value
The Zumtobel Group determines fair value by applying valuation methods that appear suitable and accurate under the given circumstances. Sufficient data, above all observable input factors, are used to ensure exact valuation.

The determination of fair value is based on a three-level hierarchy that reflects the valuation certainty.

Level 1: Listed prices on active markets for identical instruments
Level 2: Valuation based on input factors that can be monitored on the market
Level 3: Valuation based on input factors that cannot be monitored on the market

In the Zumtobel Group, the calculation of fair value is based primarily on input factors that can be monitored on the market (Level 2). The market value of non-current receivables and other non-derivative financial instruments reflects the present value discounted at the market interest rate. The market value of current financial instruments reflects the carrying amount due to their short term. The consolidated financial statements of the Zumtobel Group do not include any financial instruments whose valuation is based on listed prices on active markets (Level 1).

The fair value of derivative financial instruments can be reliably determined as of each balance sheet date because these measurements are based on input factors that can be monitored on the market. These valuations reflect the Level 2 criteria.

The consolidated financial statements of the Zumtobel Group also include an insignificant amount of financial instruments whose valuation is not based on listed prices or input factors that can be monitored on the market (Level 3).

The financial instruments classified under Level 2 represent the derivatives included under financial assets and financial liabilities (positive market value: TEUR 464, 2012/13: TEUR 1,409; negative market value: TEUR -9,353, 2012/13: TEUR -12,504; also see section 2.6.10).

Current and non-current assets and liabilities

Assets and liabilities whose realisation or payment is expected or due within a 12-month period are classified as current. All other assets and liabilities are classified as non-current.

Share-based remuneration

The stock option programme of Zumtobel AG – the "Stock Option Programme" (SOP) – represents a share-based remuneration that is paid in the form of equity instruments. The value of the compensation for services provided by employees is derived from the market value of the issued equity instruments at the grant date and is based on accepted option valuation models. Additions to and reversals from the reserve are recognised to profit or loss. The reserve is not adjusted through profit or loss to reflect the options actually exercised. These items are reported on the balance sheet under reserves. No further options are granted under the SOP. Additional information is provided in section 2.6.8.4.

Provisions

Other provisions are created to reflect current obligations to third parties that result from past events. The outflow of resources to meet the obligation must be probable, and a reliable estimate of the total obligation must be possible. If these conditions are not met, a provision is not recognised. In cases where the nominal value of a provision differs substantially from the present value (based on a market interest rate), the present value is used as the carrying amount. If an outflow of resources is not probable and the amount of the obligation cannot be estimated, the item is reported as a contingent liability.

Provisions are only created for restructuring costs if the general criteria for recognition are met and there is a legal or constructive obligation to carry out the restructuring (IAS 37.70 ff).

Provisions for guarantees are created on an individual basis as required by specific circumstances. In addition, lump-sum provisions are created for unreported guarantee claims in accordance with Group guidelines. The calculation of provisions is based on percentage rates that reflect product group revenues as a share of the respective product revenues for the period.

A provision for onerous contracts is recognised when the unavoidable costs of meeting an obligation exceed the revenues expected from the respective agreement. The provision is recognised at the lower of the costs that would arise on exiting from the contract and the net costs for fulfilling the obligation. Before a separate provision is created for an onerous contract, an impairment charge is recognised to the related assets.

Employee benefits

Post-employment benefits include long-term provisions for pensions and severance compensation.

>> Other long-term employee benefits consist primarily of the provisions for service anniversary bonuses and part-time work for older employees in Austria and Germany as well as long-service leave in Australia.

>> Defined benefit plans
The present value of a defined benefit obligation (DBO) is calculated as of each balance sheet date in accordance with actuarial principles based on the projected unit credit method. This method separates the interest cost – i.e. the amount by which the obligation has increased during a particular year because benefits have moved closer to settlement – from the service cost – i.e. the new entitlements that have arisen during a particular year. The interest rate used to discount future obligations is a current market rate. The assumptions used to measure the amount of obligations include expected future increases in salaries or wages as well as benefit commitments. Changes in claims may arise from new commitments or the adjustment of existing benefits, and are reported as past service cost.

Plan assets represent assets that are held by a fund; they are netted out with pension obligations. These assets are valued each year by certified actuaries.

Defined benefit plans are measured as of each valuation date based on current best assumptions, which may change from one valuation date to the next. The actuarial gains and losses arising from changes in actuarial assumptions or differences between earlier actuarial assumptions and actual developments are recognised as incurred under other comprehensive income after the deduction of deferred taxes. Accordingly, the balance sheet shows the full scope of the obligation – after the deduction of plan assets – without the effects of possible changes in the calculation parameters and the resulting fluctuations in expenses. The actuarial gains and losses for the respective reporting period are reported separately on the statement of comprehensive income together with the related deferred taxes.

Interest costs and income on plan assets are reported under financial results, while the other components are shown under operating results.

>> Defined contribution plans
Under a defined contribution plan, a company has no obligations above or beyond the payment of contributions to a fund. These contributions are recognised as personnel expenses in the period incurred.

Income taxes

The calculation of tax expense for the current period is based on taxable income for the financial year. Taxable income differs from net profit on the income statement because it excludes income and expenses that will become taxable in later years, or never become taxable or deductible for tax purposes. The Group's obligations from current tax expense are calculated at the relevant local tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred taxes include the expected tax charges and/or tax recovery that result from differences between the carrying amount of assets and liabilities in the annual financial statements and the relevant tax bases used to calculate taxable income as well as from tax loss carryforwards. The balance sheet-oriented liability method forms the basis for these calculations. Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised only to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced accordingly if it is not probable that sufficient taxable profit will be available to utilise the deferred tax assets in full or in part within the foreseeable future. The calculation of deferred taxes is based on the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Income taxes are generally recognised to the income statement, unless they relate to transactions that were recognised under other comprehensive income during the reporting year or another financial year.

Revenue recognition

Revenue from the sale of goods and services is recognised when the Group transfers the major risks and opportunities associated with ownership to the buyer. Rebates and discounts are deducted from this figure. Operating expenses are recognised to profit or loss when a service is used or an expense is incurred.

Interest income is recognised proportionately over time in accordance with the effective interest paid on the asset. This represents the interest rate used to discount the estimated future cash payments over the term of the financial asset to the net carrying amount of the asset.

Dividend income is recognised when a legal claim to payment arises.

Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect on the date of the transaction, while monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date. Realised and unrealised gains and losses arising from foreign currency transactions are generally reported under financial results. The measurement effects of non-current loans, which qualify as part of the net investment in a foreign operation as defined in IAS 21, are recorded under other comprehensive income.

Discretionary decisions and estimation uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions by management, which have an influence on the amount and reporting of recognised assets and liabilities, income and expenses, and contingent liabilities for the financial period. The principle of providing a "true and fair view" is also followed without limitation in the use of estimates.

Actual values may differ from the relevant assumptions and estimates when the operating environment does not develop as expected by the balance sheet date. The assumptions and estimates used by the Group are reviewed regularly. Significant changes are reflected in an adjustment of the premises and subsequent recognition through profit or loss.

Estimates and assumptions are related, above all, to the following areas:

>> Impairment of goodwill, other intangible assets and property, plant and equipment

Property, plant and equipment as well as intangible assets are tested for indications of impairment as of each balance sheet date. If such indications are identified, the recoverable amount of each asset is estimated in order to determine the potential impairment charge. In cases where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit containing the asset is estimated.

Intangible assets with an indefinite useful life, intangible assets that are not yet available (e.g. development projects still in progress) and goodwill are tested each year for impairment – even when there are no such indications.

The recoverable amount represents the higher of fair value less costs to sell and the value in use, whereby the value in use is determined by discounting the estimated future cash flows from the asset. Similar to the previous year, the impairment tests for capitalised development costs were based on a uniform weighted average cost of capital (WACC) for each region in which the development projects are carried out. A WACC of 7.1% (2012/13: 6.4%) was applied to the region "Europe" and 7.0% (2012/13: 6.2%) to the region "USA".

The adjustment of the internal reporting structure during the first quarter of 2012/13 led to changes in the allocation of goodwill for the purpose of impairment testing. This goodwill was previously assigned by region ("CGU Lighting Brands – Europa", "CGU Lighting Brands – MENA and Asia", "CGU Lighting Brands – Australia & New Zealand" and "CGU Lighting Brands – USA"), but was reallocated to the newly defined cash-generating units (CGUs) in accordance with IAS 36.87.

The goodwill arising from the acquisition of the Thorn Lighting Group, which was previously allocated by region, was reassigned during the first quarter of 2012/13 based on brands in accordance with the new reporting structure. The newly defined CGUs are:

"CGU Zumtobel Brand"
"CGU Thorn Brand"

In 2012/13 the monitoring of results based on financial information that is classified by brand led to the reallocation of goodwill in line with the relative fair value of the CGU. These CGUs represent operating segments as defined in IFRS 8.5, which are aggregated under "Lighting Brands" for segment reporting.

The following WACC rates were applied to the cash-generating units listed below in 2013/14:

CGU Zumtobel Brand: WACC 7.1%
CGU Thorn Brand: WACC 7.3%

These discount rates are derived from regional discount rates, which are weighted according to the volume of business in the respective region. The regional interest rates were based, above all, on the inflationary trends of the individual countries in relation to the risk-free base interest rate, country risk premiums and the applicable national tax rates.

The value in use serves as a benchmark for the impairment testing of goodwill. It is calculated as the discounted cash flows produced by the relevant cash-generating unit. The estimates of future cash inflows are based on internal forecasts, which were prepared in detail for 2014/15 and with minor simplifications for a further three years. A regional growth rate that reflects the different inflation trends was applied to the periods after the detailed forecast range. The quality of the forecast data is regularly compared with actual results through a variance analysis. Cash flows are estimated on the basis of regional assumptions for the development of the market. Cost structures are generally forecasted on the basis of experience and then extrapolated. All impairment charges are recognised immediately to profit or loss.

A relative change of more than 10% in the forecast assumptions or the WACC for the CGU Zumtobel Brand would not have led to the recognition of an impairment charge to the related goodwill. An impairment charge of TEUR 30,876 (2012/13: TEUR 26,416) would have been required for the goodwill in the CGU Thorn Brand if the respective WACC had risen by 10% and the forecast variance equalled minus 10%.

The new organisational structure that was implemented as of 1 December 2013, which led to changes above all in the Lighting Segment, will only be reflected in internal reporting as of 1 May 2014. Therefore, no changes in the allocation of goodwill to the CGU Zumtobel Brand and CGU Thorn Brand were required during the reporting year.

>> Provisions for employee benefits

The actuarial measurement of employee benefits requires the use of assumptions for interest rates, expected income on plan assets, wage/salary and pension increases, the retirement age and life expectancy.

- Other provisions
  The determination of provisions for restructuring is connected with estimates for workforce reductions and the resulting costs as well as the expenses connected with contract cancellations. The provisions for legal proceedings are based on management's estimates of the possible outcome of these proceedings. The provision for warranties is based on past experience. These assumptions are connected with uncertainty, and actual payments may vary from the estimates.

- deferred tax assets
  The capitalisation of deferred taxes is based on expected future tax rates as well as estimates for the utilisation of these deferred taxes against future earnings. Possible changes in tax rates or income that differs from the assumed level could lead to the write-down of deferred tax assets.

As of the balance sheet date on 30 April 2014, the Group was unaware of any major circumstances that could lead to a significant variance in the carrying amount of an asset or liability during the next financial year.

Special effects
In accordance with IAS 1.98, circumstances outside a company's ordinary activities must be disclosed separately if these items are of a scope, nature or incidence that their disclosure is relevant to explain financial performance. Examples of such items are results from non-recurring events such as restructuring, impairment charges to assets and earnings effects from the deconsolidation of group companies. These special effects are disclosed separately in the consolidated financial statements, and are designated as "thereof" on the income statement.

Government grants
Government grants related to income, which are provided as compensation for expenses, are generally recognised as income of the period in which they are granted. These grants are capitalised as a liability if they are connected with future expenses.

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment of TEUR 50,852 (2012/13: TEUR 51,141) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,297,683 (2012/13: TEUR 1,294,757).

2.6.4.2 Expenses

The income statement was prepared in accordance with the cost of sales method. The following categories of income and expenses are included in the cost of goods sold (incl. development costs), selling expenses (incl. research costs), administrative expenses and other operating results:

2013/14 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(522,120)	(5,062)	(50)	0	(527,232)
Personnel expenses	(220,332)	(177,797)	(29,424)	(18,803)	(446,356)
Depreciation	(48,626)	(6,164)	(1,037)	(12,240)	(68,067)
Other expenses	(85,704)	(128,293)	(14,344)	(4,672)	(233,013)
Own work capitalised	20,286	40	0	0	20,326
Internal charges	6,212	(10,150)	3,974	(36)	0
Total expenses	**(850,285)**	**(327,426)**	**(40,881)**	**(35,751)**	**(1,254,343)**
Other income	**4,929**	**7,163**	**457**	**7,106**	**19,655**
Total	**(845,356)**	**(320,263)**	**(40,424)**	**(28,645)**	**(1,234,688)**

2012/13 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(538,291)	(5,113)	(66)	0	(543,470)
Personnel expenses	(219,429)	(180,038)	(28,638)	(9,803)	(437,908)
Depreciation	(49,236)	(6,264)	(1,221)	(1,090)	(57,811)
Other expenses	(76,644)	(126,041)	(14,286)	(3,373)	(220,344)
Own work capitalised	17,670	620	13	0	18,303
Internal charges	5,924	(10,018)	4,094	0	0
Total expenses	**(860,006)**	**(326,854)**	**(40,104)**	**(14,266)**	**(1,241,230)**
Other income	**4,958**	**5,273**	**440**	**8,603**	**19,274**
Total	**(855,048)**	**(321,581)**	**(39,664)**	**(5,663)**	**(1,221,956)**

The cost of materials includes TEUR 24,561 (2012/13: TEUR 21,510) of third party services.

Other income includes government grants of TEUR 4,599 (2012/13: TEUR 5,166), which were provided primarily for research activities. Of this total, TEUR 3,239 (2012/13: TEUR 3,913) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 68,590 (2012/13: TEUR 65,586). Development costs capitalised during the reporting year amounted to TEUR 18,985 (2012/13: TEUR 16,079) and the related amortisation totalled TEUR 13,406 (2012/13: TEUR 13,108). The capitalised development costs were reduced by impairment charges of TEUR 1,309 (2012/13: TEUR 150). The impairment charges recognised to capitalised development costs in 2013/14 were recorded under other operating results as special effects. Therefore, the development costs recognised as expenses in 2013/14 were reduced by a net amount of TEUR 5,489 (2012/13: net reduction of TEUR 2,971 in expenses).

Research costs of TEUR 3,222 (2012/13: TEUR 3,527) are reported under selling expenses. The criteria defined by IAS 38.57 for the capitalisation of research costs were not met.

KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel AG in 2013/14:

In TEUR	2013/14	2012/13
Total fees	**210**	**291**
thereof audit and related activities	198	229
thereof other services	12	62

The fees for other services are related to the audit and evaluation of risk management in the Zumtobel Group.

Administrative expenses include TEUR 1,556 (2012/13: TEUR 1,587) of auditing services performed by the KPMG network for the Zumtobel Group.

The year-on-year change in other operating results is related primarily to special effects recognised in 2013/14 (see section 2.6.4.3).

Production, selling and administrative expenses include the following personnel costs:

in TEUR	2013/14	2012/13
Wages	(79,112)	(79,804)
Salaries	(245,807)	(250,773)
Expenses for severance compensation	(4,343)	(3,893)
Expenses for pensions	(5,701)	(4,173)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(68,139)	(67,452)
Other employee benefits	(10,032)	(11,935)
Contract workers	(14,427)	(10,090)
Expenses from restructuring	(18,795)	(9,788)
Personnel expenses	**(446,356)**	**(437,908)**

2.6.4.3 Other operating results

in TEUR	2013/14	2012/13
Government grants	3,239	3,913
License revenues	3,011	4,370
Special effects	(35,452)	(14,043)
Impairment charges to non-current assets	*(12,139)*	*(1,090)*
Restructuring	*(17,571)*	*(11,873)*
Expenses resulting from an exit agreement	*(4,675)*	*0*
Impairment charges to current assets	*(349)*	(1,500)
Changes in the consolidation range	*(719)*	*420*
Miscellaneous	557	97
Total	**(28,645)**	**(5,663)**

As in the prior year, the government grants received in 2013/14 represent subsidies that were recognised to profit or loss.

License revenues for 2013/14 were generated chiefly by the LED business, as was the case in the prior year.

Special effects reported during the reporting year in accordance with IAS 1 include the following major items:

The impairment charges to non-current assets include TEUR 5,802 attributable to the Components Segment and TEUR 6,337 for the Lighting Segment.

In connection with the exit from magnetics technology, property, plant and equipment totalling TEUR 3,032 were written off in the Components Segment. Impairment charges of TEUR 1,461 were also recognised to property, plant and equipment at the Components Segment plant in Ennenda, Switzerland, in advance of the planned shutdown. The strategic reorientation of the Controls & Systems business led to the termination of a capitalised development project during the fourth quarter of the reporting year and to a subsequent impairment charge of TEUR 1,309.

The impairment charges to non-current assets in the Lighting Segment consist primarily of unscheduled write-downs to land and buildings and plant and machinery, which reflect the planned termination or downsizing of production. Of the impairment charges totalling TEUR 6,337, TEUR 3,561 are related to the Landskrona plant in Sweden and TEUR 342 to the plant in Tianjin, China. An impairment charge of TEUR 2,434 was also recognised to a production hall at the Lemgo plant in Germany, which will not be used in the future.

The prior year impairment charges to non-current assets consisted chiefly of impairment charges totalling TEUR 403 to property, plant and equipment in the Lighting Segment and an impairment charge of TEUR 457 to a customer base that was written off because of restructuring measures in the involved market.

Of the restructuring expenses recognised in 2013/14, TEUR 10,892 are attributable to the Lighting Segment and TEUR 6,679 to the Components Segment. The expenses charged to the Lighting Segment include TEUR 7,760 of employee-related costs, which are connected primarily with the restructuring of the sales organisations. The remaining restructuring costs are related, above all, to rental contracts that are affected by the consolidation of sales locations in several countries and the premature cancellation of a rental contract due to a plant shutdown.

The restructuring expenses of TEUR 6,679 recognised in the Components Segment include TEUR 6,380 of employee-related costs that resulted from the exit from magnetic technology and the shutdown of wire production in Australia. The exit from magnetic technology also involved the shutdown of the plant in Fürstenfeld, Austria, and the sale of the plant in Melbourne, Australia.

Of the restructuring expenses recognised in 2012/13, TEUR 8,276 were attributable to the Lighting Segment and TEUR 3,597 to the Components Segment. The expenses charged to the Lighting Segment included TEUR 6,856 for restructuring at various European locations. These activities were related chiefly to reorganisation measures, above all to the sales organisations in Germany, England, France and Denmark for a total of TEUR 3,708, and to the restructuring of the plant in Sweden for TEUR 2,993. Restructuring expenses in the Lighting Segment also included TEUR 726 for the closing of a plant in the den USA.

The restructuring expenses recognised in the Components Segment during 2012/13 consisted primarily of TEUR 2,769 for the production facilities in Australia and Switzerland as well as expenses for restructuring measures in Austria. The latter amounted to TEUR 828 in that year.

The expenses resulting from an exit agreement in 2013/14 represent the costs associated with the change on the Management Board of Zumtobel AG in September 2013.

The impairment charges recognised to current assets in the fourth quarter of the reporting year are attributable to the Components Segment and resulted from the shutdown of the plant in Fürstenfeld, Austria. The impairment charges of TEUR 1,500 reported in 2012/13 were also attributable to the Components Segment and were related to the sale of Ledon Lamp GmbH in February 2013.

The results reported under changes in the consolidation range include TEUR -855 from the deconsolidation of the Australian Tridonic Manufacturing Pty Ltd in October 2013. The remaining TEUR 136 represent a gain on the purchase of the remaining shares in LEDON OLED Verwaltungs-GmbH, Germany, LEDON OLED Lighting GmbH & Co. KG (now "Tridonic Dresden GmbH & Co. KG"), Germany, and Tridonic SA (Proprietary) Limited, South Africa, which led to a change in the consolidation method.

The income reported under changes in the consolidation range in 2012/13 represented the net results from the deconsolidation of two fully consolidated subsidiaries that were sold during that year. The reported amount includes TEUR 456 from the deconsolidation of LM AF 30. APRIL 2013 A/S I LIKVIDATION, Denmark (formerly Lightmakers A/S) and TEUR -36 from the deconsolidation of Ledon Lamp GmbH, Austria.

Miscellaneous items represent the net total of income and expenses arising from ordinary business operations, which cannot be clearly allocated to other functional areas.

2.6.4.4 Interest income and expense

Interest expense consists mainly of interest and fees for the consortium credit agreement. Interest expense declined TEUR 952 year-on-year to TEUR 8,904 in 2013/14, above all due to the lower average amount drawn and a rotation in the portfolio of interest rate hedges.

This position also includes the interest component of the lease for the plant in England (TEUR 1,854; 2012/13: TEUR 1,948).

2.6.4.5 Other financial income and expenses

in TEUR	2013/14	2012/13
Interest component as per IAS 19 less income on plan assets	(5,100)	(5,168)
Foreign exchange gains and losses	(1,954)	61
Market valuation of financial instruments	298	115
Gains/losses on sale	(7)	400
Total	**(6,763)**	**(4,592)**

Foreign exchange gains and losses are composed mainly of realised and unrealised gains on foreign currency receivables and liabilities as well as realised foreign exchange losses on forward exchange contracts.

The market valuation of financial instruments shows the results from the measurement of forward exchange contracts at their respective market values as of the balance sheet date.

2.6.4.6 Income taxes

The classification of income taxes between current and deferred taxes is as follows:

in TEUR	2013/14	2012/13
Current taxes	(4,776)	(4,080)
thereof current year	*(4,672)*	*(3,354)*
thereof prior years	*(104)*	*(726)*
Deferred taxes	2,513	2,451
Income taxes	**(2,263)**	**(1,629)**

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to -94% for the reporting year (2012/13: 21%).

The reasons for the difference between the theoretical tax rate and actual tax rate for the Group are shown in the following table:

Difference between calculated and actual tax expense

in TEUR	2013/14	2012/13
Profit/loss before tax	**(2,420)**	**7,877**
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	**605**	**(1,969)**
Difference between calculated/actual tax expense	**(2,868)**	**(340)**
Non-deductible expenses	(2,312)	(2,410)
Foreign tax rates	192	(848)
Valuation discounts for deferred taxes	(1,029)	3,230
Tax-free income	1,848	1,369
Other items	(1,567)	(1,001)
Total tax expense	**(2,263)**	**(1,629)**

Deferred taxes of TEUR 7,112 (2012/13: TEUR 7,837) were recognised on tax deductible impairment charges to subsidiaries by the head company of the Austrian tax group. This represents 100% of the impairment charges on tax group members in Austria.

Zumtobel AG has formed a tax group in accordance with § 9 of the Austrian Corporate Tax Act of 1988, which includes the taxable profit of all major Austrian subsidiaries.
Income from investments in domestic subsidiaries is generally tax-free in Austria. The dividends from investments in EU and EEA countries have also been generally exempt from Austrian corporate tax since 2009 if certain conditions are met. Dividends from other foreign investments in which the Zumtobel Group holds a stake of 10% or more are also tax-free for the Austrian parent company.

2.6.4.7 Results from discontinued operations

Results from discontinued operations represent subsequent expenses in connection with the reorganisation process for Space Cannon VH SRL. This company was part of the event lighting business, which was discontinued during the second quarter of 2009/10. The net loss reported under this position in the prior year also reflects the discontinuation of the event lighting business.

2.6.4.8 Earnings per share

The calculation of earnings per share was based on profit recorded for the reporting period.

The distribution to shareholders from reserves and annual results may not exceed the total profit reported on the individual financial statements of Zumtobel AG, which are prepared in accordance with Austrian corporate law (TEUR 69,821; 2012/13: TEUR 53,540).

Reconciliation of the number of Zumtobel shares outstanding (in 1,000 pcs):

2013/14 Financial Year

in 1,000 pcs.	Balance Sheet Date	Average
1 May 2013	**43,133**	**43,133**
Stock options – exercises	5	3
30 April 2014	**43,139**	**43,136**

2012/13 Financial Year

in 1,000 pcs.	Balance Sheet Date	Average
1 May 2012	**43,106**	**43,106**
Stock options – exercises	27	16
30 April 2013	**43,133**	**43,122**

2.6.5 Notes to the Statement of Comprehensive Income

2.6.5.1 Foreign exchange differences

Foreign exchange differences occur when companies do not report in the euro and, in this connection, when the historical exchange rate applied on the date of initial consolidation differs from the rate in effect on the balance sheet date. In addition, foreign exchange differences result from the translation of income statement items at the average monthly exchange rate and the rate on the balance sheet date. This position also includes TEUR -2,578 (2012/13: TEUR -807) of currency-related adjustments to goodwill. The currency reserve under equity contains foreign exchange-related effects of TEUR -103 (2012/13: TEUR 50) from non-controlling interests. The deconsolidation of a Group company whose functional currency is not the euro also involves the subsequent reclassification of the related amounts from the currency reserve to the income statement and the inclusion of these amounts in the deconsolidation results.

2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR -1,441 (2012/13: TEUR -337) from loans reflect long-term loans granted by the Group in SEK, GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21 and must therefore be reported under other comprehensive income. This position also includes foreign exchange differences from an interest rate hedge.

2.6.5.3 Actuarial loss

Actuarial losses of TEUR 8,775 (2012/13: TEUR 11,214) for the reporting year include TEUR 5,435 (2012/13 TEUR 6,236) from a pension plan in Great Britain. These actuarial losses resulted primarily from a difference between the expected return on plan assets and the actual return during the 2013/14 financial year. Interest rate adjustments to the provisions for severance compensation also led to an actuarial loss of TEUR 535 (2012/13: TEUR 3,103). The actuarial loss in the prior year resulted mainly from interest rate adjustments to a British pension plan.

2.6.5.4 Deferred taxes

The change from TEUR 2,339 in the prior year to TEUR -422 resulted primarily from unrecognised deferred tax assets on actuarial losses recorded by a British company in 2013/14.

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

The adjustment of the internal reporting structure during 2012/13 led to changes in the allocation of goodwill for the purpose of impairment testing. This goodwill was previously assigned by region (CGU Lighting Brands – Europe, CGU Lighting Brands – MENA and Asia, CGU Lighting Brands – Australia and New Zealand and CGU Lighting Brands – USA), but was reallocated to the newly defined cash-generating units (CGUs) in accordance with IAS 36.87.

The goodwill arising from the acquisition of the Thorn Lighting Group, which was previously allocated by region, was reassigned during the first quarter of 2012/13 based on brands in accordance with the new reporting structure. The newly defined CGUs are:

"CGU Zumtobel Brand"
"CGU Thorn Brand"

Results are now monitored on the basis of financial information that is classified by brand. This led to a change in the allocation of goodwill, which was reassigned in accordance with the fair value of the CGUs.

The newly created CGUs represent operating segments as defined in IFRS 8.5, which are aggregated under "Lighting Brands" for segment reporting.

in TEUR	CGU Zumtobel Brand	CGU Thorn Brand	Tridonic SA (Pty) Ltd.	Tridonic Jennersdorf	Total
30 April 2012	**140,486**	**48,634**	**0**	**1,722**	**190,842**
FX effects	(969)	162	0	0	(807)
30 April 2013	**139,517**	**48,796**	**0**	**1,722**	**190,035**
Addition to goodwill	0	0	335	0	335
FX effects	(1,048)	(1,530)	0	0	(2,578)
30 April 2014	**138,469**	**47,266**	**335**	**1,722**	**187,792**

The original goodwill in the Thorn Lighting Group had a historical cost of TEUR 543,661. The accumulated impairment charges recognised up to 30 April 2010 totalled TEUR 338,278 and the accumulated foreign exchange effects equalled TEUR -23,654.

As of 30 April 2011 the original goodwill in the Thorn Lighting Group was reallocated by region. The carrying amount of the goodwill allocated by region equalled TEUR 189,120 as of 30 April 2012. This amount includes TEUR 7,391 of accumulated foreign exchange effects that were recorded under equity without recognition through profit or loss. The carrying amount of TEUR 189,120 was reallocated by brand during the first quarter of 2012/13 to reflect the changes in the internal reporting structure.

The application of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") led to a foreign exchange-based adjustment of TEUR -2,578 to goodwill during the reporting year, which was not recognised through profit or loss (2012/13: TEUR -807). These foreign exchange effects are allocated to the assets in the Lighting Segment for segment reporting.

The reallocation of goodwill in 2012/13 had no influence on its value. No impairment charges were recognised to this goodwill during the reporting year or the previous year.

The new organisational structure that was implemented as of 1 December 2013, which led to changes above all in the Lighting Segment, will only be reflected in internal reporting as of 1 May 2014. Therefore, no changes in the allocation of goodwill to the CGU Zumtobel Brand and CGU Thorn Brand were required during the reporting year.

The remaining shares in Tridonic SA (Proprietary) Limited, a South African sales company that was previously included at equity, were purchased during the reporting year. This transaction and the subsequent change in the consolidation method led to the recognition of goodwill totalling TEUR 335.

2.6.6.2 Other intangible assets

The change in this position is related primarily to the capitalisation of development projects.

2013/14 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2013	**41,334**	**107,095**	**148,429**
Foreign currency translation	(188)	(123)	(311)
Changes in the consolidation range	30	0	30
Additions	1,334	18,985	20,319
Disposals	(304)	(80)	(384)
30 April 2014	**42,206**	**125,877**	**168,083**
Accumulated amortisation			
30 April 2013	**(34,070)**	**(61,522)**	**(95,592)**
Foreign currency translation	179	62	241
Changes in the consolidation range	(28)	0	(28)
Scheduled depreciation	(2,496)	(13,525)	(16,021)
Impairment	0	(1,309)	(1,309)
Disposals	306	2	308
30 April 2014	**(36,109)**	**(76,292)**	**(112,401)**
Net carrying amount 30 April 2013	**7,264**	**45,573**	**52,837**
Net carrying amount 30 April 2014	**6,097**	**49,585**	**55,682**

The intangible assets do not include any capitalised brand rights.

Development costs and similar expenses

This position includes internally generated intangible assets as defined by IAS 38. The additions to acquisition costs, including transfers, consist almost entirely of capitalised development expenses (TEUR 18,985, 2012/13: TEUR 16,079). Most of these additions involve work on luminaires and lighting components, whereby TEUR 14,727 (2012/13: TEUR 14,787) were not yet available for use as of the balance sheet date.

The impairment charge recognised in 2013/14 is related to a capitalised development project in the Components Segment, which was written off following the strategic reorientation of the Controls & Systems business.

2012/13 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2012	**40,559**	**91,919**	**132,478**
Foreign currency translation	(69)	(357)	(426)
Changes in the consolidation range	0	(133)	(133)
Additions	2,313	16,079	18,392
Disposals	(1,663)	(413)	(2,076)
Transfers	194	0	194
30 April 2013	**41,334**	**107,095**	**148,429**
Accumulated amortisation			
30 April 2012	**(32,549)**	**(48,515)**	**(81,064)**
Foreign currency translation	67	274	341
Changes in the consolidation range	0	133	133
Scheduled depreciation	(2,764)	(13,250)	(16,014)
Impairment	(506)	(181)	(687)
Disposals	1,682	17	1,699
30 April 2013	**(34,070)**	**(61,522)**	**(95,592)**
Net carrying amount 30 April 2012	**8,010**	**43,404**	**51,414**
Net carrying amount 30 April 2013	**7,264**	**45,573**	**52,837**

Patents, licenses and similar assets

The main component of the impairment charge represents a write-off of TEUR 457 to an impaired customer base.

2.6.6.3 Property, plant and equipment

2013/14 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2013	**239,084**	**389,123**	**111,419**	**17,516**	**757,142**
Foreign currency translation	(1,308)	(1,858)	(1,670)	22	(4,814)
Changes in the consolidation range	0	5	67	0	72
Additions	7,671	7,964	4,899	24,670	45,204
Disposals	(8,748)	(14,925)	(2,558)	0	(26,231)
Transfers	14,700	12,606	1,867	(29,172)	1
30 April 2014	**251,399**	**392,915**	**114,024**	**13,036**	**771,374**
Accumulated amortisation					
30 April 2013	**(114,766)**	**(312,151)**	**(90,259)**	**0**	**(517,176)**
Foreign currency translation	886	1,628	1,271	0	3,785
Changes in the consolidation range	2,650	(3)	(39)	0	2,608
Scheduled depreciation	(9,835)	(22,971)	(7,102)	0	(39,908)
Impairment	(6,561)	(3,733)	(534)	0	(10,828)
Disposals	3,836	14,532	2,412	0	20,780
Transfers	0	0	0	0	0
30 April 2014	**(123,790)**	**(322,698)**	**(94,251)**	**0**	**(540,739)**
Net carrying amount 30 April 2013	**124,318**	**76,972**	**21,160**	**17,516**	**239,966**
Net carrying amount 30 April 2014	**127,609**	**70,217**	**19,773**	**13,036**	**230,635**

The transfers shown under acquisition costs represent the reclassification of construction in progress to other asset categories.

No items of property, plant or equipment were pledged as security for loans under the consortium credit agreement.

The Group has incurred obligations of TEUR 6,406 (2012/13: TEUR 4,749) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 511 (2012/13: TEUR 454), plant and machinery at TEUR 5,420 (2012/13: TEUR 3,362) and other non-current assets at TEUR 475 (2012/13: TEUR 933).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 907 (2012/13: TEUR 6,638), plant and machinery at TEUR 11,884 (2012/13: TEUR 5,364) and other non-current assets at TEUR 245 (2012/13: TEUR 5,514).

The impairment charges to land and buildings include TEUR 2,650 attributable to the Components Segment, which is related to the sale of the magnetics plant in Melbourne, Australia, during the reporting year. The remaining impairment charges of TEUR 3,911 were recognised in connection with the planned shutdown or downsizing of plants in the Lighting Segment.

2012/13 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2012	**220,019**	**413,181**	**115,058**	**10,043**	**758,301**
Foreign currency translation	(867)	(1,016)	408	(16)	(1,491)
Changes in the consolidation range	(97)	(119)	(254)	0	(470)
Additions	5,237	9,267	3,259	23,353	41,116
Disposals	10,554	(42,023)	(8,651)	0	(40,120)
Transfers	4,238	9,833	1,599	(15,864)	(194)
30 April 2013	**239,084**	**389,123**	**111,419**	**17,516**	**757,142**
Accumulated amortisation					
30 April 2012	**(93,801)**	**(329,734)**	**(92,495)**	**0**	**(516,030)**
Foreign currency translation	(13)	791	(359)	0	419
Changes in the consolidation range	97	57	252	0	406
Scheduled depreciation	(9,216)	(24,070)	(7,422)	0	(40,708)
Impairment	0	(305)	(98)	0	(403)
Disposals	(10,723)	41,110	8,753	0	39,140
Transfers	(1,110)	0	1,110	0	0
30 April 2013	**(114,766)**	**(312,151)**	**(90,259)**	**0**	**(517,176)**
Net carrying amount 30 April 2012	**126,218**	**83,447**	**22,563**	**10,043**	**242,271**
Net carrying amount 30 April 2013	**124,318**	**76,972**	**21,160**	**17,516**	**239,966**

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in two (2012/13: five) companies, in which it has significant influence over major financial and/or operating policies but does not exercise control ("associated companies"). Therefore, these companies are included in the consolidated financial statements at equity.

in TEUR	Staff Iberica S.A. 50.00%	Tridonic SA (Pty) Ltd. 49.99%	Tridonic Dresden GmbH & Co. KG* 51.00%	LEDON OLED Lighting Verwaltungs GmbH 49.00%	LEXEDIS Lighting GmbH 50.00%	Total
30 April 2012	**1,882**	**1,015**	**1,458**	**11**	**0**	**4,366**
Net profit/loss for the year	136	56	(752)	0	0	(560)
Foreign currency translation	0	(139)	0	0	0	(139)
30 April 2013	**2,018**	**932**	**706**	**11**	**0**	**3,667**
Change in accounting method	0	(711)	(582)	(11)	0	(1,304)
Net profit/loss for the year	423	(10)	(124)	0	0	289
Foreign currency translation	0	(211)	0	0	0	(211)
30 April 2014	**2,441**	**0**	**0**	**0**	**0**	**2,441**

* Formerly "LEDON OLED Lighting GmbH & Co. KG"

In July 2013 51% of the shares in LEDON OLED Verwaltungs-GmbH, Dresden, and 49% of the shares in LEDON OLED Lighting GmbH & Co. KG (now "Tridonic Dresden GmbH & Co. KG"), Germany, were acquired. The Zumtobel Group now owns 100% of the shares in both companies. These companies, which were previously included in the consolidated financial statements at equity, were fully consolidated as of July 2013.

The investment in Tridonic SA (Proprietary) Limited, the South African sales company, was increased from 49.99% to 100% as of 1 February 2014. The additional shares were purchased from the previous joint venture partner Power Technologies (Pty) Ltd. The company was fully consolidated in February 2014.

The valuation of Lexedis Lighting GmbH at equity was discontinued because of the losses accumulated to date. The profit generated in 2013/14 was offset against these losses. This valuation will be resumed if / when profits exceed the accumulated losses.

Current trade receivables due from associated companies totalled TEUR 742 as of 30 April 2014 (2012/13: TEUR 991); no impairment charges were recognised to these assets. The respective parent companies have concluded agreements with companies included at equity for the provision of goods and services.

Key indicators for the associated companies are presented in the following table:

in TEUR	Staff Iberica S.A. 50.00%	Tridonic SA (Pty) Ltd. 49.99%	Tridonic Dresden GmbH & Co. KG* 51.00%	LEDON OLED Lighting Verwaltungs GmbH 49.00%	LEXEDIS Lighting GmbH 50.00%
30 April 2014					
Assets	6,522	n/a	n/a	n/a	3,768
Liabilities	1,639	n/a	n/a	n/a	6,083
Equity	4,883	n/a	n/a	n/a	(2,315)
Revenues	8,292	n/a	n/a	n/a	20,668
Net profit/loss for the year	846	n/a	n/a	n/a	371

* Formerly "LEDON OLED Lighting GmbH & Co. KG"

in TEUR	Staff Iberica S.A. 50.00%	Tridonic SA (Pty) Ltd. 49.99%	Tridonic Dresden GmbH & Co. KG* 51.00%	LEDON OLED Lighting Verwaltungs GmbH 49.00%	LEXEDIS Lighting GmbH 50.00%
30 April 2013					
Assets	6,902	3,366	827	23	2,044
Liabilities	2,866	1,502	0	0	4,729
Equity	4,036	1,864	827	23	(2,685)
Revenues	6,998	4,511	61	0	19,159
Net profit/loss for the year	208	112	(884)	1	138

* Formerly "LEDON OLED Lighting GmbH & Co. KG"

Deferred tax liabilities of TEUR 310 (2012/13: deferred tax assets of TEUR 228) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39.

2.6.6.5 Financial assets

Non-current financial assets consist primarily of a long-term claim for damages of TEUR 531 as well as depository balances, shares in other companies and securities and similar rights.

Current financial assets consist primarily of a short-term financial receivable due from an associated company.

Detailed information is presented in section 2.6.10.1.

2.6.6.6 Other assets

Other non-current and current assets are classified as follows:

in TEUR	30 April 2014	30 April 2013
Coverage capital for Group life insurance	3,548	3,429
Other	806	804
Other non-current assets	**4,354**	**4,233**
Prepaid expenses and deferred charges	6,442	5,663
Amounts due from tax authorities	6,573	6,531
Prepayments made	1,330	1,149
Other	14,726	15,755
Other current assets	**29,071**	**29,098**

The coverage capital for Group life insurance is related to the Zumtobel companies in Germany. These assets are held to cover the pension obligations of a German company in the Zumtobel Group, but they do not qualify as plan assets under IAS 19.

The amounts due from tax authorities consist chiefly of receivables arising from value added tax.

The position "other" consists mainly of accrued research receivables of TEUR 5,922 (2012/13: TEUR 2,789), receivables of TEUR 2,911 (2012/13: TEUR 2,888) arising from part-time work for older employees in Germany and advance contributions of TEUR 2,020 (TEUR 1,280) to pension plans in Switzerland.

2.6.6.7 Deferred taxes

Deferred tax assets and deferred tax liabilities shown on the balance sheet include timing differences that resulted from the use of different amounts for the valuation of assets and liabilities for the Group financial statements and for tax purposes. The resulting deferred taxes are shown below:

	30 April 2014		30 April 2013	
in TEUR	Assets	Liabilities	Assets	Liabilities
Other intangible assets	52	11,687	52	10,382
Property, plant and equipment	2,006	5,234	1,703	6,627
Financial assets	1	158	0	0
Inventories	3,135	165	3,286	166
Trade receivables	1,296	798	1,060	601
Other receivables	299	2,816	340	4,454
Non-current provisions	16,751	76	18,029	1,668
Other provisions	2,572	945	2,094	1,326
Trade payables	3,719	208	4,292	83
Loss carryforwards	136,755	0	132,752	0
Deferred tax credits or liabilities	**166,586**	**22,087**	**163,608**	**25,307**
Valuation discounts for deferred taxes	(111,327)	0	(107,195)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(17,750)	(17,750)	(18,000)	(18,000)
Deferred taxes	**37,509**	**4,337**	**38,413**	**7,307**

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 445,308 (2012/13: TEUR 428,780) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 23,483 (2012/13: TEUR 22,170) will expire within ten years. In agreement with IAS 12.39, deferred tax liabilities were not recognised on timing differences related to shares in subsidiaries. The calculation of deferred taxes for Group companies was based on the applicable national tax rate. Deferred taxes on loss carryforwards were only capitalised if they were offset by deferred tax liabilities or if the utilisation of the loss carryforwards was sufficiently certain.

Deferred taxes of TEUR -422 (2012/13: TEUR 2,339) were recognised under other comprehensive income during the reporting year. This amount includes TEUR 48 (2012/13: TEUR 2,096) related to actuarial losses on the provisions for pensions and severance compensation as required by IAS 19 as well as TEUR -470 (2012/13: TEUR 243) for the hedge accounting reserve.

2.6.6.8 Inventories

The following table shows the gross value and impairment charges relating to the various components of inventories:

in TEUR	30 April 2014	30 April 2013
Raw materials	**61,535**	**55,361**
Gross value	*70,781*	*65,695*
Impairment charges	*(9,246)*	*(10,335)*
Work in process	**3,094**	**2,593**
Semi-finished goods	**11,992**	**11,342**
Gross value	*13,562*	*12,658*
Impairment charges	*(1,570)*	*(1,316)*
Merchandise	**20,558**	**19,513**
Gross value	*25,274*	*23,905*
Impairment charges	*(4,716)*	*(4,392)*
Finished goods	**84,247**	**71,663**
Gross value	*92,684*	*81,144*
Impairment charges	*(8,437)*	*(9,481)*
Inventories	**181,426**	**160,472**

Income was reduced by valuation adjustments of TEUR – 1,555 to inventories during the reporting year (2012/13: TEUR – 653).

In addition, a special valuation adjustment of TEUR 349 was recognised to inventories (above all semi-finished goods) during the reporting year in connection with the shutdown of the Components Segment plant in Fürstenfeld, Austria.

2.6.6.9 Trade receivables

in TEUR	30 April 2014	30 April 2013
Trade receivables gross	**224,899**	**211,223**
Valuation adjustments to receivables	(10,404)	(9,414)
Provision for customer bonuses and discounts	(15,192)	(16,276)
Trade receivables	**199,303**	**185,533**

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts totalled TEUR 40,158 as of 30 April 2014 (2012/13: TEUR 41,781). The amounts received from factoring were deducted from the gross receivables shown in the above table.

2.6.6.10 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits, TEUR 169 (2012/13: TEUR 204) are not available for discretionary use. The carrying amount of cash and cash equivalents corresponds to market value because of the terms of these funds.

2.6.6.11 Employee benefits

The provisions for pensions and severance compensation represent post-employment benefits. Other provisions include miscellaneous non-current employee benefits as defined in IAS 19.

The reconciliation from the beginning balances to the ending balances is as follows:

	Post-employment benefits				Other	
Defined benefit plans as per IAS 19	**Pensions**		**Severance compensation**			
in TEUR	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Beginning balance, net liability	**74,669**	**71,658**	**42,744**	**39,149**	**14,146**	**13,068**
Foreign currency translation & reclassification	847	(1,450)	0	0	(590)	(18)
Change in consolidation range & reclassifications	0	0	0	(20)	(538)	(5)
Changes recognised through profit or loss	5,615	5,230	3,028	3,312	2,210	3,635
thereof service cost	*2,023*	*2,915*	*1,734*	*1,674*	*2,079*	*2,360*
thereof past service cost	*403*	*0*	*(250)*	*0*	*397*	*0*
thereof plan reductions and settlements	*0*	*(842)*	*0*	*0*	*(128)*	*0*
thereof interest expense	*10,252*	*9,368*	*1,544*	*1,638*	*367*	*372*
thereof expected income from plan assets	*(7,063)*	*(6,211)*	*0*	*0*	*0*	*0*
thereof actuarial gain/loss	*0*	*0*	*0*	*0*	*(505)*	*903*
Actuarial loss recognised to equity	6,181	10,893	535	3,103	0	0
thereof financial adjustments	*673*	*1,911*	*44*	*0*	*0*	*0*
thereof demographic adjustments	*154*	*8,773*	*657*	*2,814*	*0*	*0*
thereof experience related adjustments	*5,353*	*210*	*(166)*	*289*	*0*	*0*
Payments	(9,827)	(11,662)	(4,933)	(2,800)	(2,368)	(2,534)
thereof to salaried employees	*(9,827)*	*(10,421)*	*(4,933)*	*(2,800)*	*(2,368)*	*(2,534)*
thereof to wage employees	*0*	*(1,241)*	*0*	*0*	*0*	*0*
Ending balance, net liability	**77,486**	**74,669**	**41,374**	**42,744**	**12,860**	**14,146**

The changes recognised through profit or loss are included in the income statement. Interest expense and the expected income from plan assets are reported under "other financial income and expenses", while the remainder is accounted for under operating results as part of personnel expenses. The column "other" consists mainly of provisions for service anniversary bonuses, part-time work for older employees in Germany and provisions for long service leave in Australia.

Detailed information on the actuarial losses recorded under other comprehensive income is provided in the section on the IAS 19 reserve.

The following calculation parameters were applied in the individual countries:

	Interest rate		Income on plan assets		Salary trend		Pension trend		Retirement age (women/men)	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Germany	3.2%	3.5%	-	-	3.0%	3.0%	1.8%	2.0%	1)	1)
Great Britain	4.4%	4.3%	4.4%	4.3%	-	-	2.4%	2.3%	65/65	65/65
Switzerland	2.1%	2.1%	2.1%	2.1%	1.5%	1.5%	-	-	64/65	64/65
Norway	3.2%	2.8%	3.2%	2.8%	3.5%	3.3%	0.1%	0.1%	67/67	67/67
Sweden	3.5%	3.3%	-	-	-	-	1.8%	1.8%	65/65	65/65
Austria	3.4%	3.8%	-	-	3.0%	3.3%	-	-	2)	2)
France	2.9%	3.0%	-	-	2.0%	2.0%	-	-	3)	3)
Italy	3.6%	3.2%	-	-	3.0%	3.0%	-	-	60/65	60/65
Australia	3.8%	3.3%	3.8%	3.3%	3.0%	3.5%	-	-	65	65

These calculations reflect the mortality and invalidity tables as well as the employee turnover rates applicable to each country.

Note 1): Pension obligations 60/65 years, service anniversary obligations 60/63 years and obligations arising from part-time work for older employees 57 years.

Note 2): The earliest possible retirement age was used as the basis for pension calculations, in keeping with legal transition rules.

Note 3): The retirement age in France ranges from 60 to 70 years and depends primarily on the date of birth and documented insurance time. The legal retirement age for persons born after 1955 is 67 years. There is no difference in the retirement age for men and women.

Pension obligations

The Group companies in Germany, Great Britain, Sweden, Norway, Australia and Switzerland have implemented defined benefit pension plans. The German and Swedish plans are not financed through external funds; all other plans are financed through external funds. These funds are legally independent of the respective Group company and are only used to meet performance obligations. Any obligation remaining after the deduction of plan assets is recorded as a provision.

The obligations arising from the Group's pension plans are related chiefly to salary-based pension commitments. In individual cases, these obligations also include pension-related commitments to surviving dependents and payments in the event of the participant's invalidity.

The defined benefit plans in the English group companies generally represent obligations from the Thorn Lighting pension fund, which was taken over in connection with the acquisition of the Thorn Group. Most of the related commitments are salary-based pension payments. Benefits are also provided to surviving dependents under certain circumstances. This plan was closed for new employees in 2003 and for further claims by plan participants in 2009. Since the pension plan is closed, the remaining risks are generally actuarial in nature.

Two major steps were taken to remedy the shortage of assets in this plan. An agreement was reached with the plan trustee to reduce the deficit by 2022 through annual contributions by the involved British companies. In addition, the trustee developed and presented an investment strategy in the form of a "statement of investment principles" (SIP), which should support the generation of a portfolio return that exceeds the discount factor.

In order to protect the value of the plan assets, the investment strategy includes elements to systematically reduce risk, above all through the diversification of the portfolio. The daily asset management in the individual asset classes was transferred to professional asset managers, who are licensed and regulated by the Financial Services Authority (FSA) in Great Britain.

The pension plans in Germany are financed entirely through provisions and generally represent commitments for fixed salary-based pension subsidies or commitments based on the employee's final salary, whereby the amount is dependent on the number of years of service with the company. However, the pension plans in Germany have been closed to new employees for over ten years. The remaining risks for the company are therefore mainly actuarial in nature. There is no requirement to cover obligations through plan assets.

The pension obligations in Switzerland represent occupational pensions as defined in Swiss law ("Berufliche Vorsorge-Gesetz", BVG), which also includes benefits for surviving dependents and payments in the event of the participant's invalidity. The two involved Swiss companies outsourced these obligations through so-called full-coverage insurance contracts with syndicated funds formed by insurance companies. However, Swiss experts qualify these full-coverage insurance plans as defined benefit plans in accordance with IAS 19 because of the legally guaranteed minimum payment. The management of plan assets by the syndicated funds is based on BVG regulations and the Swiss directive on occupational benefits for retirees, surviving dependents and invalids ("BVV 2").

The defined benefit plan in Sweden is financed entirely through provisions and has been closed for new employees and additional claims. The defined benefit commitments consist of salary-based pension payments. An external insurance company ("PRI Pensionsgaranti") administers the claims, whereby the pension payments it makes to the plan participants are charged to the involved Swedish companies.

In addition, Sweden has a pension fund programme that principally qualifies as a defined benefit obligation. It is a multi-employer plan as defined in IAS 19.29, but the insurance company has not provided sufficient information to value this defined benefit plan in accordance with actuarial principles. Therefore, payments made by the company are immediately recognised as expenses for a defined contribution plan in accordance with IAS 19.30. These expenses totalled TEUR 613 in 2013/14 (2012/13: TEUR 577). The asset coverage calculated in accordance with Swedish law equalled 148% as of December 2014 (2012/13: 129%) for all plan participants. This coverage represents the difference between the insurance obligations and the fair value of the relevant assets, which was determined on the basis of information provided by the pension fund programme.

The Norwegian pension plan is financed entirely by employer contributions, whereby the assets are held by an insurance company. This plan is open to new employees.

The defined benefit obligations in Australia consist primarily of commitments based on the final salary. However, the part of the plan related to defined-benefit commitments is closed for new employees. The plan assets are invested in a pooled investment fund, whose trustee manages the plan in accordance with the provisions of the Australian Superannuation Industry Supervision Legislation.

The carrying amount of the net obligations and net assets is shown below:

in TEUR	30 April 2014	30 April 2013
Obligations not financed through funds	29,527	29,660
Obligations financed through funds	223,944	211,063
Present value of defined benefit obligation (DBO)	**253,472**	**240,723**
Fair value of plan assets	(175,986)	(166,054)
Net liability as per balance sheet	**77,486**	**74,669**

The provision for pensions is classified by country as follows:

in TEUR	30 April 2014	30 April 2013
Great Britain	40,974	39,824
Germany	26,503	26,653
Switzerland	6,986	4,923
Other	3,023	3,269
Net liability as per balance sheet	**77,486**	**74,669**

The change in the defined benefit obligation and plan assets from the beginning to the end of the financial year is as follows:

	2013/14		2012/13	
in TEUR	DBO	Plan assets	DBO	Plan assets
30 April 2013	**240,723**	**166,054**	**226,905**	**155,246**
Foreign currency translation	3,905	3,057	(6,531)	(5,081)
Service cost	2,023	0	2,915	0
Plan reductions and settlements	0	0	(3,138)	(2,295)
Past service cost	403	0	0	0
Interest expense / income	10,252	7,063	9,368	6,211
Plan expansion	4,840	4,840	0	0
Actuarial loss/gain recognised to equity	(202)	(6,383)	19,830	8,937
thereof based on demographic adjustments	*673*	*0*	*1,911*	*0*
thereof based on financial adjustments	*154*	*0*	*17,709*	*8,937*
thereof based on experience related adjustments	*(1,030)*	*(6,383)*	*210*	*0*
Payments	(8,473)	1,354	(8,626)	3,036
30 April 2014	**253,472**	**175,986**	**240,723**	**166,054**

The plan reductions and settlements are related entirely to a Swiss group company and reflect the exit of participants from the current pension plan. Payments from the pension plans totalled TEUR 8,473 for the reporting year (2012/13: TEUR 8,626).

Other changes resulting from the revised standard included the adjustment of the expected income on plan assets and the calculation of the pension obligation and service cost based on risk sharing between the employers and employees.

As of 30 April 2013 the plan assets consisted of international stocks (25%; 2012/13: 25%), fixed-interest securities (61%; 2012/13: 55%), alternative investments (11%; 2012/13: 11%) and cash and cash equivalents/real estate (4%; 2012/13: 9%). The actual income on plan assets equalled TEUR 680 (2012/13: TEUR 15,149).

Prices on an active market were not available for the assets in the Australian and Norwegian pension plans as of 30 April 2014. The fair value of the assets in these two plans totalled TEUR 4,313 (2012/13: TEUR 4,587) as of 30 April 2014.

The development of the present value of pension obligations and plan assets is shown in the following table:

in TEUR	30 April 2014	30 April 2013
Present value	253,472	240,723
Plan assets	(175,986)	(166,054)
Deficit	**77,486**	**74,669**

Experience-based adjustments represent the actuarial gains and losses caused by variances between the individual employee-related parameters and the parameters applied to the entire calculation base. Examples of these parameters are trends in salaries and wages as well as the number of deaths, early retirements or terminations.

Severance compensation obligations

These obligations are defined by law and require the company to make a lump-sum payment to employees on termination under certain circumstances.

The major severance compensation obligation is a result of Austrian law, which applies to employees who joined the Austrian group companies on or before 31 December 2002. These employees are entitled to a severance payment when they reach retirement age or their employment relationship is terminated. The amount of the claim is linked to the length of service and the amount of the final salary or wage. Severance compensation claims for employees who joined the company after 31 December 2002 are covered by defined contribution plans.

The obligations relate to the following countries:

in TEUR	30 April 2014	30 April 2013
Austria	36,142	37,573
France	3,651	3,596
Italy	1,581	1,575
Severance compensation obligation	**41,374**	**42,744**

IAS 19 Reserve

The following table shows the development of actuarial gains and losses, including deferred taxes, which were recognised in equity:

	Pensions	Severance compensation	Total
30 April 2012	**78,321**	**4,393**	**82,714**
Actuarial loss	10,893	3,102	13,995
Foreign currency translation	(2,782)	0	(2,782)
Deferred taxes	(1,298)	(798)	(2,096)
30 April 2013	**85,134**	**6,697**	**91,831**
Actuarial loss	6,181	535	6,716
Foreign currency translation	2,059	0	2,059
Deferred taxes	69	(117)	(48)
30 April 2014	**93,443**	**7,115**	**100,558**

Deferred taxes of TEUR 48 were recorded directly in equity during the reporting year (2012/13: TEUR 2,096). The actuarial losses in 2012/13 resulted primarily from interest rate adjustments. In contrast, the actuarial losses in 2013/14 resulted mainly from differences between expected and actual income from plan assets, above all in connection with the Thorn Lighting Pension Fund in Great Britain.

Sensitivity

Effects on the DBO as of 30 April 2014:

	Discount rate		Salary trend		Pension trend	
	+0.5%	(0.5)%	+0.5%	(0.5)%	+0.5%	(0.5)%
Pension plans	(20,665)	19,476	530	(378)	15,692	(14,407)
Severance compensation	(2,284)	2,623	2,533	(2,226)	0	0

Effects on the DBO as of 30 April 2013:

	Discount rate		Salary trend		Pension trend	
	+0.5%	(0.5)%	+0.5%	(0.5)%	+0.5%	(0.5)%
Pension plans	(18,695)	21,125	445	(388)	15,362	(14,818)
Severance compensation	(2,658)	2,755	2,757	(2,680)	0	0

Weighted average term of the obligation in years

	30 April 2014	30 April 2013
Pension plans	18	19
Severance compensation	13	13

In 2014/15 bet contributions to pension plans are expected to total TEUR 11,080 and severance compensation payments are expected to equal TEUR 2,095.

Other long-term employee benefits

These obligations total TEUR 12,860 (2012/13: TEUR 14, 146) and consist mainly of the provisions for service anniversary bonuses in Austria (TEUR 5,122; 2012/13: TEUR 5,305), part-time work for older employees in Germany (TEUR 5,317; 2012/13:TEUR 5,039) and special leave in Australia (TEUR 1,734; 2012/13: TEUR 2,986) as well as provisions for legally required profit sharing and bonus payments for long-standing service in France.

The actuarial gain of TEUR 505 in 2013/14 (2012/13: actuarial loss of TEUR 499) includes TEUR 829 of experience-related adjustments. This gain is contrasted by actuarial losses of TEUR 302 (2012/13: TEUR 404) from the adjustment of financial assumptions and actuarial losses of TEUR 22 (2012/13: TEUR 0) from changes in the demographic assumptions used to calculate the obligation.

2.6.6.12 Defined contribution obligations

Defined contribution payments of TEUR 5,823 were made by various group companies in 2013/14 (2012/13: TEUR 6,438). This amount also includes payments made in Austria based on the amended severance compensation regulations ("Abfertigung neu").

2.6.6.13 Other provisions

2013/14 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2013	**12,005**	**5,529**	**459**	**661**	**6,847**	**25,501**
Addition	8,203	9,727	160	1,507	6,552	26,149
Utilisation	(4,664)	(3,197)	(322)	(657)	(4,534)	(13,374)
Reversal	(1,861)	(1,188)	(10)	0	(664)	(3,723)
Changes in the consolidation range	9	0	0	0	8	17
Foreign currency translation	(175)	(188)	(40)	(7)	(103)	(513)
30 April 2014	**13,517**	**10,684**	**247**	**1,504**	**8,106**	**34,058**
thereof current	*13,517*	*10,684*	*247*	*1,504*	*7,033*	*32,985*
thereof non-current	*0*	*0*	*0*	*0*	*1,073*	*1,073*

Provisions for guarantees

The provisions for guarantees are classified into separate provisions of TEUR 7,852 (2012/13:TEUR 7,298) for individual items as well as experience-based provisions of TEUR 5,665 (2012/13:TEUR 4,707) for cases not recognised individually or not known. This provision is determined by applying separate percentage rates for the various product groups to product revenues for the respective period.

Provisions for restructuring

The increase in the provisions for restructuring resulted from the restructuring measures that are described in section 2.6.4.3, which were still in progress as of 30 April 2014.

Provisions for legal proceedings

This provision declined during the reporting year, above all to its use for legal proceedings in Australia.

Onerous contracts

The change in this provision is attributable to the restructuring activities that began during the fourth quarter of the reporting year and involves rental contracts. Due to the combination of sales locations and the shutdown of a lighting plant in China, certain properties will no longer be used. However, the respective rental agreements remain in effect. A provision was therefore recognised to reflect the amount of the unavoidable costs for meeting these contractual obligations that would exceed the expected economic benefits.

Other current provisions include accruals for licenses, commissions, customs duties, freight and professional associations as well as consulting and auditing fees. The comparable position under **other non-current provisions** is comprised chiefly of settlements due to sales representatives.

The increase in other current provisions during 2013/14 is related, above all, to higher provisions for license expenses.

2012/13 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2012	**12,984**	**436**	**1,140**	**1,466**	**7,491**	**23,517**
Addition	4,951	5,620	107	672	5,615	16,965
Utilisation	(3,854)	(419)	(434)	(1,460)	(5,795)	(11,962)
Reversal	(2,014)	(18)	(360)	0	(444)	(2,836)
Changes in the consolidation range	(42)	(61)	0	(6)	0	(109)
Foreign currency translation	(20)	(30)	6	(11)	(20)	(75)
30 April 2013	**12,005**	**5,529**	**459**	**661**	**6,847**	**25,501**
thereof current	*12,005*	*5,529*	*459*	*661*	*5,926*	*24,580*
thereof non-current	*0*	*0*	*0*	*0*	*921*	*921*

2.6.6.14 Financial liabilities

in TEUR	30 April 2014	30 April 2013
Loans from financial institutions	103	10
Finance leases	349	312
Loans from public authorities	1,374	0
Loans from other third parties	49	0
Working capital credits	3,439	3,942
Current borrowings	**5,314**	**4,264**
Loans from financial institutions	175,357	175,322
Finance leases	19,777	19,619
Loans from public authorities	2,223	2,060
Non-current borrowings	**197,357**	**197,001**
Borrowings	**202,671**	**201,265**

The consortium credit agreement concluded on 8 November 2011 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a term extending to October 2016. The maximal line provided under the credit agreement was reduced voluntarily by the Zumtobel Group in two steps (November 2012 and June 2013) from the original level of EUR 500 million to EUR 350 million, whereby this reduction was accompanied by a reduction in the standard commitment fee.

As of the balance sheet date on 30 April 2014, the amount drawn under the credit agreement totalled EUR 170 million (30 April 2013: TEUR 170,000).

2.6.6.15 Finance leases

in TEUR	Expenses 2013/14	Minimum lease payments Future payments < 1 year	1 - 5 years	> 5 years	Total Liability	Net carrying amount assets
Land & buildings	2,248	2,254	9,434	28,668	40,356	10,574
Total minimum lease payments	**2,248**	**2,254**	**9,434**	**28,668**	**40,356**	**10,574**
Less: finance charge = Interest expense	1,854	1,905	7,267	11,058	20,230	
Present value of net minimum lease payments	**394**	**349**	**2,167**	**17,610**	**20,126**	

There are no conditional lease payments for finance leases.

In 2008/09 a GBP 15.7 million finance lease was concluded for the plant building in Spennymoor. This lease has a term of 21 years, whereby no payments were due in the first year. The net present value of the minimum lease payments totalled TEUR 20,126 as of 30 April 2014 (2012/13: TEUR 19,929). The year-on-year increase in the net present value of the minimum lease payments is the result of foreign exchange translation effects.

2.6.6.16 Operating leases

The following table shows the total future minimum lease payments arising from non-cancellable operating leases for the next financial year and subsequent periods as well as the total future minimum lease revenues expected from non-cancellable sub-leases and payments from leases and sub-leases that were recognised as income:

in TEUR	Expenses 2013/14	Future payments to third parties < 1 year	1- 5 years	> 5 years	Total
Minimum lease payments based on non-cancellable leases	21,720	18,522	26,203	11,172	55,897
Less payments received from leases and sub-leases	134	321	325	0	646
Net minimum lease payments	**21,586**	**18,201**	**25,878**	**11,172**	**55,251**

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from one month to 69 years, depending on the object and contract.

The Zumtobel Group signed an operating lease with an external lessee for the mothballed lighting plant in Romania. This non-cancellable lease began on 1 May 2010 and has a term of five years and six months. The lessee has an option to extend the contract. The lease payment is adjusted as of 1 May each year based on the development of the harmonised EU consumer price index.

in TEUR	Income 2013/14	Future payments from third parties < 1 year	1 - 5 years	> 5 years	Total
Minimum lease payments based on non-cancellable leases	494	494	247	0	741

2.6.6.17 Other liabilities

The major components of other current liabilities are as follows:

in TEUR	30 April 2014	30 April 2013
Vacations, comp. in free time, special payments to employees	46,907	42,962
Amounts due to employees	13,253	10,489
Miscellaneous taxes	15,518	14,743
Social security	6,300	5,772
Prepayments received	20,770	17,527
Accrued interest	75	67
Deferred income	1,099	1,174
Derivatives (hedge accounting)	7,521	9,384
Derivatives held for trading	1,832	3,120
Customs	1,832	1,534
Other liabilities	8,610	10,849
Other current liabilities	**123,717**	**117,621**

Other liabilities consist primarily of accruals for expenses and customers with credit balances that do not represent financial instruments.

The increase in other non-current liabilities from TEUR 1,911 to TEUR 2,575 resulted chiefly from the accrual of the non-current component of the long-term incentive programme for managers which was introduced in 2012/13.

2.6.7 Notes to the Cash Flow Statement

Cash flow was determined on a monthly basis in accordance with the indirect method. The resulting monthly cash flows were translated at the average monthly exchange rate and then aggregated, while the balance sheet positions were translated at the exchange rate in effect on the respective closing date. Individual positions on the cash flow statement therefore differ significantly from the respective balance sheet positions, above all under cash flow from operating activities.

In agreement with the indirect method, operating profit is adjusted for the effects of non-cash transactions (e.g. depreciation and amortisation) as well as income and expenses that relate to investing or financing activities. Depreciation and amortisation include the respective scheduled expenses for the reporting period (TEUR 55,929) as well as impairment charges (TEUR 12,138).

The amounts recognised under other comprehensive income in accordance with IAS 19, IAS 21 and IAS 39 are included in the cash flow statement under the changes to the respective balance sheet positions.

Cash flow from operating activities fell by TEUR 31,542 year-on-year. This decrease is attributable, above all, to the development of working capital, which – in spite of nearly constant gross cash flow – was lower than the previous year. The negative cash flow effect from non-current provisions resulted primarily from the reporting year change in the IAS 19 reserve that is included in other comprehensive income. The positive cash flow effect from current provisions was related, above all, to higher accruals for restructuring, guarantee expenses and licenses. The change in the cash flow position "other current and non-current assets and liabilities" resulted chiefly from an increase in amounts due to employees.

The year-on-year change in cash flow from investing activities resulted, above all, from an increase in capitalised research and development costs and from higher investments in buildings and production equipment at various Group plants. The change in cash and cash equivalents from changes in the consolidation range represents the positive cash effect from the sale of the shares in Tridonic Manufacturing Pty Ltd, Australia, and the purchase of the shares in LEDON OLED Verwaltungs-GmbH, Germany, and LEDON OLED Lighting GmbH & Co. KG (now "Tridonic Dresden GmbH & Co. KG"), Germany. This position also included a negative cash effect from the purchase of the remaining shares in Tridonic SA (Proprietary) Limited, South Africa, (also see section 2.6.2.1) during the fourth quarter. In 2012/13 the change in cash and cash equivalents from changes in the consolidation range included, above all, a positive effect of TEUR 740 from the initial consolidation of Zumtobel Lighting Saudi Arabia Limited and negative cash effects from the deconsolidation of two previously fully consolidated companies.

The change in cash flow from financing activities from TEUR -46,301 in the prior year to TEUR -13,086 in 2013/14 resulted, above all, from the repayment of funds drawn from the consortium credit agreement in 2012/13.

Liquid funds comprise cash and cash equivalents. The latter are held for the purpose of meeting short-term cash obligations. They are subject to only insignificant fluctuations in value and have a remaining maturity of not more than three months from the date of acquisition. Bank overdrafts are generally considered to be part of cash and cash equivalents because they form an integral part of the Group's cash management.

Bank deposits, demand deposits and other similar items are presented on the balance sheet under "liquid funds". Overdrafts are reported under current financial liabilities as part of working capital credits.

The balance sheet position "liquid funds" also includes the above-mentioned bank deposits that are not available for discretionary use as well as smaller deposits with a term over three months. These items are not considered to be part of liquid funds.

2.6.7.1 Reconciliation to cash and cash equivalents

in TEUR	30 April 2014	30 April 2014
Liquid funds	74,191	87,048
Not available for disposal	(169)	(204)
Overdrafts	(3,439)	(3,942)
Cash and cash equivalents	**70,583**	**82,902**

Cash and cash equivalents do not include funds that are subject to restrictions on disposal.

2.6.8 Notes to the Statement of Changes in Equity

2.6.8.1 Share capital

Share capital amounts to EUR 108,750,000 and is divided into 43,500,000 bearer shares with zero par value. Zumtobel shares are traded in the Prime Market segment of the Vienna Stock Exchange. The stock market abbreviation of Zumtobel AG is ZAG and the international security identification number (ISIN) is AT 0000837307. The company has no shares that carry special preferred rights or control rights.

The Management Board is authorised, 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 – at a minimum issue price equalling 100% of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for three years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 22 July 2011, was recorded in the company register. Furthermore, the Management Board is empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital. The Supervisory Board is also authorised to pass any amendments to the articles of association that result from the issue of shares from authorised capital.

A total of 43,139,060 shares were outstanding as of 30 April 2014 (2012/13: 43,133,890). Transactions carried out in 2013/14 as part of the employee stock participation programmes involved the exercise of 5,170 options (2012/13: 27,280). The company held 360,940 treasury shares as of 30 April 2014 (2012/13: 366,110).

2.6.8.2 Additional paid-in capital

Additional paid-in capital includes the appropriated and non-appropriated capital of Zumtobel AG. This item also includes transactions in treasury shares, e.g. the cash change resulting from the exercise of stock options (exercise price).

2.6.8.3 Reserves

Other reserves
This position includes profit carried forward.

Currency translation reserve
This reserve includes the currency differences resulting from the application of the historical exchange rate on the date of initial consolidation and the exchange rate in effect on the balance sheet date for companies that do not report in the euro as well as differences resulting from the translation of the income statement at the monthly average exchange rate and the exchange rate in effect on the balance sheet date. Also included here are the currency differences arising from long-term Group loans granted in SEK, GBP and USD, which are classified as net investments in foreign operations in accordance with IAS 21 (also see sections 2.6.5.1 and 2.6.5.2), as well as the foreign exchange effects from an interest rate hedge. Foreign exchange-based adjustments to goodwill are also recorded under this position.

Hedge accounting
The increases or decreases in equity from the application of hedge accounting reflect the changes in the fair value of derivative contracts that are recorded directly in equity as well as amounts transferred from equity to profit or loss following the exercise or realisation of contracts and the related deferred taxes.

Reserve for stock options
Additional information on the reserve for stock options is provided in section 2.6.8.4.

IAS 19 Reserve
Additional information on the IAS 10 reserve is provided in section 2.6.6.11.

2.6.8.4 Stock option programmes

The Zumtobel Group had a share-based compensation programme from 2004 to 2008, the Stock Option Programme (SOP). Options are no longer granted under the SOP, but the exercise period is open until 2015. This exercise period contains a number of exercise slots, whereby the company has reserved the right to close the exercise periods prematurely. Each option carries the right to purchase one share at a fixed price. The SOP options are not transferrable, and the shares purchased under the SOP are not subject to a retention period.

The development of treasury shares for the stock option programmes is shown in the following table:

in pcs.	Total
Share buyback (to 30 April 2013)	1,539,211
Exercised (to 30 April 2013)	(1,173,101)
30 April 2013	**366,110**
Exercised	(5,170)
30 April 2014	**360,940**

The exercise price payable by employees in 2013/14 equalled TEUR 39 (2012/13: TEUR 205). A total of TEUR 7,145 was paid for the 917,347 shares previously purchased in connection with the SOP (average price of EUR 7.80 per share). This amount was credited to additional paid-in capital.

Reserve for stock options

The reserve for stock options equals TEUR 19,479 (2012/13: TEUR 19,732) and is included under reserves. The decrease resulted from a change in the consolidation range during 2013/14.

The change in the number of outstanding options from the beginning to the end of the financial year is shown in the following table:

	SOP	
	2013/14	**2012/13**
Granted options – beginning balance	**21,889**	**77,251**
New grants	0	0
Exercised	(5,170)	(27,280)
Cancelled	0	(28,082)
Forfeited	0	0
Granted options – ending balance	**16,719**	**21,889**
Thereof eligible for exercise	*16,719*	*21,889*

The following table shows the exercise prices for the options that were granted from the SOP, but not yet exercised:

	2007/08	2006/07	2005/06	2004/05	2003/04	Total
Exercise price 7.5	4,208	4,246	1,680	1,008	1,097	12,239
Exercise price 11.5	0	0	0	0	0	0
Exercise price 14.2	520	1,040	1,040	0	0	2,600
Exercise price 16.6	840	1,040	0	0	0	1,880
Total options granted	**5,568**	**6,326**	**2,720**	**1,008**	**1,097**	**16,719**

2.6.8.5 Dividend

The annual general meeting on 26 July 2013 authorised the payment of a EUR 0.07 dividend per share for the 2012/13 financial year. The resulting amount of TEUR 3,019 for the 43,133,890 shares outstanding as of 31 July 2013 (43,500,000 shares less 366,110 treasury shares) was distributed to shareholders on 2 August 2013.

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on the current profitability, earnings forecasts and general economic developments. Based on the stabilising economic environment, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel AG on 25 July 2014 calling for a dividend of EUR 0.18 for the 2013/14 financial year (2012/13: EUR 0.07).

2.6.9 Capital Management

The goals of capital management in the Zumtobel Group are to protect the continued existence of the member companies of the Group and to optimise the return for shareholders by optimising the use of equity and debt. The capital structure is monitored continuously, including the cost and the risks connected with each type of capital. The main instruments used for capital management include an increase or decrease in financial liabilities and dividend payments as well as new issues and share buybacks.

The financial framework for the Group's actions is defined, above all, by a credit agreement concluded in November 2011 with seven banks. This credit agreement has a term extending to October 2016 and a maximum volume of TEUR 350,000. Of this total, TEUR 170,000 had been drawn as of 30 April 2014. This financing requires compliance with specific financial covenants, i.e. a debt coverage ratio of less than 3.5 and an equity ratio of more than 25%. These financial covenants were met in full as of 30 April 2014 with a debt coverage ratio of 1.57 (2012/13: 1.42) and an equity ratio of 32.5% (2012/13: 35.9%).

2.6.10 Financial Instruments

2.6.10.1 Categories of financial instruments as defined in IAS 39

The financial instruments used by the Zumtobel Group are classified as follows, based on the categories defined in IAS 39:

- Initially recognised at fair value through profit or loss (at fair value through P&L)
- HFT – held for trading
- HTM – held to maturity
- L&R – loans and receivables
- Hedge Accounting
- Cash – liquid funds
- at amortised cost – financial instruments measured at amortised cost

Financial assets recognised at fair value through profit or loss are initially recognised at fair value. In contrast, the initial recognition of financial assets that are not recognised at fair value through profit or loss must also include the related transaction costs. These transaction costs are allocated directly to the purchase of the asset.

Various balance sheet positions also include assets and liabilities that are not classified as financial instruments in accordance with IAS 32 (non-FI). Examples of such items are accruals, suppliers with debit balances and social security or tax payments.

The fair value of current financial instruments reflects the carrying amount of these items because of their short term. All loans from financial institutions carry variable interest rates; therefore, the carrying amount of non-current financial liabilities also reflects fair value.

2013/14 Financial Year

Assets

in TEUR	Carrying amount	Fair Value	At fair value through P&L upon initial recognition	HFT	HTM	L&R	Cash
Non-current financial assets	1,466	1,466	380	-	-	1,086	-
Securities and similar rights	*380*	-	*380*	-	-	-	-
Loans originated and other receivables	*1,086*	-	-	-	-	*1,086*	-
Current financial assets	2,731	2,731	-	464	-	2,267	-
Securities and similar rights	-	-	-	-	-	-	-
Loans originated and other receivables	*11*	-	-	-	-	*11*	-
Positive market values of derivatives held for trading	*464*	-	-	*464*	-	-	-
Other	*2,256*	-	-	-	-	*2,256*	-
Trade receivables	199,303	199,303	-	-	-	199,303	-
Liquid funds	74,191	74,191	-	-	-	-	74,191
Total	**277,691**	**277,691**	**380**	**464**	**-**	**202,656**	**74,191**

The position "other" under current financial assets includes a financial receivable of TEUR 2,253 (2012/13: TEUR 995) that is due from an associated company.

Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	197,357	197,357	-	197,357	-	-
Loans received	*177,579*	-	-	*177,579*	-	-
Finance leases	*19,777*	-	-	*19,777*	-	-
Other non-current liabilities	2,575	2,575	-	-	-	2,575
Current borrowings	5,314	5,314	-	5,314	-	-
Loans received	*4,965*	-	-	*4,965*	-	-
Finance leases	*349*	-	-	*349*	-	-
Trade payables	159,912	159,912	-	159,912	-	-
Other current liabilities	123,717	123,717	1,832	75	7,521	114,288
Negative market values of derivatives held for trading	*1,832*	-	*1,832*		-	-
Negative market values of derivatives (hedge accounting)	*7,521*	-	-	-	*7,521*	-
Other	*114,364*	-	-	*75*	-	*114,288*
Total	**488,875**	**488,875**	**1,832**	**364,490**	**7,521**	**116,863**

The carrying value of non-current loans reflects fair value because most of these items (TEUR 170,000; 2012/13: TEUR 170,000) have a variable interest rate, i.e. the rate does not differ from the current market rate. Non-current fixed-interest loans include TEUR 2,223 (2012/13: TEUR 2,060) of subsidised loans, whose interest rates differ immaterially from the current market rate. The differences between the interest rates on the remaining fixed-interest rate loans and the current market interest rates are negligible.

In agreement with the transition guidance to IFRS 13, the Zumtobel Group applied the new rules for fair value measurement prospectively and did not provide any comparative prior year information on the new disclosures. However, these changes did not have a material effect on the valuation of the Group's assets and liabilities.

The financial instruments carried at fair value through profit or loss as of 30 April 2014 are categorised as follows:

in TEUR	Fair Value	Level 1	Level 2	Level 3
Non-current financial assets	**-**	**-**	**-**	**-**
Securities and similar rights	380	-	-	380
Loans originated and other receivables	-	-	-	-
Current financial assets	**-**	**-**	**-**	**-**
Loans originated and other receivables	-	-	-	-
Positive market values of derivatives held for trading	464	-	464	-
Others	-	-	-	-
Total	**844**	**-**	**464**	**380**

in TEUR	Fair Value	Level 1	Level 2	Level 3
Other current liabilities				
Derivatives (hedge accounting)	1,832	-	1,832	-
Derivatives held for trading	7,521	-	7,521	-
Total	**9,353**	**-**	**9,353**	**-**

In the Zumtobel Group, the calculation of fair value is based primarily on input factors that can be monitored on the market (Level 2). The valuation of forward exchange contracts is based on the present value of future cash flows and reflects the application of current market-based interest rate curves for the respective currency and the foreign exchange rates in effect on the valuation date. The fair value of the remaining derivative financial instruments can be reliably determined as of each balance sheet date because these measurements are based on input factors that can be monitored on the market. These valuations reflect the Level 2 criteria. The Level 2 financial instruments comprise the derivatives reported under financial assets and financial liabilities (positive market value TEUR 464, 2012/13: TEUR 1,409; negative market value TEUR -9,353, 2012/13: TEUR -12,504). The risks associated with non-fulfilment of the financial assets and liabilities are reflected in risk discounts, in cases where the amounts are material.

The consolidated financial statements of the Zumtobel Group do not include any financial instruments whose valuation is based on listed prices in active markets (Level 1).

The consolidated financial statements of the Zumtobel Group also include an insignificant amount of financial instruments whose valuation is not based on listed prices or input factors that can be monitored on the market (Level 3). With the exception of the purchase of a minor investment of TEUR 2 and a profit distribution of TEUR 3, there were no changes in the Level 3 financial instruments compared with the previous year. There were no other increases in the stakes held or capital decreases during 2013/14.

2012/13 Financial Year

Assets

			At fair value through P&L				
in TEUR	Carrying amount	Fair Value	upon initial recognition	HFT	HTM	L&R	Cash
Non-current financial assets	1,101	1,101	594	-	-	507	-
Securities and similar rights	*603*	-	*594*	-	-	*9*	-
Loans originated and other receivables	*498*	-	-	-	-	*498*	-
Current financial assets	2,435	2,435	-	1,409	-	1,026	-
Securities and similar rights	*18*	-	-	-	-	*18*	-
Loans originated and other receivables	*1*	-	-	-	-	*1*	-
Positive market values of derivatives held for trading	*1,409*	-	-	*1,409*	-	-	-
Other	*1,007*	-	-	-	-	*1,007*	-
Trade receivables	185,533	185,533	-	-	-	185,533	-
Liquid funds	87,048	87,048	-	-	-	-	87,048
Total	**276,117**	**276,117**	**594**	**1,409**	**-**	**187,066**	**87,048**

Liabilities

in TEUR	Carrying amount	Fair Value	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	197,001	197,001	-	197,001	-	-
Loans received	*177,382*	-	-	*177,382*	-	-
Finance leases	*19,619*	-	-	*19,619*	-	-
Other non-current liabilities	1,911	1,911	-	-	-	1,911
Current borrowings	4,264	4,264	-	4,264	-	-
Loans received	*3,952*	-	-	*3,952*	-	-
Finance leases	*312*	-	-	*312*	-	-
Trade payables	131,801	131,801	-	131,801	-	-
Other current liabilities	117,621	117,621	3,120	567	9,384	104,550
Negative market values of derivatives held for trading	*3,120*	-	*3,120*	-	-	-
Negative market values of derivatives (hedge accounting)	*9,384*	-	-	-	*9,384*	-
Other	*105,117*	-	-	*567*	-	*104,550*
Total	**452,598**	**452,598**	**3,120**	**333,633**	**9,384**	**106,461**

2.6.10.2 Income / expense on financial instruments (IAS 39 valuation categories)

in TEUR	2013/14	2012/13
Net gains or net losses	(1,662)	576
Financial instruments measured at amortised cost	*(1,954)*	*61*
Held for trading	*298*	*115*
At fair value through P&L	*(7)*	*400*
Interest expense	(8,904)	(9,856)
Interest expense for financial assets measured at amortised cost	*(6,400)*	*(7,607)*
Interest expense hedge accounting	*(2,139)*	*(2,512)*
Interest expense held for trading	*(365)*	*263*
Interest income	816	1,225
Interest income at amortised cost	*773*	*1,086*
Interest income hedge accounting	*43*	*78*
Interest income held for trading	*0*	*61*
Valuation adjustments to loans and receivables	(1,561)	(817)

Other financial income and expense (TEUR – 6,763; 2012/13:TEUR – 4,592) includes net income or expense (TEUR – 1,662; 2012/13: TEUR 576) as well as the interest component as defined in IAS 19 less income on plan assets (TEUR – 5,100; 2012/13:TEUR – 5,168).

Net income / expense as well as the total interest expense and income are included under financial results, while impairment charges on loans and receivables are reported under operating earnings.

The negative valuation adjustments to loans and receivables result primarily from an increase in the provision for customer default cases in connection with the application of the Group receivables valuation method.

No additional impairment charges were recognised to the other classes of financial instruments.

2.6.11 Information on Risk Management

The use of financial instruments exposes the Group above all to the following risks:

>> Credit risk
>> Liquidity risk
>> Market risk

Risk management is regulated by Group guidelines. The Management Board is responsible for the preparation of appropriate guidelines and the monitoring of risk management throughout the Group.

2.6.11.1 Credit risk

>> Trade receivables

Group companies have not concluded any general settlement agreements with customers, and the total amounts reported under assets therefore represent the maximum credit and default risk. However, this risk is considered to be low because it is distributed over a large number of customers and financial institutions. In 2013/14 losses on receivables, i.e. derecognised receivables, totalled 0.1% (2012/13: 0.2%) of Group revenues. The ten largest customers were responsible for 23% of Group revenues in 2013/14 (2012/13: 21%).

The Group has arranged for credit insurance to cover the default risk on specific trade receivables, and an application is filed to cover every new customer with a balance of TEUR 100 or more. The deductible on this credit insurance amounted to 25% of the insured receivables as of 30 April 2014. Group managers are authorised to approve credit limits for customers, whereby the amount of the credit limit is matched to the management level.

The valuation adjustments to trade receivables reflect actual cases or experience, and developed as follows:

in TEUR	30 April 2014	30 April 2013
Beginning balance	**9,414**	**9,675**
Addition	3,310	3,679
Utilisation	(809)	(1,840)
Reversal	(1,511)	(2,100)
Ending balance	**10,404**	**9,414**

In individual cases, valuation adjustments were recognised to reflect possible default. These individual charges are based on the classification of receivables into doubtful and non-doubtful. Impairment charges of between 20% and 70% are recognised to non-doubtful receivables that are overdue more than 60 days. Doubtful receivables are generally written down by at least 80%. Insured receivables are deducted from the basis for the calculation of impairment charges, whereby the deductible from the credit insurance is taken into account.

The age structure of trade receivables is shown below:

	30 April 2014		30 April 2013	
in TEUR	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	194,252	31	180,566	147
Overdue 1(60) days	16,606	0	16,436	107
Overdue 61(90) days	1,384	274	2,293	451
Overdue 91(120) days	1,103	396	1,199	444
Overdue 121(180) days	957	671	1,382	826
Overdue > 180 days	10,597	9,032	9,348	7,439
Total	**224,899**	**10,404**	**211,223**	**9,414**

The nominal value of receivables includes TEUR 7,234 (2012/13: TEUR 5,620) that are classified as doubtful. These doubtful receivables were adjusted by a total of TEUR 6,501 (2012/13: TEUR 5,272).

>> Liquid funds, non-current securities, derivatives and other financial assets
The Group minimises credit risk in this area by investing only in short-term instruments with selected banks.

>> Outstanding credit risk
The maximum risk represents the carrying amount of financial instruments, and totalled TEUR 277,691 as of 30 April 2014 (2012/13: TEUR 276,117). This amount consists primarily of trade receivables and liquid funds (also see section 2.6.10.1).

2.6.11.2 Liquidity risk

Liquidity risk represents the risk that the Zumtobel Group will be unable to meet its current and/or future payment obligations in full or on a timely basis. In order to ensure the ability to meet these obligations at any time, the Zumtobel Group maintains liquidity reserves in the form of demand deposits with banks to service expected operating expenses and financial liabilities. The Group also has extensive working capital credits that allow it to offset seasonal liquidity fluctuations arising from business activities, both in specific months and during the course of the year. Therefore, the Zumtobel Group is not exposed to any material liquidity risks in connection with short-term financing.

As of 30 April 2014 liquidity was secured through funds provided by the long-term consortium financing agreement (see section 2.6.6.14) as well as short-term unsecured lines of credit totalling TEUR 88,978 (2012/13: TEUR 88,004). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The future payments reflect the periods in which the cash flows are expected to occur and will presumably have an impact on the income statement. The following table shows the payments that will result from financial liabilities recognised as of 30 April 2014.

30 April 2014

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	202,671	224,412	10,105	185,639	28,668
Loans from financial institutions	*175,460*	*176,879*	*2,937*	*173,942*	*0*
Loans from public authorities	*3,597*	*3,689*	*1,426*	*2,263*	*0*
Loans from other third parties	*49*	*49*	*49*	*0*	*0*
Finance leases	*20,126*	*40,356*	*2,254*	*9,434*	*28,668*
Working capital credits	*3,439*	*3,439*	*3,439*	*0*	*0*
Trade payables	159,912	159,912	159,912	0	0
Other liabilities	126,292	126,309	120,139	6,188	(18)
Derivatives held for trading	*1,832*	*1,909*	*1,815*	*94*	*0*
Derivatives (hedge accounting)	*7,521*	*7,462*	*1,386*	*6,094*	*(18)*
Other financial instruments	*75*	*75*	*75*	*0*	*0*
Liabilities Non-FI	*116,863*	*116,863*	*116,863*	*0*	*0*
Liquidity risk	**488,875**	**510,633**	**290,156**	**191,827**	**28,650**

30 April 2013

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	201,265	227,368	8,892	187,559	30,917
Loans from financial institutions	*175,332*	*179,742*	*2,715*	*177,027*	*0*
Loans from public authorities	*2,060*	*2,147*	*36*	*2,111*	*0*
Loans from other third parties	*0*	*0*	*0*	*0*	*0*
Finance leases	*19,931*	*41,537*	*2,199*	*8,421*	*30,917*
Working capital credits	*3,942*	*3,942*	*3,942*	*0*	*0*
Trade payables	131,801	131,801	131,801	0	0
Other liabilities	119,532	119,523	111,836	7,756	(69)
Derivatives held for trading	*3,120*	*3,201*	*2,713*	*488*	*0*
Derivatives (hedge accounting)	*9,384*	*9,294*	*2,095*	*7,268*	*(69)*
Other financial instruments	*567*	*567*	*567*	*0*	*0*
Liabilities Non-FI	*106,461*	*106,461*	*106,461*	*0*	*0*
Liquidity risk	**452,598**	**478,692**	**252,529**	**195,315**	**30,848**

The future cash flows from derivatives with a positive market value are as follows:

30 April 2014

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Financial assets	464	406	406	0	0
Derivatives held for trading	*464*	*406*	*406*	*0*	*0*

30 April 2013

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Financial assets	1,409	1,321	1,321	0	0
Derivatives (hedge accounting)	*0*	*0*	*0*	*0*	*0*
Derivatives held for trading	*1,409*	*1,321*	*1,321*	*0*	*0*

No securities were pledged as collateral.

2.6.11.3 Market risk

Market risk comprises the risk arising from changes in market prices that are denominated in a foreign currency as well as the risk arising from changes in interest rates and raw material prices, which could have a negative effect on Group earnings and/or the fair value of the financial instruments used by the Group. The goal of risk management in this area is to identify the existing risks and to minimise these risks as far as possible and economically feasible through the implementation of appropriate measures.

The Zumtobel Group uses derivative financial instruments in certain cases to provide protection against these risks. Derivative transactions are concluded only with selected banks in order to minimise the credit risk associated with hedges. The use of derivative financial instruments is regulated by a Group hedging policy.

Hedging activities focus primarily on cash flows as well as shifts in market prices that result from exchange rate fluctuations and changing raw material prices. In these cases, the relevant positions are hedged for a period of two to three quarters on a rolling basis. This method leads to a relatively constant volume of hedges and smoothes foreign exchange exposure.

Interest rate risk

Interest rate risk represents the possible fluctuation in the value of a financial instrument due to an increase or decrease in market interest rates. The risk associated with interest rate fluctuations is related primarily to receivables and liabilities with a term of more than one year. These terms are not of material importance in the operating area, but can play a greater role with respect to financial assets and financial liabilities.

The amount currently outstanding under the consortium credit agreement (TEUR 170,000) is considered long-term because of its maturity date on 28 October 2016. However, this credit carries a variable interest rate (a EURIBOR-based money market interest rate).

In order to reduce the resulting interest rate risk, the Zumtobel Group concluded interest rate swaps with a total nominal volume of TEUR 120,000 (including TEUR 20,000 as a cross-currency swap with payment obligations in Swiss francs, TCHF 28,728) that represents approx. 70% of the long-term credit volume currently outstanding. These interest rate instruments are structured over various terms (up to June 2019 at the latest) and convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 3.18%. The euro-denominated interest rate swaps with fixed interest rates qualify for hedge accounting as defined in IAS 39. The effectiveness of these hedges is demonstrated by the hypothetical derivative method. The foreign exchange component of the cross-currency swap with payment obligations in Swiss francs meets the requirements of IAS 21 for a hedge of a net investment in a foreign operation. The fixed interest component for the payments in Swiss francs is included under derivatives held for trading.

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2013/14	Fair value in TEUR 2012/13
EUR	100,000	(3,961)	(5,892)
CHF	28,728	(3,560)	(3,492)
Negative market values of interest rate hedging instrument (hedge accounting)		**(7,521)**	**(9,384)**
CHF	2,873	(470)	(829)
Negative market values of interest rate hedging instrument (held for trading)		**(470)**	**(829)**

>> Outstanding interest rate risk

The following table shows the classification of interest-bearing financial instruments according to fixed and variable interest rates:

in TEUR	30 April 2014	30 April 2013
Borrowings	(32,670)	(31,264)
Fixed rate instruments	**(32,670)**	**(31,264)**
Financial assets	4,197	3,536
Liquid funds	74,191	87,048
Borrowings	(170,000)	(170,000)
Variable rate instruments	**(91,612)**	**(79,416)**
Total	**(124,282)**	**(110,680)**

Rising interest rates – especially for the euro – can have a negative impact on financial results and increase the Group's average interest rate.

>> Sensitivity analysis

For variable interest instruments, a change of 100 basis points in the interest rate over a period of one year would result in a change of TEUR 991 (2012/13: TEUR 871) in interest income or interest expense on the income statement. Since fixed-interest financial liabilities are carried at amortised cost, a change in the interest rate would not lead to any valuation effects on the income statement or equity.

For the interest rate swap, a change of 100 basis points in the interest rate over a period of one year would result in an opposite change of TEUR 924 (2012/13: TEUR 923).

Foreign exchange risk

Most of the foreign exchange hedges had a remaining term of less than one year as of the balance sheet date. The Zumtobel Group generally uses forward exchange contracts with a term of up to one year, but alternative instruments such as options are also used where necessary. Translation risks are not hedged.

The Group's main currencies are the EUR, GBP, USD as well as Asian currencies that are linked to the USD, CHF, SEK and AUD.

Foreign exchange exposure is determined on the basis of general forecast assumptions and not on the basis of specific contracts and, for this reason, the requirements for hedge accounting are usually not met.

>> Sensitivity analysis

The following information describes the sensitivity of a change in the EUR exchange rate versus other currencies from the Group point of view. All financial instruments reported on the balance sheet as of 30 April 2014 (including internal financial instruments) are included in the calculation.

Financial instruments denominated in the relevant functional currency of subsidiaries that are not located in the euro zone do not represent a risk and are therefore not included in this sensitivity analysis.

A 10% increase or decrease in the value of the euro versus the relevant foreign currency as of 30 April 2014 would have had the following effect on profit after tax and equity based on the most important currency pairs. All other variables (above all interest rates) were held constant for the analysis. The effects on equity are related to long-term Group loans.

	EUR decrease of 10%		EUR increase of 10%	
in TEUR	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	3,823	5,832	(3,823)	(5,832)
EUR - SEK	3,399	4,023	(3,399)	(4,023)
EUR - USD	(1,022)	325	1,022	(325)

The following table shows the effects on derivatives of an exchange rate change of +/- 10%.

in TEUR	Fair value	EUR decrease of 10%	EUR increase of 10%
EUR - GBP	(321)	(6,972)	5,532
EUR - CHF	(40)	(2,990)	1,572
EUR - AUD	(29)	420	(382)
EUR - USD	(407)	4,402	(4,957)
EUR - SEK	75	(556)	506

Raw material price risk

The most important raw materials used by the Zumtobel Group are energy, aluminium, steel and copper. Fixed-term supply contracts are concluded wherever possible (energy, aluminium, steel) to minimise the risks arising from unexpected price fluctuations. Fluctuations in copper prices are also hedged if necessary (futures or options).

>> Sensitivity analysis

Copper purchases totalled 839 MT (metric tonnes) in 2013/14. A price increase of EUR 1,000/MT would represent an annual price risk of approx. TEUR 839. The Zumtobel Group will not be exposed to this risk in the future because the magnetic ballast plant was closed during the reporting year.

2.6.12 Segment Reporting

2.6.12.1 Operating segments

Two operating segments represent the primary segments of business for the Zumtobel Group: the Lighting Segment (lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems) and the Components Segment (electronic lighting components, LED lighting components, connection technology and, up to the end of the 2013/14 financial year, also magnetic ballasts).The transfer of goods and services between the two divisions is based on ordinary market conditions.

Segment reporting is principally based on the same presentation, accounting and valuation methods used to prepare the consolidated financial statements. In accordance with the management approach prescribed by IFRS 8, operating profit (EBIT) – a key indicator used for internal reporting – is included as part of the segment data.

The assets allocated to the two segments include property, plant and equipment that can be directly assigned as well as intangible assets and working capital (excluding accrued interest, tax receivables and tax liabilities).

The column "Reconciliation" comprises assets and the related income statement items that could not be allocated to either segment as well as property, plant and equipment, financial liabilities and taxes that involve both segments.

Results from associated companies include TEUR 299 (2012/13:TEUR -616) from the Lighting Segment and TEUR -10 (2012/13:TEUR 56) from the Components Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR 12,139 (2012/13:TEUR 1,090) of impairment charges. The impairment charges for 2013/14 involve TEUR 6,337 attributable to the Lighting Segment and TEUR 5,802 attributable to the Components Segment. The impairment charges recognised in the prior year were related entirely to the Lighting Segment.

The elimination of inter-segment revenues is included in the reconciliation column.

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	**2013/14**	**2012/13**	**2011/12**	**2013/14**	**2012/13**	**2011/12**	**2013/14**	**2012/13**	**2011/12**	**2013/14**	**2012/13**	**2011/12**
Net revenues	**938,450**	**935,662**	**949,191**	**384,546**	**377,722**	**408,093**	**(76,165)**	**(69,768)**	**(76,972)**	**1,246,831**	**1,243,616**	**1,280,312**
External revenues	*937,897*	*934,883*	*948,424*	*308,849*	*308,344*	*331,520*	*85*	*389*	*368*	*1,246,831*	*1,243,616*	*1,280,312*
Inter-company revenues	*553*	*779*	*767*	*75,697*	*69,378*	*76,573*	*(76,250)*	*(70,157)*	*(77,340)*	*0*	*0*	*0*
Operating profit/loss	**21,074**	**24,298**	**26,020**	**11,617**	**8,605**	**19,558**	**(20,549)**	**(11,243)**	**(10,575)**	**12,142**	**21,660**	**35,003**
Investments	**49,970**	**41,140**	**33,638**	**13,768**	**16,296**	**19,932**	**1,815**	**2,073**	**3,589**	**65,553**	**59,509**	**57,159**
Depreciation	**(39,220)**	**(33,675)**	**(32,331)**	**(26,711)**	**(22,000)**	**(20,015)**	**(2,136)**	**(2,136)**	**(1,537)**	**(68,067)**	**(57,811)**	**(53,883)**

in TEUR	**30 April 2014**	**30 April 2013**	**30 April 2012**	**30 April 2014**	**30 April 2013**	**30 April 2012**	**30 April 2014**	**30 April 2013**	**30 April 2012**	**30 April 2014**	**30 April 2013**	**30 April 2012**
Assets	668,998	640,657	662,142	209,046	208,852	222,124	128,557	145,329	152,018	1,006,601	994,838	1,036,284

	30 April 2014	**30 April 2013**	**30 April 2012**	**30 April 2014**	**30 April 2013**	**30 April 2012**	**30 April 2014**	**30 April 2013**	**30 April 2012**	**30 April 2014**	**30 April 2013**	**30 April 2012**
Headcount (full-time equivalent)	5,186	5,091	5,328	1,971	1,946	2,000	134	125	128	7,291	7,162	7,456

The reconciliation column comprises the following:

in TEUR	**2013/14**	**2012/13**
Group parent companies	(20,424)	(10,377)
Group entries	(125)	(866)
Operating profit/loss	**(20,549)**	**(11,243)**

The Group parent companies represent companies that provide administrative or financing services for the entire Group and cannot be allocated to a specific segment. The reconciliation to operating profit includes Group entries for the elimination of interim profits in current and non-current assets.

in TEUR	**30 April 2014**	**30 April 2013**
Assets used by more than one segment	129,266	136,385
Group parent companies	48,927	42,429
Group entries	(49,636)	(33,485)
Assets	**128,557**	**145,329**

No individual external customers are responsible for more than 10% of total revenues.

2.6.12.2 Regional segments

The classification of business activities by region is based on Europe, Asia, Australia & New Zealand, America and Other:

	External revenues			Assets		
in TEUR	2013/14	2012/13	2011/12	30 April 2014	30 April 2013	30 April 2012
Europe	1,001,087	977,662	995,001	673,714	624,251	656,222
Asia & Middle East	122,132	109,361	114,701	55,752	52,071	49,160
Australia & New Zealand	78,330	105,863	124,312	27,603	42,895	45,799
America	34,281	39,397	35,530	9,528	10,707	13,356
Others	11,001	11,333	10,768	0	0	0
Reconciliation	0	0	0	240,004	264,913	271,747
Total	**1,246,831**	**1,243,616**	**1,280,312**	**1,006,601**	**994,838**	**1,036,284**

Reconciliation of regions:

in TEUR	30 April 2014	30 April 2013
Assets used by more than one segment	235,134	258,472
Group entries	4,870	6,441
Assets	**240,004**	**264,913**

2.6.13 Contingent Liabilities and Guarantees

Group companies have accepted liabilities of TEUR 8,135 (2012/13: TEUR 6,782) for bank guarantees.

2.6.14 Subsequent Events

In connection with the 2 April 2014 announcement of restructuring projects to improve cost structures in the operation network, the Zumtobel Group informed employees and the local union at the plant in Landskrona (Sweden) on 5 May 2014 of its intention to terminate lighting production at this location by the end of the 2014 calendar year. The planned shutdown would affect 155 employees.

Tridonic, the Zumtobel Group brand for lighting components, started consultations with employee representatives at the Ennenda (Switzerland) plant on 8 May 2014 concerning the possible termination of production. The conventional ballasts for high-intensity discharge lamps that are produced in Ennenda are exposed to substantial competitive pressure and a resulting massive drop in price. Plans call for the outsourcing of this production to external suppliers by the end of the 2014 calendar year. The planned shutdown would affect 115 employees.

On 6 June 2014 Tridonic announced its intention to terminate the connecting clamp business. The local management of Tridonic connection technology GmbH, formerly a subsidiary of Tridonic with headquarters in Innsbruck (Austria), subsequently acquired all shares in the company retroactively as of 30 April 2014. Tridonic connection technology employs a workforce of 97.

No other significant events occurred after the balance sheet date on 30 April 2014.

2.6.15 Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel AG. As of 30 April 2014 there were no business transactions with closely related persons.

The Group has concluded supply and delivery agreements with associated companies, which reflect third party conditions (also see section 2.6.6.4). Trade receivables due from associated companies totalled TEUR 742 as of 30 April 2014 (2012/13: TEUR 991) and trade payables equalled TEUR 3,528 (2012/13: TEUR 1,770). No receivables due from associated companies were derecognised due to failed collection in 2013/14, and no receivables due from associated companies were classified as uncollectible as of 30 April 2014.

As of 30 April 2014 a financial receivable of TEUR 2,253 was due from an associated company (2012/13: TEUR 995).

Remuneration for the corporate bodies of the Zumtobel Group

in TEUR	2013/14	2012/13
Total remuneration for the Management Board	**6,840**	**2,558**
thereof fixed component	*1,368*	*1,478*
thereof short-term variable component	*181*	*271*
thereof long-term variable component	*615*	*810*
thereof expenses resulting from an exit agreement	*4,675*	*0*

in TEUR	2013/14	2012/13
Ulrich Schumacher (as of 1 October 2013)	**960**	**0**
thereof fixed component	*379*	*0*
thereof short-term variable component	*116*	*0*
thereof long-term variable component	*465*	*0*
Martin Brandt	**765**	**675**
thereof fixed component	550	402
thereof short-term variable component	*64*	*82*
thereof long-term variable component	*150*	*191*
Harald Sommerer (up to 30 September 2013)	**4,123**	**1,210**
thereof fixed component	273	675
thereof short-term variable component	*0*	*107*
thereof long-term variable component	*0*	*428*
thereof expenses resulting from an exit agreement	*3,850*	*0*
Mathias Dähn (up to 30 September 2013)	**992**	**674**
thereof fixed component	167	401
thereof short-term variable component	*0*	*82*
thereof long-term variable component	*0*	*191*
thereof expenses resulting from an exit agreement	*825*	*0*

The actual remuneration for Ulrich Schumacher includes the contractually agreed compensation for the functions of CEO and interim CFO (1 October 2013 - 30 April 2014).

.As of 30 April 2014 the Management Board had no further claims from share-based remuneration programmes. Moreover, the Management Board had no claims for termination or post-employment payments as of 30 April 2014.

Details on the remuneration scheme for the Management Board are provided in the Corporate Governance Report.

The remuneration received by the Supervisory Board of Zumtobel AG is shown in the following table:

in TEUR	2013/14	2012/13
Total Supervisory Board remuneration	**319**	**337**
thereof annual remuneration	*180*	*180*
thereof attendance fees	*135*	*153*
thereof reimbursement for expenses	*4*	*4*

2.6.16 Information on Employees and Corporate Bodies

2.6.16.1 Personnel structure

	2013/14		2012/13	
	Average	Balance Sheet Date	Average	Balance Sheet Date
Production	3,528	3,524	3,794	3,648
R&D	601	602	540	547
Sales	2,197	2,146	2,339	2,250
Administration	485	493	499	487
Miscellaneous	410	526	247	230
Total	**7,221**	**7,291**	**7,419**	**7,162**

The above number of employees includes the contract workers employed by the Zumtobel Group.

2.6.16.2 Corporate bodies

Supervisory Board
Jürg Zumtobel (Chairman)
Hero Brahms (Vice-Chairman)
Johannes Burtscher (Vice-Chairman)
Fritz Zumtobel (Member)
Stephan Hutter (Member)
Hans-Peter Metzler (Member)

Delegated by the Employees' Council:
Richard Apnar
Erich Zucalli
Mario Wintschnig

Management Board
Ulrich Schumacher, as of 1 October 2013, appointed up to 30 April 2017
Karin Sonnenmoser, as of 1 May 2014, appointed up to 30 April 2017
Martin Brandt, appointed up to 30 April 2015
Harald Sommerer, appointed up to 30 September 2013
Mathias Dähn, appointed up to 30 September 2013

2.7 Statement by the Management Board in accordance with § 82 (4) of the Austrian Stock Corporation Act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Dornbirn, 16 June 2014

The Management Board

Ulrich Schumacher
Chief Executive Officer (CEO)

Karin Sonnenmoser
Chief Financial Officer (CFO)

Martin Brandt
Chief Operating Officer (COO)

2.8 Consolidation Range

No.	Total	Country	Share in %	Consolidation Method	Balance Sheet Date	Currency
1	ATCO Finance Pty. Ltd.	Australia	100	full	30 April	AUD
2	ATCO Industrial Pty. Ltd.	Australia	100	full	30 April	AUD
3	Thorn Lighting Pty Ltd.	Australia	100	full	30 April	AUD
4	Tridonic Australia Pty. Ltd.	Australia	100	full	30 April	AUD
5	Tridonic Oceania Holding Pty. Ltd.	Australia	100	full	30 April	AUD
6	Zumtobel Lighting Pty. Ltd.	Australia	100	full	30 April	AUD
7	FURIAE Raiffeisen-Immobilien-Leasing GmbH	Austria	100	full	30 April	EUR
8	LEDON Lighting GmbH	Austria	100	full	30 April	EUR
9	Tridonic Jennersdorf GmbH	Austria	100	full	30 April	EUR
10	LEXEDIS Lighting GmbH	Austria	50	equity	30 April	EUR
11	ZG Lighting CEE GmbH (vormals: Thorn Licht Gesellschaft mbH	Austria	99.95	full	30 April	EUR
12	Tridonic connection technology GmbH	Austria	100	full	30 April	EUR
13	Tridonic connection technology GmbH & Co KG	Austria	100	full	30 April	EUR
14	Tridonic GmbH	Austria	100	full	30 April	EUR
15	Tridonic GmbH & Co KG	Austria	100	full	30 April	EUR
16	Tridonic Holding GmbH	Austria	100	full	30 April	EUR
17	Zumtobel AG	Austria	100	full	30 April	EUR
18	Zumtobel Holding GmbH	Austria	100	full	30 April	EUR
19	Zumtobel Insurance Management GmbH	Austria	100	full	30 April	EUR
20	Zumtobel LED GmbH	Austria	100	full	30 April	EUR
21	Zumtobel LED Holding GmbH	Austria	100	full	30 April	EUR
22	Zumtobel Licht GmbH	Austria	100	full	30 April	EUR
23	Zumtobel Lighting GmbH	Austria	100	full	30 April	EUR
24	Zumtobel Pool GmbH	Austria	100	full	30 April	EUR
25	N.V. Zumtobel Lighting S.A.	Belgium	100	full	30 April	EUR
26	Thorn Lighting (Guangzhou) Ltd.	China	100	full	31 December	CNY
27	Thorn Lighting (Hong Kong) Ltd.	China	100	full	30 April	HKD
28	Thorn Lighting (Tianjin) Co. Ltd.	China	70	full	31 December	CNY
29	Tridonic (Shanghai) Co. Ltd.	China	100	full	31 December	CNY
30	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	31 December	CNY
31	TridonicAtco Hong Kong Ltd.	China	100	full	30 April	HKD
32	Zumtobel Licht d.o.o.	Croatia	100	full	30 April	HRK
33	Thorn Lighting CS Spol s.r.o.	Czech Republic	99.95	full	30 April	CZK
34	Zumtobel Lighting s.r.o.	Czech Republic	100	full	30 April	CZK
35	Thorn Lighting AS	Denmark	100	full	30 April	DKK
36	Thorn Lighting OY	Finland	100	full	30 April	EUR
37	Thorn Europhane S.A.	France	99.95	full	30 April	EUR
38	Tridonic France Sarl	France	100	full	30 April	EUR
39	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
40	Thorn Licht GmbH	Germany	100	full	30 April	EUR
41	LEDON OLED Lighting Verwaltungs GmbH	Germany	100	full	30 April	EUR

42	Tridonic Dresden GmbH & Co. KG (vormals: LEDON OLED Lighting GmbH & Co. KG)	Germany	100	full	30 April	EUR
43	Reiss Lighting GmbH	Germany	100	full	30 April	EUR
44	Tridonic Deutschland GmbH	Germany	100	full	30 April	EUR
45	Zumtobel Holding GmbH	Germany	100	full	30 April	EUR
46	Zumtobel Licht GmbH	Germany	100	full	30 April	EUR
47	Zumtobel Lighting GmbH	Germany	100	full	30 April	EUR
48	Luxmate Ltd.	Great Britain	100	full	30 April	GBP
49	Rewath Ltd.	Great Britain	100	full	30 April	GBP
50	Thorn Lighting Group	Great Britain	100	full	30 April	GBP
51	Thorn Lighting Holdings Ltd.	Great Britain	100	full	30 April	GBP
52	Thorn Lighting International Ltd.	Great Britain	100	full	30 April	GBP
53	Thorn Lighting Ltd.	Great Britain	100	full	30 April	GBP
54	Tridonic UK Ltd.	Great Britain	100	full	30 April	GBP
55	Wengen-Five Ltd.	Great Britain	100	full	30 April	GBP
56	Wengen-Four Ltd.	Great Britain	100	full	30 April	GBP
57	Wengen-One Ltd.	Great Britain	100	full	30 April	GBP
58	Wengen-Three Ltd.	Great Britain	100	full	30 April	GBP
59	Wengen-Two Ltd.	Great Britain	100	full	30 April	GBP
60	Zumtobel Lighting Limited	Great Britain	100	full	30 April	GBP
61	Zumtobel Hongkong Limited	Hongkong	100	full	30 April	HKD
62	Zumtobel Lighting Kft	Hungary	100	full	30 April	HUF
63	Thorn Lighting India Private Limited	India	100	full	30 April	INR
64	Thorn Lighting (Ireland) Limited	Ireland	100	full	30 April	EUR
65	Thorn Europhane SPA	Italy	99.89	full	30 April	EUR
66	Tridonic Italia SRL	Italy	100	full	30 April	EUR
67	Zumtobel Illuminazione SRL	Italy	100	full	30 April	EUR
68	Zumtobel LED Illuminazione Holding srl	Italy	100	full	30 April	EUR
69	Tridonic (Malaysia) Sdn, Bhd.	Malaysia	100	full	30 April	MYR
70	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	30 April	USD
71	Thorn Lighting Asian Holdings BV	Netherlands	100	full	30 April	EUR
72	Thorn Lighting (NZ) Limited	New Zealand	100	full	30 April	NZD
73	Tridonic NZ Limited	New Zealand	100	full	30 April	NZD
74	Thorn Lighting AS	Norway	100	full	30 April	NOK
75	Thorn Lighting Polska SP ZOO	Poland	100	full	30 April	PLN
76	R Lux Immobilien Linie SRL	Romania	100	full	31 December	EUR
77	Zumtobel Lighting Romania SRL	Romania	100	full	31 December	RON
78	Zumtobel Lighting Saudi Arabia Limited	Saudi Arabia	70	full	31 December	SAR
79	Thorn Lighting (Singapore) Pte Ltd.	Singapore	100	full	30 April	SGD
80	Tridonic (S.E.A.) Pte Ltd.	Singapore	100	full	30 April	SGD
81	Zumtobel Lighting s.r.o	Slovakia	100	full	30 April	EUR
82	ZUMTOBEL LICHT d.o.o.	Slovenia	100	full	30 April	EUR
83	Tridonic SA (Proprietary) Limited	South Africa	100	full	28 February	ZAR
84	Luxmate S.L.	Spain	100	full	30 April	EUR
85	Staff Iberica S.A.	Spain	50	equity	30 April	EUR

86	Tridonic Iberia SL	Spain	100	full	30 April	EUR
87	Zumtobel Belysning Nordic AB	Sweden	100	full	30 April	SEK
88	Thorn Lighting AB	Sweden	100	full	30 April	SEK
89	Thorn Lighting Nordic AB	Sweden	100	full	30 April	SEK
90	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
91	Tridonic Schweiz AG	Switzerland	100	full	30 April	CHF
92	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
93	Zumtobel Pool AG	Switzerland	100	full	30 April	EUR
94	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
95	Thorn Gulf LCC	UAE	60	full	31 December	AED
96	Tridonic (ME) FZE	UAE	100	full	30 April	AED
97	Lemgo Realty Corp.	USA	100	full	30 April	USD
98	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Deconsolidated in 2013/14:

1	Tridonic Manufacturing Pty Ltd.	Australia	100	full	30 April	AUD
3	Conlux Pty. Limited	Australia	100	full	30 April	AUD

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying **consolidated financial statements of**

Zumtobel AG,
Dornbirn,

for the **year from 1 May 2013 to 30 April 2014**. These consolidated financial statements comprise the consolidated balance sheet as of 30 April 2014, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year 2013/14 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to § 245a UGB (Austrian Commercial Code). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 30 April 2014 and of its financial performance and its cash flows for the year from 1 May to 30 April 2014 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 16 June 2014

KPMG Austria AG

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Thomas Smrekar	pp MMag Angelika Vogler
Wirtschaftsprüfer	Wirtschaftsprüferin

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

3. Corporate Governance Report 2013/14

Contents

3. Corporate Governance

3.1 Corporate Governance in der Zumtobel Group

Information on Corporate Governance also under www.zumtobelgroup.com

The Zumtobel Group views corporate governance as a comprehensive model for the management and monitoring of the company. This orientation is reflected in the Group's corporate culture through a strategic focus on sustainability, long-term development and responsibility.

The general framework for the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code. The major building blocks of this system are the corporate values, the code of conduct and Group policies. They play a key role in the long-term creation of value and a sustainable increase in the worth of the company.

Management encourages employees to report possible violations of the code of conduct, whereby all such information is treated confidentially. Employees may contact specially trained colleagues in the legal and internal audit departments or the ethics officer of the Zumtobel Group for assistance. The employee representatives and human resources staff also serve as internal contact partners. There has been a significant improvement in employees' knowledge and awareness of the code of conduct over recent years. Numerous employees consulted the above specialists on compliance issues in 2013/14, but no major violations against the code of conduct were reported.

Further developments during 2013/14 financial year

In keeping with the objective to continuously strengthen the efficiency and effectiveness of the corporate governance system to meet the changes in the operating environment, the Zumtobel Group implemented a number of measures during 2013/14. For example, the code rules relating to management board remuneration were fully incorporated in the contracts for the new members of the Zumtobel AG Management Board. These contracts now include a clause that limits the claims for residual payments to a maximum of two years' remuneration if the board contracts are terminated prematurely. Training courses were held for local financial staff members to introduce changes in finance related processes and tools, for example on credit management. Activities in the area of financial reporting focused, among others, on preparations for reviews by the Austrian Financial Reporting Enforcement Office, which was established as of 1 July 2013 pursuant to the Austrian Accounting Control Act. The consolidated financial statements of Zumtobel AG as of 30 April 2014 are the first financial statements by the company that fall under these new regulations.

Other focal points included the amendment of various corporate policies, among others to reflect the structural changes in the Group, as well as the further development of controls. Corporate finance and corporate treasury carried out additional interim balance sheet and cash & bank reviews in accordance with the process introduced several years ago, and work continued to consolidate and document the bank accounts used by the Group companies in the central treasury system.

The fraud awareness information portal in the Intranet released a series of announcements, among others with warnings to employees about external phishing attacks via telephone and email, to raise employees' awareness and attention. The questionnaire-based fraud awareness check was carried out for the third time and covered an expanded group of participants. This check will be continued during the coming years.

The external evaluation of the compliance management system was finalised during the reporting year. In order to strengthen compliance, management decided to install a compliance department. It will start work during the first quarter of the 2014/15 financial year and be responsible, above all, for training employees and further improving preventive anticorruption measures, e. g. through verification and approval routines integrated in SAP processes.

The importance of corporate governance for the Zumtobel Group is underscored by the establishment of the above-mentioned compliance department, by the creation of a corporate centre during the reporting year (which is responsible for global strategy and process management) and by an increase in the corporate internal audit staff during summer 2014.

3.2 The Austrian Corporate Governance Code

The Austrian Corporate Governance Code, which is issued by the Austrian Working Group for Corporate Governance, represents a benchmark for good corporate governance and corporate control that exceeds legal requirements and meets international standards. The code was initially presented in 2002 and has since been amended several times. The most recent amendments were made in July 2012 to incorporate the new provisions of Austrian stock corporation law and the Austrian Commercial Code, above all with respect to management board remuneration and the composition of the supervisory board. The latest version of the code is available for review on the following website: *www.corporate-governance.at*.

Zumtobel AG has announced its intention to voluntarily comply with the Austrian Corporate Governance Code. This commitment is meant to achieve maximum transparency and to strengthen the confidence of investors in the company. Zumtobel views the active implementation of the code as an important obligation to support management and monitoring that is focused on realising a sustainable and long-term increase in the value of the company and therefore strives for the best possible application of the rules. This voluntary commitment gives the code its legitimacy and forms the basis for the explanation of non-compliance with the C-Rules (comply or explain).

As in previous years, Zumtobel AG complied with nearly all provisions of the code in 2013/14, meeting not only the minimum requirements but also generally observing almost all R-Rules (Recommendations). The Group's actions deviated in part from only three C-Rules of the 83 Rules in the code. These differences are described below.

3.2.1 Comply or Explain

The Management Board of Zumtobel AG instructed the investor relations department to review compliance with the Austrian Corporate Governance Code during the 2013/14 financial year. Based on this compliance review, Zumtobel AG confirms that it met all L-Rules of the Austrian Corporate Governance Code (July 2012 version) during the reporting year. The following C-Rules of the code were not or are not met in full or in part:

Rule 30: The Zumtobel Group classifies information on insurance coverage in general and D&O coverage in particular as confidential data, whose disclosure may result in damage to the corporation. Therefore, this information is not disclosed.

Rule 43: The Committee for Management Board Matters represents the remuneration committee required by Rule 43. However, the chairman of the Supervisory Board, Jürg Zumtobel, is not the chairman but the vice-chairman of this committee.

Rule 83: The external evaluation of the effectiveness of risk management by the auditor takes place every two years. The next evaluation is scheduled for the 2014/15 financial year.

3.2.2 Other disclosure requirements

3.2.2.1 Auditor's fees

The annual general meeting on 26 July 2013 appointed KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and annual financial statements of Zumtobel AG for the 2013/14 financial year. KPMG also performs limited tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria performed or arranged to perform the following services for Zumtobel AG in 2013/14:

In TEUR	2013/14	2012/13
Total fees	210	291
thereof audit and related activities	198	229
thereof other services	12	62

The fees for other services are related to the audit and evaluation of risk management in the Zumtobel Group. The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including external costs, totalled TEUR 1,556 for the reporting year (2012/13: TEUR 1,587)

3.2.2.2 Measures to support the development of women in the Group

The code of conduct, which was issued by the Zumtobel Group in 2004 and revised in 2012, prohibits all forms of discrimination. Experience, qualifications and performance represent the basis for personnel decisions in all areas of the corporation and at all management levels. The Zumtobel Group is an equal opportunity employer and, as such, helps working parents to create a positive work-life balance, e.g. through flexible working schedules or the use of a home office. The prerequisite for many of the key positions in the company is a technical education. In line with the current labour market for technical professions, the Zumtobel Group receives few applications from women for these positions. The company works to counteract this situation by providing strong support for the training of women in technical professions, for example as part of its apprenticeship programmes. The Zumtobel Group's efforts to increase the share of women in key positions are demonstrated, in particular, by the appointment of Karin Sonnenmoser, an experienced financial manager, as Chief Financial Officer as of 1 May 2014. The share of women in management positions currently equals 11.2% (2012/13: 10.1%).

3.3 Risk Management and the System of Internal Controls

The COSO models form the basis for the risk management and internal control systems used in the Zumtobel Group. Consequently, these systems overlap and influence each other during their daily application.

Risk management is viewed as an independent strategic process that focuses on the interaction with risks and opportunities. The more risk management deals with the global risks to which companies are exposed, the more it becomes an independent process. The more it deals with the risks arising from individual corporate processes, the more it merges with the internal control system.

In accordance with § 243a (2) of the Austrian Corporate Code as well as Rules 69 and 70, the management report must disclose the major elements of the internal control system and risk management system related to accounting processes. The relevant information can be found in the Group Management Report under sections 1.13 (Risk Management) and 1.14 (System of Internal Controls).

Internal audit

The corporate internal audit department of Zumtobel AG is a staff department that reports directly to the Management Board. In accordance with Rule 18 of the Austrian Corporate Governance Code, this department provides regular reports to the Audit Committee on the planning for and the most important results of its activities.

A risk-oriented audit schedule that is approved by the Management Board and coordinated with the Audit Committee forms the basis for the work of corporate internal audit. This group is also responsible for monitoring the internal control system used in financial reporting.

The activities of corporate internal audit also include ad hoc audits at the request of the Management Board. These examinations focus on current risks and reviews that are not directly related to processes, e.g. projects and other non-recurring activities.

3.4 The Corporate Bodies and Committees of Zumtobel AG

In accordance with Austrian law, the organisation of Zumtobel AG is based on three independent corporate bodies: the annual general meeting, the supervisory board and the management board. The Management Board of Zumtobel AG is responsible for the direction of the company. The Supervisory Board, a separate body that is elected by the annual general meeting, exercises the required control functions. The Management Board and the Supervisory Board are organised to ensure the strict separation of members, and it is not possible to hold a seat on both bodies at the same time. The cooperation between these three bodies is defined by the articles of association as well as the rules of procedure for the Management and Supervisory Boards. The articles of association are published on the website of the Zumtobel Group (*www.zumtobelgroup.com*).

3.4.1 Shareholders and the annual general meeting

Shareholders protect their interests and exercise their voting rights at the annual general meeting. The shares of Zumtobel AG are issued in accordance with the "one share - one vote" principle.

The annual general meeting is announced at least 28 days in advance and is held at the headquarters of the company, in Vienna or in another Austrian provincial capital. The information required by Austrian Stock Corporation Act is published on the company's website at the latest 21 days prior to the annual general meeting.

The shares issued by Zumtobel AG are bearer shares. Therefore, information on the shareholder structure can only be compiled when shareholders deposit their shares prior to the annual general meeting or when Zumtobel collects information on these shareholdings. The available information on the shareholder structure is provided in section 1.3 (The Zumtobel Share) of the management report.

The Zumtobel Group follows a comprehensive, timely information policy that is based on equal treatment for all shareholders. In addition to meeting all legal requirements (e.g. annual financial report, quarterly reports, ad-hoc announcements), information on the latest developments in the company is provided through press releases, telephone conferences and investor events. All reports, announcements and key presentations are published on the Zumtobel Group website under *www.zumtobelgroup.com*. A detailed financial calendar and other share-related information can be found on the website under the menu point "Investor Relations".

3.4.2 The Management Board

The members of the Management Board are appointed by the Supervisory Board. They may only take on additional duties or functions with the prior approval of the Supervisory Board.

Name	Function	Appointed on	Term ends on	Service time
Ulrich Schumacher	CEO (Chief Executive Officer)	01.10.2013	30.04.2017	1 year
Karin Sonnenmoser	CFO (Chief Financial Officer)	01.05.2014	30.04.2017	-
Martin Brandt	COO (Chief Operating Officer)	01.09.2009	30.04.2015	5 years
Harald Sommerer	*CEO (Chief Executive Officer)*	*01.05.2010*	*30.09.2013*	*3 years*
Mathias Dähn	*CFO (Chief Financial Officer)*	*01.02.2011*	*30.09.2013*	*2 years*

Ulrich Schumacher – CEO

Ulrich Schumacher was appointed CEO of Zumtobel AG as of 1 October 2013. He also took over the position of CFO on an interim basis up to the entry of Karin Sonnenmoser. His term of office as CEO extends to 30 April 2017. Ulrich Schumacher was born in Bergisch Gladbach (Germany) in 1958 and studied electrical engineering and business administration. He joined Siemens in 1986, where he was responsible for the semi-conductor business starting in 1996. In 1998 he was appointed to the managing board of Siemens AG. Schumacher managed the initial public offering of a spin-off in 2000, which was subsequently renamed Infineon Technologies AG. After his departure in 2004 – Infineon had since become the world's fourth largest semi-conductor producer – he joined Francisco Partners, a US private equity firm in the technology sector, as a partner. There he was responsible, among others, for the creation of Numonyx, a joint venture between Intel and STMicroelectronics with revenues of US$ 3 billion. From 2007 to 2011 Ulrich Schumacher served as CEO of Grace Semiconductor Manufacturing Corporation, a partly state-owned Chinese company with headquarters in Shanghai, where he successfully managed the turnaround. Since 2011 he has held positions on a number of supervisory boards and consulted for technology companies.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of ASM International N.V., Almere (Netherlands) since May 2008, chairman of the supervisory board of PACT XPP Technologies AG, Munich (Germany) since 31 August 2012.

Karin Sonnenmoser – CFO

Karin Sonnenmoser was appointed CFO of Zumtobel AG as of 1 May 2014 for a three-year term of office extending to 30 April 2017. She studied business administration at the University of Augsburg (Germany) and also received a master of business administration from the University of Dayton in Ohio (USA). Her professional career began in 1995 in a trainee programme with Volkswagen AG. She held a number of financial positions in the Volkswagen Group starting in 1996, beginning with a position in the accounting department of the Spanish subsidiary Seat in Barcelona. Karin Sonnenmoser later took over various functions in controlling and accounting for the Volkswagen auto brand. She headed the general secretariat of the Volkswagen brand group from 2002 to 2006, where she also served as secretary general for the chief executive officer of Volkswagen AG in Wolfsburg. From 2007 to 2010 she was the commercial managing director and later chief executive officer of AutoVision GmbH. In 2010 she was appointed managing director for controlling and finance of Volkswagen Sachsen GmbH and commercial director of Volkswagen Bildungsinstitut GmbH in Zwickau. She also took over as managing director of finance and controlling at Gläserne Manufaktur, Dresden, in 2011, where she shared responsibility for revenues of EUR 5.5 billion and 9,600 employees at four locations.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board (chairwoman of the Audit Committee) of Vivantes – Netzwerk für Gesundheit GmbH, Berlin (Germany) since 25 February 2014.

Martin Brandt – COO

Martin Brandt has been a member of the Management Board and Chief Operating Officer of the Zumtobel Group since 1 September 2009. His term of office extends until 30 April 2015. Mr. Brandt was born in Ravensburg (Germany) in 1960, and received his degree as an industrial engineer from the Technical University in Karlsruhe. Martin Brandt started his career with Mercer Management Consulting GmbH, and subsequently became head of the Munich office of Baumgartner und Partner consultants. In 1996 he joined Effeff Fritz Fuss GmbH & Co KGAA in Albstatt as a division manager and was appointed Managing Director in 1998. At ASSA ABLOY Sicherheitstechnik GmbH in Berlin, he served as market regional manager for the D-A-CH regions beginning in 2004, and became executive vice president of ASSA ABLOY AG in Hong Kong and CEO of ASSA ABLOY Asia Pacific in 2006.

Additional functions or inter-company relations outside the Zumtobel Group: none.

Harald Sommerer – CEO (up to 30 September 2013)

Harald Sommerer submitted his resignation in August 2013, together with the former CFO Mathias Dähn, and left Zumtobel AG on 30 September 2013. He served as a member of the Management Board since 25 March 2010 and Chief Executive Officer (CEO) and Chairman of the Management Board of Zumtobel AG since 1 May 2010.

Additional functions or inter-company relations outside the Zumtobel Group (as of 30 September 2013): member of the professional association committee of FEEI, Vienna (Austria) since 1 May 2010, member of the management boards of the Vorarlberg Federation of Industry and the Federation of Austrian Industry since 1 May 2010, member of the executive board of Lighting Europe since 1 February 2013, member of the supervisory board of Kapsch TrafficCom AG, Vienna (Austria) since 12 September 2013.

Mathias Dähn – CFO (up to 30 September 2013)

Mathias Dähn served as a member of the Management Board and Chief Financial Officer (CFO) of Zumtobel AG from 1 February 2011 up to his resignation on 30 September 2013.

Additional functions or inter-company relations outside the Zumtobel Group (as of 30 September 2013): none.

Distribution of duties on the Management Board

As a corporate body, the Management Board is responsible for jointly directing the business activities of the Zumtobel Group. Its members share the responsibility for the Group's success and long-term orientation. To facilitate daily work processes, individual board members were defined as the contact partners for specific functions and activities. These functions and activities cover the entire Group and do not necessarily reflect reporting lines.

The distribution of duties is as follows:

	Ulrich Schumacher CEO	Karin Sonnenmoser CFO	Martin Brandt COO
Operating segments	- Business divisions (OEM & TPP, Thorn, Tridonic, Zumtobel) - Sales	- Purchasing	- Plants (incl. logistics) - Technology
Central functions	- Strategy - Mergers and acquisitions - Communications - Personnel - Investor relations - Legal	- Accounting - Compliance - Internal audit - Finance and controlling - Taxes	- IT

The Management Board meets at least once each month to coordinate the control and management of the Group, whereby minutes are recorded of the related discussions and decisions. The board members also consistently exchange information on important measures and events in their respective areas of responsibility and communicate assessments by the individual managers in their reporting lines.

Relations between the members of the Management Board and the company are the responsibility of the Committee for Management Board Matters, a Supervisory Board committee which also serves as a remuneration committee in the sense of Rule 43 and as a nominating committee in the sense of Rule 41. The Supervisory Board has defined a job profile and appointment procedure for appointments to the Management Board (Rule 38).

3.4.3 The Supervisory Board

The members of the Supervisory Board of Zumtobel AG are elected by the Annual General Meeting. The Austrian Stock Corporation Act allows employee representatives to delegate one member to the Supervisory Board for every two members elected by the Annual General Meeting.

Name	Function	Appointed /delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2015	11 years
Hero Brahms	First Vice Chairman	2008	2015	6 years
Johannes Burtscher	Second Vice Chairman	2010	2015	4 years
Fritz Zumtobel	Member	1996	2015	18 years
Stephan Hutter	Member	2010	2015	4 years
Hans-Peter Metzler	Member	2010	2015	4 years
Mario Wintschnig	Delegated by the Employees' Council	2007		7 years
Richard Apnar	Delegated by the Employees' Council	2012		2 years
Erich Zucalli	Delegated by the Employees' Council	2012		2 years

The Supervisory Board initially defined the criteria for the independence of its members in accordance with Rule 53 at a meeting on 29 September 2006. On 26 June 2009 the Supervisory Board approved an amended version of these criteria, which more closely reflects the guidelines of the Austrian Corporate Governance Code. These criteria, which have been in effect since 2009, were updated by the Supervisory Board of Zumtobel AG in a meeting on 25 June 2013 to reflect a formal, but not material adjustment. In accordance with these criteria, a member of the Supervisory Board is considered to be independent when he/she has no business or personal relations with the Zumtobel Group or the Management Board of Zumtobel AG. Such relations include, among others, material customer delivery transactions or close family ties. The criteria for independence are disclosed in full on the Zumtobel Group's website (*www.zumtobelgroup.com*).

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Four members of the Supervisory Board – Hero Brahms, Stephan Hutter, Hans-Peter Metzler and Johannes Burtscher – are independent and neither shareholders nor representatives of shareholders. Accordingly, Rule 54 is also met in full.

There are no contracts between the members of the Supervisory Board and the Zumtobel Group that require approval or must be disclosed under Rules 48 or 49.

All functions or corporate positions held by members of the Supervisory Board outside the Zumtobel Group are disclosed on the Group's website (*www.zumtobelgroup.com*) and listed in this corporate governance report in accordance with Rules 56 and 57.

3.4.3.1 The Supervisory Board | committees

The Supervisory Board of Zumtobel AG has established the following committees:

Audit Committee

Members: Johannes Burtscher (Chairman and Finance Expert), Hero Brahms (Vice-Chairman and Finance Expert), Jürg Zumtobel and Mario Wintschnig.

Duties: The Audit Committee is responsible for the audit and preparations for the approval of the annual financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairman of the Supervisory Board. The Audit Committee is responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2013/14 financial year. At each meeting the responsible managers report to the committee on the current status of these systems and processes. The chairman of the Audit Committee also meets twice each year with the head of corporate internal audit.

Committee for Management Board Matters

Members: Stephan Hutter (Chairman), Jürg Zumtobel (Vice-Chairman), Hero Brahms.

Duties: The Committee for Management Board Matters is responsible for relations between the company and the members of the Management Board. It corresponds to the remuneration committee required by Rule 43 of the Corporate Governance Code and also fulfils the duties required of a nominating committee under Rule 41. As one of the related duties, the committee developed and approved a job profile and nomination process for the Management Board in accordance with Rule 38.

3.4.3.2 The Supervisory Board | shareholder representatives

Jürg Zumtobel

Jürg Zumtobel has been chairman of the Supervisory Board of Zumtobel AG since 1 September 2003. His term of office extends until the annual general meeting for the 2014/15 financial year. Born in 1936 in Frauenfeld (Switzerland), Jürg Zumtobel joined the Zumtobel Group in 1963 and was responsible for various functions in production planning and control, production and sales. From 1991 to 2003 he was CEO and Chairman of the Management Board of Zumtobel AG.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Vorarlberger Kulturhäuser Betriebsgesellschaft mbH, Bregenz (Austria).

Hero Brahms

Mr. Brahms has been a member of the Supervisory Board of Zumtobel AG since 29 July 2008 and has served as first vice-chairman since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Brahms was born in 1941 in Münster/Westphalia (Germany). His career includes positions such as member of the management board of Hoesch AG in Dortmund, Germany (1982 to 1991), vice-president of Treuhandanstalt Berlin, Germany (1991 to 1994), member of the management board and CFO of Kaufhof AG in Cologne, Germany (1994 to 1996) and member of the management board and CFO of Linde AG in Wiesbaden, Germany (1996 to 2004).

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Deutsche Post AG, Bonn (Germany), vice-chairman of the supervisory board of Georgsmarienhütte Holding GmbH, Georgsmarienhütte (Germany), member of the supervisory board of Kraus-Maffei-Wegmann GmbH & Co. KG, Munich (Germany), chairman of the supervisory board of Live Holding AG, Frankfurt, Germany (up to 15 January 2014), member of the supervisory board of Telefunken SE, Frankfurt, Germany (up to 31 December 2013).

Hans-Peter Metzler

Hans-Peter Metzler has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Metzler was born in Bregenz (Austria) in 1959. After completing university studies in mathematics and theoretical physics, he joined the group research department of Siemens AG, Munich, in 1984. In 1992 he became managing director and head of research & development for Siemens Components, Asia Pacific and in 1996 general manager of the microcontroller business of Siemens AG in Munich. Mr. Metzler founded NewLogic Technologies in 1997, Photeon Technologies in 2000 and Interclick in 2008.

Additional functions or inter-company relations outside the Zumtobel Group: president of the administrative board of CCS Group Holding AG, Lyss (Switzerland), member of the supervisory board of Aquin & Cie GmbH, Munich (Germany), president of the Bregenzer Festspiele Privatstiftung, Bregenz (Austria), member of the management board of Eugen Russ Privatstiftung, Bregenz (Austria).

Johannes Burtscher

Johannes Burtscher joined the Supervisory Board of Zumtobel AG as a member and vice-chairman on 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Burtscher was born in Egg (Austria) in 1969 and is a licentiate and doctor of economics at the University of St. Gallen (HSG). From 1996 to 2007 Johannes Burtscher held various positions in the Zumtobel Group, first as the assistant to Jürg Zumtobel on the headquarters staff for strategy and organisation. He then served as Group controller. Following the acquisition of Thorn Lighting, Mr. Burtscher was appointed CFO of the British subsidiary in London. He also managed the luminaire business in Asia from his base in Hong Kong. Mr. Burtscher was CFO of the Munich based Rodenstock Group from 2007 to 2011 and has served as the CFO of Novem, an automobile industry subcontractor, since July 2012.

Additional functions or inter-company relations outside the Zumtobel Group: none.

Stephan Hutter

Stephan Hutter has been a member of the Supervisory Board of Zumtobel AG since 23 July 2010. His term of office extends up to the annual general meeting for the 2014/15 financial year. Mr. Hutter was born in Dornbirn (Austria) in 1961. Since 2012 he has been a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP in Frankfurt am Main. Mr. Hutter serves as an advisor, above all, on international capital markets law as well as international acquisitions and bank financing. Stephan Hutter began his legal career with Shearman & Sterling in New York in 1986 where he became a partner in 1995; he was admitted to the New York bar in 1987. From 2008 to 2012 he served as the managing partner for the European and Asian capital markets legal practice of Shearman & Sterling.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Zürcher Kantonalbank (Austria) AG, Salzburg (Austria), member of the management board of Städelsche Museumsvereins, Frankfurt (Germany).

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel AG since 1996. He served as chairman up to 1 September 2003, as vice-chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 2014/15 financial year. Fritz Zumtobel was born in 1939 in Frauenfeld, Switzerland. He joined the Zumtobel Group in 1965 and held various positions during his career, mainly in the technical field. He was a member of the Management Board of Zumtobel AG from 1974 to 1996.

Additional functions or inter-company relations outside the Zumtobel Group: member of the foundation board of JHD Privatstiftung, member of the foundation board of Aurelio Privatstiftung.

3.4.3.3 The Supervisory Board | employee representatives

Mario Wintschnig

Mr. Wintschnig was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Salaried Employees in January 2007. He was born in 1961 in Dornbirn (Austria) and joined the Zumtobel Group in 1981. Mario Wintschnig worked for Zumtobel Lighting GmbH as a pricing manager up to April 2013 and on 1 May 2014 took over as the head of Health & Age in the Zumtobel Group. From January 2007 to April 2014 he served as chairman and since then as vice-chairman of the Employees' Council for Salaried Employees at Zumtobel Lighting GmbH, Zumtobel AG and Zumtobel Licht GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: none.

Richard Apnar

Mr. Apnar was delegated to the Supervisory Board of Zumtobel AG by the Employees' Council for Wage Employees in June 2012. He was born in Lustenau (Austria) in 1974 and joined Zumtobel Lighting GmbH as an apprentice plastics technician in 1990. After successfully completing his examinations as a plastics technician in 1993, he worked in production up to 2008. In 2008 he transferred to the supply chain organisation of the Zumtobel Group. Since September 2012, Mr. Apnar has served as the chairman of the Employees' Council for Wage Employees at Zumtobel Lighting GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: none.

Erich Zucalli

Mr. Zucalli was appointed to the Supervisory Board of Zumtobel AG by the Central Employees' Council of Tridonic in November 2012. He was born in Hohenems (Austria) in 1954 and joined the Zumtobel Group as an apprentice electrician in 1970. After serving in various functions, he was elected chairman of the Employees' Council for Salaried Employees at Tridonic GmbH in 1991.

Additional functions or inter-company relations outside the Zumtobel Group: none.

3.5 Remuneration Report

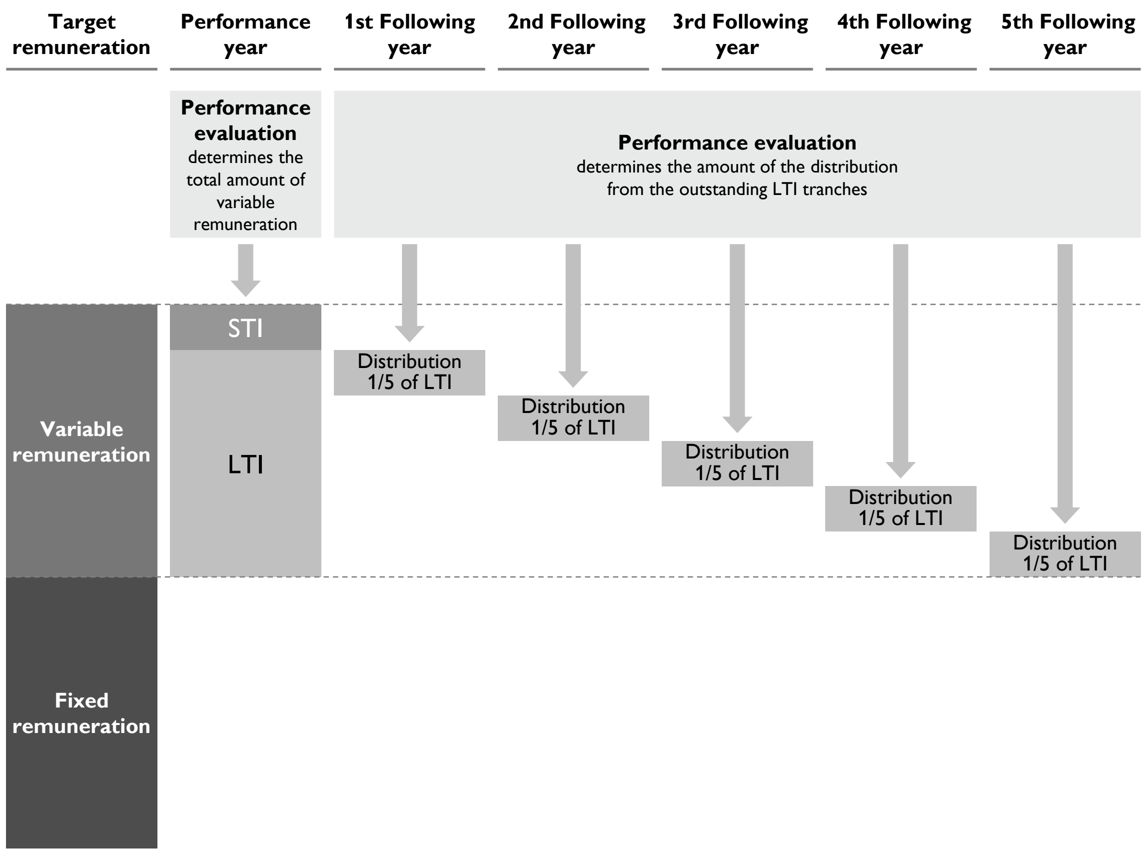
3.5.1 Management Board remuneration

The remuneration system for the Management Board and key management of Zumtobel AG is based on performance. Accordingly, above-average performance has a positive and below-average performance a negative effect on the amount of remuneration. The remuneration system is also linked to sustainable actions with a long-term orientation.

The remuneration of the Management Board comprises a fixed and a variable component. The fixed component is based on the responsibilities of the individual board member and, in accordance with customary procedures in Austria, is paid in 14 instalments at the end of the month.

The basis for the variable component (target remuneration) is defined separately for each board member before the beginning of the respective financial year. This remuneration is paid out if a performance evaluation confirms the achievement of the defined targets. The amount of the remuneration for the performance year is increased or decreased in line with the over- or under-achievement of the targets. The maximum variable remuneration equals 200% of the base amount.

Structure of the remuneration system:



The variable remuneration consists of a short-term component (Short-Term Incentive; STI) and a long-term component (Long-Term Incentive; LTI). The STI is paid out in cash during the respective performance year. The cash distribution from the LTI is spread over the five following years[1], whereby the amount of the individual payments is based on a performance evaluation at the time of distribution. Through the long-term development of the LTI, financial and non-financial performance criteria are incorporated in variable remuneration.

The performance evaluation assesses the achievements of the Management Board based on a relative indicator. This indicator measures the operating results of the Zumtobel Group against the results of selected, comparable companies (peer group). This peer group has a broad distribution, both from a geographical and industrial perspective.

Composition of the Zumtobel Group's peer group:

Geographic distribution	Share
America	8%
Asien	6%
Australia	2%
D/A/CH	25%
Northern Europe	13%
Eastern Europe	1%
Southern Europe	19%
Western Europe	25%

Distribution by industrial sector	Share
Lighting	12%
Construction	19%
Building Components	33%
Building Materials	18%
Electrics	9%
Electronics	9%

The composition of the peer group as well as the targets and results of the performance indicators are reviewed every six months by the compensation committee. This committee is responsible for decisions on the remuneration system. It includes representatives from the Management Board, Supervisory Board and human resources department. The compensation committee is supported by an independent consulting firm[2].

[1] The contracts concluded with members of the Management Board prior to 1 October 2013 provide for the allocation of the LTI in three annual segments. In the contracts concluded with members of the Management Board after that date, the LTI is allocated in five annual segments
[2] Fehr Advice & Partners AG

The performance evaluation resulted in the following remuneration for the Management Board in 2013/14:

Remuneration recognised for the Management Board[3]
Disclosures in accordance with Rules 29, 30 and 31:

	Total		Fixed	Variable			
In TEUR	Target remuneration[4]	Remuneration[5]	Basic salary	STI	LTI[6]	LTI payments from prior periods	Severance compensation[7]
Total Management Board remuneration							
2013/14	**2,320**	**2,164**	**1,368**	**181**	**615**	**37**	**4,675**
2012/13	2.749	2.558	1.478	271	810	0	0
Ulrich Schumacher, CEO (as of 1 October 2013)							
2013/14[8]	**960**	**960**	**379**	**116**	**465**	**0**	**0**
2012/13	-	-	-	-	-	-	-
Martin Brandt, COO							
2013/14	**920**	**765**	**550**	**64**	**150**	**37**	**0**
2012/13	723	675	402	82	191	0	0
Harald Sommerer, CEO (up to 30 September 2013)							
2013/14	**273**	**273**	**273**	**0**	**0**	**0**	**3,850**
2012/13	1,304	1.210	675	107	428	0	0
Mathias Dähn, CFO (up to 30 September 2013)							
2013/14	**167**	**167**	**167**	**0**	**0**	**0**	**825**
2012/13	722	674	401	82	191	0	0

The termination of the contracts for Harald Sommerer and Mathias Dähn also led to the settlement of the LTIs allocated in July 2012/13. In the future, allocated LTI tranches will be paid out according to the regular schedule of three, respectively five years if a member of the Management Board leaves the company. The Compensation Committee also approved an upper limit of two years' target salary for settlement payments on the premature or unscheduled termination of Management Board contracts that took effect or will take effect on or after 1 October 2013.

[3] Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2013/14 irrespective of the payment date
[4] The column "target remuneration" covers all contractually defined remuneration components, excluding contractually defined severance compensation
[5] The column "remuneration" shows the remuneration components earned during the reporting year, excluding LTI payments from earlier years and severance compensation
[6] The ratio of LTI to STI for the Management Board members equals 70:30, respectively 80:20; the LTI payout period for the Management Board ranges from three to five years
[7] Severance compensation for Harald Sommerer and Mathias Dähn in connection with the termination of their contracts as of 30 September 2013
[8] The target remuneration and actual remuneration for Ulrich Schumacher include the contractually agreed compensation for the functions of CEO and interim CFO (1 October 2013 - 30 April 2014)

Zumtobel AG has no special pension fund for the members of the Management Board. The Management Board contracts include a change of control clause. If the company is taken over by a new majority shareholder, the members of the Management Board are entitled to terminate their contracts unilaterally. In this case, the member(s) of the Management Board would be entitled to receive the previously agreed fixed and variable remuneration up to the end of the originally agreed contract term, with a minimum payment covering a period of 12 months.

With the exception of this change of control clause, the members of the Management Board have no special claims or entitlements at the end of their function.

The Zumtobel Group website (*www.zumtobelgroup.com*) provides up-to-date information on the purchase and sale of the company's shares by its directors in accordance with the Austrian Stock Exchange Act. This disclosure exceeds the requirements of Rule 73 in that the information remains on the website for at least six months.

3.5.2 Supervisory Board remuneration scheme

According to the rules of procedure for the Supervisory Board (last amended on 7 April 2006), each member of this body receives annual remuneration in addition to reimbursement of his or her expenses and an attendance fee for each meeting. The amount of the attendance fee and remuneration are approved by the Annual General Meeting and were last amended on 15 July 2005. The attendance fee equals EUR 3,000, and is only paid once even if two or more meetings are held on the same day. The chairman and vice-chairman of the Supervisory Board receive annual remuneration of EUR 40,000, while the other members receive EUR 20,000. The employee representatives only receive the attendance fee. The attendance fee and reimbursement for expenses are paid immediately after the meeting, and the remuneration is paid by the end of the month in which the annual general meeting for the previous financial year is held.

Total Supervisory Board remuneration:[9]

In TEUR	2013/14	2012/13
Total remuneration of the Supervisory Board	319	337
thereof remuneration	180	180
thereof attendance fees	135	153
thereof reimbursement of expenses	4	4

[9] Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held during the respective financial year, irrespective of the date of payment.

Remuneration of the individual Supervisory Board members
Disclosure in accordance with Rule 51:

In TEUR	2013/14	2012/13
Jürg Zumtobel	55	58
Hero Brahms	55	58
Johannes Burtscher	55	58
Fritz Zumtobel	35	35
Stephan Hutter	35	35
Hans-Peter Metzler	35	35

Dornbirn, 16 June 2014

The Management Board

Ulrich Schumacher
Chief Executive Officer

Karin Sonnenmoser
Chief Financial Officer

Martin Brandt
Chief Operating Officer

3.6 Report by the Supervisory Board

Dear Shareholders,

We performed the duties required by law and the articles of association during the 2013/14 financial year by regularly monitoring the direction of the company by the Management Board and the management of Zumtobel AG. The Management Board provided us with comprehensive verbal and written reports on a regular and timely basis, which covered the general development of business and major events as well as the position of Zumtobel AG and the Zumtobel Group. Experts were invited to our meetings to provide detailed information on specific topics. Between the scheduled meetings, the Management Board supplied the Supervisory Board with regular reports on important individual subjects. The chairmen of the Management and Supervisory Boards also held a number of personal meetings. These activities allowed the Supervisory Board to meet its obligations in full.

Intensive exchanges between the Supervisory Board and Management Board during the first months of the 2013/14 financial year revealed fundamental differences of opinion over the future strategic direction of the Zumtobel Group and ultimately led to a change in the Management Board during August 2013. An experienced manager was subsequently found in Ulrich Schumacher, who was appointed CEO and interim CFO as of 1 October 2013. Also opportune was the appointment of a very competent candidate, Karin Sonnenmoser, to the position of CFO as of 1 May 2014. With Ulrich Schumacher, Karin Sonnenmoser and Martin Brandt, the Zumtobel Group has an excellent Management Board. The Supervisory Board is convinced that we will be able to lead the company into a successful future with this new team.

Meetings of the Supervisory Board

The Supervisory Board met seven times during the 2013/14 financial year: four times at scheduled meetings, once at an extraordinary session, once in a strategy meeting and once in a closed conference. All members of the Supervisory Board were present at all meetings.

The Supervisory Board meeting on 25 June 2013 focused, above all, on the 2012/13 annual financial statements and consolidated financial statements of Zumtobel AG. After an extensive discussion of operating developments in the Zumtobel Group and its two segments (Lighting and Components) during the fourth quarter and the full 2012/13 financial year, we agreed with the Audit Committee's recommendation to approve the consolidated financial statements, including the notes and group management report. In this connection, the Management Board's recommendation to distribute a dividend of EUR 0.07 per share was approved. We also approved the report by the compliance officer and – based on a recommendation by the Audit Committee – a proposal to the annual general meeting for the election of KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as the auditor for the 2013/14 financial year. The Supervisory Board's report to the annual general meeting was discussed and endorsed. Another point on the agenda was Tridonic's exit from the magnetic ballast business, which was approved after a detailed discussion. Based on the results of a self-evaluation questionnaire, opportunities for improving the organisation and work processes of the Supervisory Board were considered.

In an extraordinary meeting on 22 August 2013, we accepted the resignations of Harald Sommerer as chief executive officer and Mathias Dähn as chief financial officer. Ulrich Schumacher was appointed CEO and interim CFO as of 1 October 2013.

The Supervisory Board meeting on 27 September 2013 dealt with the management report and key financial data on the first quarter of 2013/14. Appointments that required the approval of the Supervisory Board were approved. At this meeting we also thanked Harald Sommerer and Mathias Dähn for their efforts during the past years.

In view of the upcoming change on the Management Board, a strategy meeting was held immediately after the scheduled Supervisory Board meeting to give Ulrich Schumacher a quick overview of the development of business and strategic viewpoints. Mr. Schumacher discussed his initial observations and analyses after a presentation of the historical and current development of business, and his key principles were accepted by the Supervisory Board. The Supervisory Board expressed its confidence that the new Management Board team will be able to quickly implement the measures required for the Zumtobel Group's strategic reorientation.

The Supervisory Board met in a closed conference on 19 December 2013 to discuss strategic issues and the new organisational structure of the Zumtobel Group. In addition, approval was granted for the purchase of the shares in the South African Tridonic sales company from the previous joint venture partner.

The main topics of the Supervisory Board meeting on 24 January 2014 included the management report on the first six months of 2013/14 and the outlook for the full financial year as well as the current situation in the Lighting Segment's global operations network, above all with respect to opportunities for optimising capacity utilisation and cost structures.

The central topics of the Supervisory Board meeting on 25 April 2014 were the management report on the third quarter of 2013/14, the budget for 2014/15 and the related medium-term planning for the financial years up to 2016/17. The Supervisory Board approved the budget and accepted the medium-term planning. Transactions that required and received the approval of the Supervisory Board included measures to optimise the global operations network.

Audit Committee

The Audit Committee met twice during 2013/14, whereby all members were present at both meetings.

The meeting on 25 June 2013 concentrated on the annual financial statements for 2012/13. The auditor and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and individual financial statements of Zumtobel AG as well as accounting processes and major accounting principles. Information was presented on the status of the finance organisation and the review of the compliance system, and other reports (risk management system, internal control system, internal audit, corporate governance and insider compliance) were discussed and accepted. The Management Board's recommendation for the distribution of profit was approved. A resolution for the appointment of the auditor for the 2013/14 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 24 January 2014 dealt with the six-month financial statements as of 31 October 2013, whereby the related reports by the auditor and corporate staff were accepted. The accounting process, the focal points of the review and related issues were discussed in detail. In preparation for the 2013/14 financial statements, the approach and focal points of the audit as well as details on preparatory measures for the 2013/14 consolidated financial statements were discussed. The Audit Committee also received a report on the external review of the compliance management system and discussed the design of this system in detail. The Audit Committee agreed with the Management Board's recommendation to improve the effectiveness of the compliance management systems and will receive further reports on the status of implementation. As the first measure following this review, the search was started for a manger to head the newly created compliance department. Other reports covered the status of the internal control system, the risk management system, internal audit and anti-corruption measures in the Zumtobel Group.

Committee for Management Board Matters

In 2013/14 the activities of the Committee for Management Board Matters (CMBM) focused primarily on the change in the CEO and CFO positions and the remuneration system for the Management Board and key employees.

The changes on the Management Board were prepared and implemented conscientiously by the CMBM in several meeting and numerous personal discussions. The CMBM made a recommendation Supervisory Board, calling for the termination of the contracts with Harald Sommerer (CEO) and Mathias Dähn (CFO) and the conclusion of a new contract with Ulrich Schumacher as CEO and interim CFO. This step was preceded by a series of discussions with Ulrich Schumacher. The Supervisory Board unanimously adopted this recommendation at an extraordinary Supervisory Board meeting on 22 August 2013. The changes on the Management Board were announced to the capital market and the general public in ad-hoc release and press release, and employees were informed through an internal memorandum.

Together with a consulting firm, the CMBM then started the search for a new CFO. The selection process took place from September to December 2013, whereby two days of interviews were held with a number of candidates who were chosen from a larger circle of applicants. Further discussions and a meeting with the new CFO Ulrich Schumacher were held with three candidates. The decision was then taken to begin negotiations with Karin Sonnenmoser; her contract was concluded during the second week of January 2014 and her entry date was set at 1 May 2014.

Another major issue for the CMBM in 2013/14 was its work on the Compensation Committee. As explained in the previous year's corporate governance report, a new system to calculate variable remuneration for the Management Board and key management was discussed and implemented in 2012/13. The so-called "Total Reward System", which was developed together with FehrAdvice & Partners, a consulting firm located in Zurich, compares the operating results of the individual Zumtobel Group brands (Zumtobel, Thorn, Tridonic) with the operating results of relevant competitors and other similar companies.

The Compensation Committee meeting on 5 June 2013 focused on the exchange of experience with the new incentive system, the adjustment of the peer group for the Zumtobel Group and its brands for the 2013/14 financial year and the evaluation of management performance in the Zumtobel Group and its brands.

On 12 December 2013 the Compensation Committee dealt with the new strategy introduced by the Management Board and its effect on the Total Reward System. The new strategy is designed to support cooperation within the Group, to realise synergy effects and, in this way, to optimise the Group as a whole ("one firm"). In this connection, the Compensation Committee asked FehrAdvice & Partners and the Management Board to develop a recommendation for bringing the Total Reward Systems in line with the newly approved "one firm" strategy.

The recommended adjustments were approved at a meeting on 24 April 2014 and generally represent the conversion to a capital market-oriented relative performance indicator (so-called "total shareholder return") for the entire Group that will also cover the development of the individual brands. This will be supplemented by functional and position-related performance indicators that reflect the individual goals required for the implementation of the Group's new strategy. The new remuneration system will be introduced for the Management Board and key employees starting with the 2014/15 financial year.

Annual Financial Statements

After an extensive review and discussion of the annual financial statements of Zumtobel AG with the auditor at meetings of the Audit Committee and the Supervisory Board, which provided no grounds for limitations, the Supervisory Board stated its agreement with the management reports for the company and the Group pursuant to § 96 (1) of the Austrian Stock Corporation Act and approved the annual financial statements of Zumtobel AG. These financial statements are therefore considered finalised in accordance with § 96 (4) of the Austrian Stock Corporation Act. The same applies to the consolidated financial statements. The Supervisory Board also approved the corporate governance report, which was reviewed by the Audit Committee.

The Supervisory Board supports the recommendation by the Management Board to the annual general meeting, which calls for the distribution of a EUR 0.18 dividend per share from annual profit for the 2013/14 financial year and the carryforward of the remaining amount.

The Supervisory Board would like to thank the Management Board and the employees of Zumtobel AG and the Group companies for their strong personal commitment during the past financial year.

We would also like to thank the shareholders of Zumtobel AG for the confidence they have placed in us.

For the Supervisory Board

Jürg Zumtobel
Chairman of the Supervisory Board

Dornbirn, 24 June 2014

4. Service

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4. Service

Financial Terms

Adjusted EBIT	EBIT adjusted for special effects
Adjusted EBIT margin	= Adjusted EBIT as a percentage of revenues
CAPEX	Capital expenditure
Debt coverage ratio	Net debt divided by EBITDA
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Equity ratio	= Equity as a percentage of assets
Gearing	= Net debt as a percentage of equity
Labour productivity	= Adjusted EBIT as a percentage of personnel expenses
Net debt	= Non-current borrowings + current borrowings – liquid funds – current financial receivables from associated companies
WACC	Weighted average cost of capital (debt and equity)
Working capital	= Inventories + trade receivables – trade payables – prepayments received

Abbreviations and Technical Terms

Ballast	Ballasts are electrical devices which are used with fluorescent or high intensity discharge (HID) lamps. They supply sufficient voltage to start and operate the lamp, but then limit the current during operation. Ballasts can be either magnetic or electronic, whereby the electronic ballasts are available in dimmable or switchable versions.
COB	Chip on Board; a process to load a printed circuit board. The uncased LED chip is bonded directly onto the board and contacted via the "bond wires". Then the phosphor is applied for light conversion. In some cases, a bonded epoxy lens is added to improve the light distribution. A COB LED can have an extremely narrow-beam or an extreme wide-angle distribution, depending on the design of the lens.
Control gear	Most artificial light sources, with the exception of incandescent and halogen lamps, require a special driver for start-up and operations. Depending on the type of lamp, these mechanisms are called ballasts, igniters, converters or transformers.
Lamp	Lamps are artificial sources of light. There are many types, which are distinguished by the way they generate light, their light output or luminous flux, their power consumption, their luminous efficiency, their geometry, the spectral composition of the radiation emitted, their luminance and their beam characteristics.
LED / light-emitting diode	An LED or light-emitting diode is a small semiconductor device, which emits light when an electric current passes through it. LEDs are energy-saving and have a long service life. The colours most frequently seen are red, green, blue, amber and white. LED light engines can generate any colour by mixing the individual spectral components. LEDs are point light sources, they give off directional light.
LED chip	Light-generating semiconductor in the LED (purchased by the Zumtobel Group from external sources)
LED component	An LED chip with an integrated circuit or resistance, which is enclosed in a housing. White LEDs have a phosphorus coating on the chip that converts blue light into white.
LED converter	An LED driver that provides voltage and current for an LED module.
LED lamp	An artificial light source based on LED technology. It also includes so-called LED retrofit lamps, whose shape and socket have the same dimensions as standard lights (e.g. substitute for incandescent or fluroescent lamps).
LED light engine	In the industry this term is used to describe an LED module with a converter. Sometimes, however, light engines are simply called LED modules.
LED module	A module that serves as a light source. One or more LEDs are mounted and connected on a printed circuit board with optics (e.g. lenses) and other optional electronic components (resistance, asics, transistors etc.). High-performance modules also require a cooling device for thermal conduction.

Lighting solution	At the Zumtobel Group, we understand a lighting solution to be the carefully planned use of a combination of luminaires, lighting management and emergency lighting that is specifically designed for a particular set of architectural conditions and a particular application with the intention of creating one or more lighting moods or scenarios. A lighting solution is always a combination of products and services and can only be the result of a joint effort with the customer.
Luminaire	Luminaires are fittings in which the lamp and controls are mounted, operated and protected. They control the distribution of light and heat, ensure the delivery of the correct power supply using special components and provide the optical assembly that houses the lamp. The entire lighting unit including all the components required for mounting, operating and protecting the lamp is known as the "luminaire". The luminaire protects the lamp, distributes and directs the light emitted by the lamp and prevents glare. Luminaires can be classified by the type of lamps used (incandescent lamps, fluorescent lamps, discharge lamps), the number of lamps (single-lamp, two-lamp, etc.), planned location (indoor, outdoor), protection class (for dry, damp or dusty environments), design (open, closed, reflector, mirror, louvre, diffuser, spotlights), mounting (wall, ceiling, pendant or hand-held) or intended use (technical, decor or effect).
Luminous efficacy	Luminous efficacy is a measure of the efficiency of a lamp. It indicates how many lumens (lm) a lamp produces per unit of electricity (Watt) consumed. A lamp with a high ratio of lumens to Watts does a better job of converting the consumed power into light – which means it is more efficient.
OLED	Organic light-emitting diode. A component comprising a system of thin organic layers located between two electrode layers (anode and cathode). When voltage is applied, light is generated and emerges through at least one of the electrode layers. OLEDs give off wide-area light.
OLED module	One or more OLED panels assembled with a housing, outcoupling and electrical contact system.
OLED panel	Organic light-emitting diode with airtight encapsulation that is mounted on a glass plate or foil.
OLED stack	Layer system based on several thin organic layers that are arranged to generate light in a specified spectrum.
SMD	Surface Mounted Device LED. An alternative process for loading a circuit board. The LEDs are first bonded on an SMD component, then mounted on the circuit board and contacted in the soldering bath.

Financial Calendar

38th Annual General Meeting	25 July 2014
Ex-Dividend Day	29 July 2014
Dividend Payout Day	1 August 2014
Report on the First Quarter 2014/15 (1 May 2014 – 31 July 2014)	2 September 2014
Report on the First Half-year 2014/15 (1 May 2014 – 31 October 2014)	9 December 2014
Report on the First Three Quarters 2014/15 (1 May 2014 – 31 January 2015)	3 March 2015

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Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com. The annual report 2013/14 will be available at our 38th Annual General Meeting. You can also order a copy by calling +43 (0)5572 509-1510.

More Information

on Zumtobel AG and our brands can be found in the Internet under:

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.tridonic.com

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