

Zumtobel Group

Annual Financial Report 2014/15

1 May 2014 to 30 April 2015

Front cover design: James Turrell

This year's art edition of the annual report has been designed by James Turrell supported by the Californian graphic designers of Green Dragon Office. James Turrell is an American artist primarily conspicuous for his light and space installations. He is best known for the Roden Crater project in Arizona and the Skyspaces built all over the world.

Following the publication at the Shareholder's Meeting on July 24 2015, a PDF version of the report and order details will be available at: www.zumtobelgroup.com/en/ordering.htm

Cover image: James Turrell, Flying over the Painted Desert, Arizona, USA, 2003

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Annual Financial Report 2014/15 Zumtobel Group AG

1 May 2014 to 30 April 2015

Five-Year Overview

in EUR million	2014/15	2013/14	2012/13	2011/12	2010/11
Revenues	1,312.6	1,246.8	1,243.6	1,280.3	1,228.2
Adjusted EBIT	66.5	47.6	35.7	35.0	78.4
as a % of revenues	5.1	3.8	2.9	2.7	6.4
Net profit/loss for the year	11.9	(4.8)	6.1	15.2	51.3
as a % of revenues	0.9	(0.4)	0.5	1.2	4.2
Total assets	1,086.3	1,006.6	994.8	1,036.3	1,020.5
Equity	322.6	327.6	357.4	370.6	378.7
Equity ratio in %	29.7	32.5	35.9	35.8	37.1
Net debt	148.2	126.2	113.2	141.4	141.3
Cash flow from operating results	103.1	79.5	79.8	88.1	123.2
Investments	76.6	65.6	59.5	57.1	57.3
as a % of revenues	5.8	5.3	4.8	4.5	4.7
R&D total	79.0	71.8	69.1	58.7	48.6
as a % of revenues	6.0	5.8	5.6	4.6	4.0
Headcount incl. contract worker (full-time equivalent)	7,234	7,291	7,162	7,456	7,814

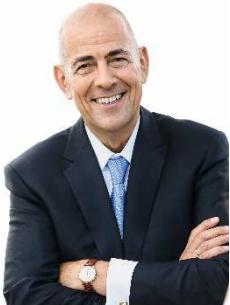
See section 4. Service – Financial terms for the definition of the above indicators.

Contents

Five-Year Overview	2
Chief Executive's Review	4
1. Group Management Report	7
1.1 The Zumtobel Group – An Overview	10
1.2 General Economic Environment	20
1.3 The Zumtobel Group Share	21
1.4 Significant Events since 30 April 2014	24
1.5 Related Party Transactions	24
1.6 Review of Business Performance	25
1.7 Human Resources	33
1.8 Suppliers	36
1.9 Quality	37
1.10 Environmental Protections	38
1.11 Research and Development	39
1.12 Significant Events after the Balance Sheet Date	40
1.13 Internal Control System	40
1.14 Risk Management	44
1.15 Information pursuant to § 243a of the Austrian Commercial Code	50
1.16 Outlook and Goals	52
2. Consolidated Financial Statements	55
2.1 Income Statement	58
2.2 Statement of Comprehensive Income	59
2.3 Balance Sheet	60
2.4 Cash Flow Statement	61
2.5 Statement of Changes in Equity	62
2.6 Notes to the Consolidated Financial Statements	63
2.7 Statement by the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act	124
2.8 Consolidation Range	125
Auditor's Report	128
3. Corporate Governance Report	131
3.1 Corporate Governance in the Zumtobel Group	133
3.2 The Austrian Corporate Governance Code	134
3.3 Risk Management and the Internal Control System	136
3.4 The Corporate Bodies and Committees of Zumtobel Group AG	137
3.5 Remuneration Report	144
3.6 Report by the Supervisory Board	150
4. Service	155

Chief Executive's Review

Dear Shareholders,



Ulrich Schumacher

The 2014/15 financial year (1 May 2014 to 31 April 2015) was an important period of strategic reorientation and the implementation of necessary restructuring measures for the Zumtobel Group. The goal was to bring our new structures to life, eliminate past inefficiencies and leverage the growth and cost synergies resulting from our multi-brand approach to create a stable foundation for future profitable and dynamic expansion. The first positive results from the adjustment of production capacity, the merger of the previously separate Zumtobel and Thorn sales organisations and the Group-wide bundling of purchasing activities are already clearly visible in our financial figures for the reporting year and make me very optimistic for the future development of the Zumtobel Group.

Sound development of revenues and earnings

Revenues rose by 5.3% year-on-year to EUR 1,312.6 million in 2014/15, which represents the highest level ever recorded in the Group's history. This growth was supported, above all, by the fourth quarter with revenue growth of 9.0%. Once again, our LED business was the most important driver for this success. With an increase of 55.9% to EUR 653.3 million, the technology shift continued to accelerate. The LED share of Group revenues rose to 49.8% in the reporting year (2013/14: 33.6%). This confirms the Zumtobel Group's strategy to invest directly in the expansion of its innovative LED product portfolio.

An analysis by segments shows that our late cyclical Lighting Segment (Thorn / Zumtobel) benefited from modest growth in the commercial construction industry in Europa, the first positive impulses from the new multi-brand sales structure and a strong increase in the key account business. Revenues in the Lighting Segment rose by 5.5% to EUR 989.9 million (2013/14: EUR 938.4 million). The Components Segment continued to make sound progress in transforming its business to LED technology. Revenues from the sale of LED components rose by an impressive 79.6% to EUR 212.3 million and completely offset the declining demand for electronic ballasts as well as the revenues lost by the exit from magnetic technology and the sale of the connecting clamp business. Segment revenues exceeded our expectations with an increase of 2.4% to EUR 393.8 million (2013/14: EUR 384.5 million).

The increase in revenues and the first positive effects from the restructuring measures led to an increase of 39.7% in Group EBIT adjusted for special effects to EUR 66.5 million (2013/14: EUR 47.6 million). That represents a return on sales (adjusted EBIT margin) of 5.1% (2013/14: 3.8%). Both the Lighting Segment and the Components Segment recorded a year-on-year improvement in adjusted earnings. Group net profit amounted to EUR 11.9 million, compared with a loss in the previous year, even though financial results were negatively influenced, above all, by the increase in the Swiss franc versus the euro.

Outlook: increasing optimism and confirmation of goals for 2016/17

The extensive restructuring in 2014/15 created a solid foundation that will support further growth and the realization of cost synergies from the strategic reorientation of the Zumtobel Group in 2015/16. Activities will also focus on the continuous evaluation of additional opportunities to optimize structural costs.

Tailwinds from restructuring, construction industry and technology shift

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year. This positive trend has been strengthened in the professional lighting industry by the technology shift to LED, and has currently disengaged demand in the professional lighting industry from new commercial construction to a certain extent.

Our multi-brand strategy gives us very broad market access, extensive know-how in lighting applications and a strong technology position. All this and the complete coverage of the value chain place us in an outstanding position to realise above-average benefits from the growth impulses in the industry. We are also investing specifically to develop our expertise and capacity in intelligent controls and data management,

services and other innovative business models. In the future, lighting with its increasingly digital components will become more integrated in the Internet of Things (IoT).

For the 2015/16 financial year, we expect an increase of approx. 5% in revenues and adjusted EBIT of EUR 90 to 100 million (FY 2014/15: EUR 66.5million). That also places us on target to gradually raise the adjusted EBIT margin to roughly 8% to 10% by 2016/17. The Management Board will therefore make a recommendation to the Supervisory Board and subsequently to the Annual General Meeting of Zumtobel Group AG on 24 July 2015 to distribute a dividend of EUR 0.22 per share for the 2014/15 financial year.

We have set ambitious goals and are convinced that we can meet them with our outstanding market and technology position. However, the success and growth of the Zumtobel Group would not be possible without the dedication, extensive know-how and high flexibility of our employees – who I want to specifically thank. My colleague and I on the Management Board would also like to thank our customers, suppliers and shareholders for their confidence, support and open dialogue.

Ulrich Schumacher
Chief Executive Officer (CEO)

Group Management Report

Zumtobel Group AG

1 May 2014 to 30 April 2015

1. Group Management Report

Group Management Report

Zumtobel Group AG

1 May 2014 to 30 April 2015

Contents

1. Group Management Report	
1.1 The Zumtobel Group – An Overview	10
1.1.1 Milestones	10
1.1.2 Mission Statement	11
1.1.3 The Company	11
1.1.4 Group structure	12
1.1.5 Products and production locations	13
1.1.6 Market position and brand positioning	15
1.1.7 Key success factors for the Zumtobel Group	15
1.1.8 Energy efficiency and LED technology as structural revenue drivers	16
1.1.9 Corporate strategy and medium-term goals up to 2016/17	17
1.1.10 Continuing commitment to sustainability	19
1.2 General Economic Environment	20
1.3 The Zumtobel Group Share	21
1.4 Significant events since 30 April 2014	24
1.5 Related Party Transactions	24
1.6 Review of Business Performance	25
1.6.1 At a glance	25
1.6.2 Revenues	25
1.6.3 Earnings	28
1.6.4 Cash flow, financial and asset position	30
1.7 Human Resources	33
1.8 Suppliers	36
1.9 Quality	37
1.10 Environmental Protection	38
1.11 Research and Development	39
1.12 Significant Events after the Balance Sheet Date	40
1.13 Internal Control System	40
1.13.1 Principles of the internal control system	41
1.13.2 Internal controls over financial reporting	41
1.13.3 Further development	43
1.14 Risk Management	44
1.14.1 Market and competitive risks in the lighting industry	45
1.14.2 Business risks	45
1.14.3 Asset risks	46
1.14.4 Pension risks	47
1.14.5 Product liability risks	47
1.14.6 Legal risks	47
1.14.7 Financial risks	47
1.14.8 Credit risk	49
1.14.9 Balance sheet risks	49
1.14.10 Other risks	49
1.15 Information pursuant to § 243a of the Austrian Commercial Code	50
1.16 Outlook and Goals	52

1. Group Management Report

1.1 The Zumtobel Group – An Overview

1.1.1 Milestones

Growth since 1950

The present-day Zumtobel Group originated as Elektrogeräte und Kunsthärzpresswerk W. Zumtobel KG, which was founded in Dornbirn / Vorarlberg in 1950. Over the following decades the Zumtobel family, represented initially by the founder Walter Zumtobel and then by his two sons Jürg and Fritz Zumtobel, pursued the continuous expansion of the business, particularly in the German-speaking markets, through organic growth and smaller acquisitions.

Conversion into a stock corporation

The Zumtobel organisation was geared to generating profitable growth from the very beginning. This family company was converted into a stock corporation in 1976, and the reorganisation of the two business segments – lighting (Zumtobel) and lighting components (Tridonic) – into separate subgroups followed in 1991.

Takeover of Staff and Thorn

The 1990s were marked by further growth: the most important milestones were the acquisition of the German luminaire producer Staff in 1994, whose portfolio was gradually integrated into the Zumtobel brand, and the takeover of the British Thorn Lighting Group in 2000. These steps more than doubled the Zumtobel Group's revenues and strategically expanded its geographic market presence.

New era based on LED technology

The turn of the millennium brought the start of a new era for the Zumtobel Group. LED technology became an integral part of professional lighting solutions, initially in smaller applications. Tridonic in Jennersdorf, Austria, started the development and production of LED components and modules in 2001. Today, this location is a key LED technology centre for the entire Zumtobel Group.

IPO

The initial public offering (IPO) of Zumtobel Group AG on the Vienna Stock Exchange on 12 May 2006 followed the withdrawal of the US private equity fund Kohlberg, Kravis and Roberts (KKR), which became a shareholder in 2000 in connection with the Thorn Lighting acquisition. The IPO, which was also connected with a capital increase, represented a continuation of the strategy to further internationalise the business.

Synergies through new organisational structure

A new organisational structure was implemented in December 2013 by Ulrich Schumacher, who joined the Zumtobel Group as CEO in October 2013. This structure has led to the realisation of synergy effects and improved market development through a multi-brand approach. The two lighting brands, Thorn and Zumtobel, are now marketed by a joint sales organisation. In addition, the Zumtobel Group under the direction of Ulrich Schumacher is focusing on a platform strategy that will lead to the use of the same components (above all from the Group's Tridonic components subsidiary) in various Thorn and Zumtobel lighting products. This will maximise synergies in production, sales and development, reduce costs and strengthen the Group's innovation power. Additionally, all plants in the production organisations of both segments were merged into a global network to substantially improve cost structures and capacity utilisation.

Stable foundation for dynamic growth

The 2014/15 financial year was an important transformation period for the Zumtobel Group, when a stable foundation was created for profitable growth. Increased cooperation between the brands in the joint sales organisation has already led to the realisation of additional market opportunities. In order to drive international growth, the Zumtobel Group is concentrating on the expansion of its expertise in intelligent controls and data management, the further development of the service business and innovative business models.

1.1.2 Mission Statement

In line with the new strategy, a new mission statement was formulated for the Zumtobel Group and each of its brands and subsequently implemented in all units during the 2014/15 financial year. The new mission statement and vision form a compass for all employees with clear objectives and responsibilities for the Zumtobel, Thorn and Tridonic brands. Together these brands build a “lighting ecosystem” and allow the Zumtobel Group to create unique value for its customers. This shared goal is summarised in the following core mission statement:

“WE TAKE LIGHTING BEYOND ILLUMINATION”

We give the world new ways of using light, above and beyond current applications.

We believe that light is vital to everyone's life.

1.1.3 The Company

The Zumtobel Group is a leading international supplier of innovative lighting solutions and components. This listed company operates 13 production plants on four continents and has sales offices and partners in nearly 90 countries. The Group employed a workforce of 7,234 as of 30 April 2015 and recorded revenues of EUR 1,312.6 million in the 2014/15 financial year. The founding Zumtobel family continues to hold approx. 35% of share capital and therefore serves as a stable core shareholder. The Zumtobel Group is based in Dornbirn, Vorarlberg (Austria).

One of the few global players in the lighting industry

The principal goal of the Zumtobel Group is to create unique value for its customers and to give the world new ways of using light above and beyond current applications. The focus is on improving the quality of life through light. With many years of experience, the bundled know-how of its employees throughout the world and an extensive network of leading technology partners, light planners, architects and artists, the Zumtobel Group sees itself as a thought leader and trendsetter for the lighting industry.

Thought leader and trendsetter for the lighting industry

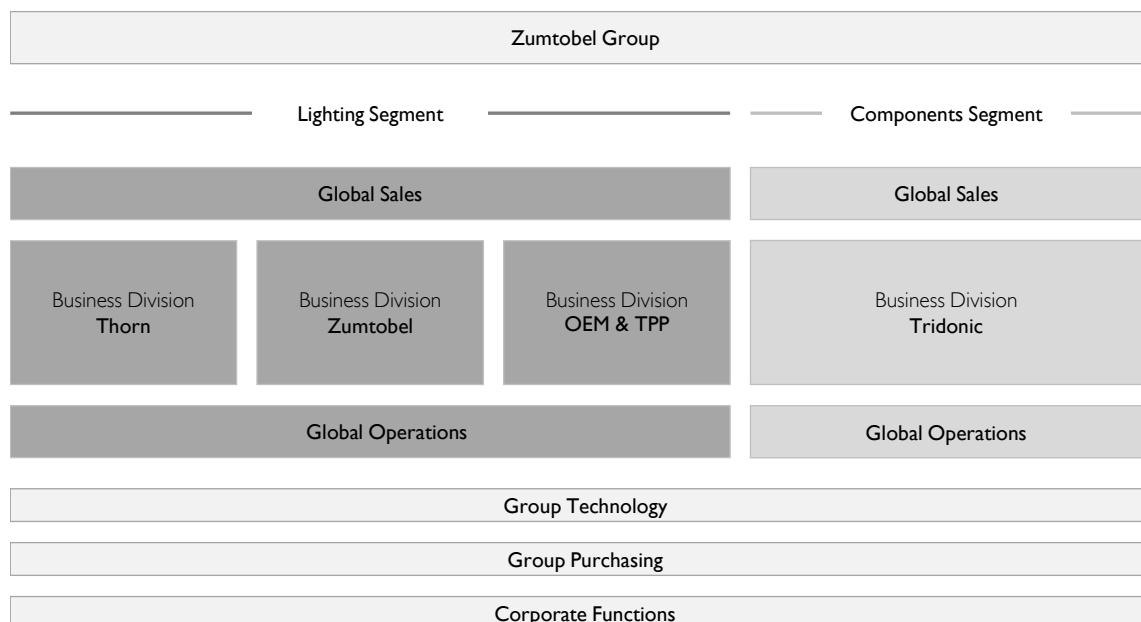
The Zumtobel Group follows a multi-brand strategy and is therefore able to offer its customers – many of which represent very close and long-standing business relationships – an extensive range of products and services. The product portfolios of the Thorn and Zumtobel lighting brands have a different focus, but are marketed by a single sales organisation. That allows customers to benefit from a comprehensive offering that covers all areas of professional indoor and outdoor lighting, including lighting control components and systems. With Tridonic, the Zumtobel Group has a components producer with the capability to transform the latest technology trends into innovative system solutions through proven electronic and software know-how.

Multi-brand strategy as success factor

1.1.4 Group structure

New organisational structure of the Zumtobel Group

The Management Board of Zumtobel Group AG is responsible for the control and direction of the Group. Ulrich Schumacher has been the Chief Executive Officer (CEO) of the Zumtobel Group since 1 October 2013. Karin Sonnenmoser was appointed Chief Financial Officer (CFO) of the Zumtobel Group on 1 May 2014. Martin Brandt, Chief Operating Officer (COO), left the company at his own request on 31 July 2014. In December 2013 the CEO implemented a fundamentally new organisational structure, which led to the realisation of synergy effects and improved market development based on a multi-brand strategy.



*simplified illustration

Brands organised as business divisions

The three brands – Zumtobel, Thorn and Tridonic – are now organised as business divisions. The responsibility for merchandise and OEM lighting is 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 ensure that customers' needs are exactly met. The divisional managers are responsible for financial performance as well as the entire logistics chain from customer requirements to delivery of the finished product.

Global production, purchasing and sales organisation

In the production organisation, all plants in both segments are integrated in a single global operations network in order to significantly improve cost structures and capacity utilisation. The plants are linked in a way that best utilises their regional and technological strengths for the benefit of the entire Group. The newly created central purchasing department "Group Purchasing" bundles the procurement volumes from all Group companies to maximise synergy effects.

Sales activities in the Lighting Segment are concentrated on the merger of the previously separate Zumtobel and Thorn sales organisations. The activities in all seven sales organisations are transparently structured according to three channels – project business, end customers and wholesale – and market the entire Zumtobel and Thorn product portfolio from a single hand. In accordance with the structure of the sales channels, these seven sales regions are supported by three central sales departments: "International Projects", "Global Key Account Management" and "Global Trade Management".

The research and development activities of the Lighting and Components Segments create synergies for the Zumtobel Group. A platform strategy has been implemented to ensure the utilisation of similar components in various Thorn and Zumtobel lighting products and, in this way, to improve cost and process efficiency.

Zumtobel Group AG serves as the parent company of the Group and provides numerous management and service functions. The corporate functions include controlling, human resources, Group accounting and taxes, legal, internal audit, insurance, treasury (including central financing and liquidity management for the Group), IT, corporate communications, investor relations and corporate integrity as well as the corporate centre, which is responsible, among others, for strategy development, M&A activities and process management. These central functions support the implementation of the corporate strategy through standardised processes and instruments and ensure transparency and efficiency throughout the Group.

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.

1.1.5 Products and production locations

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. In addition, the product portfolio is rounded out with purchased products.

The broad-based product offering of the Components Segment covers LED and OLED modules, LED converters, electronic control gear, emergency lighting and digital light management systems.

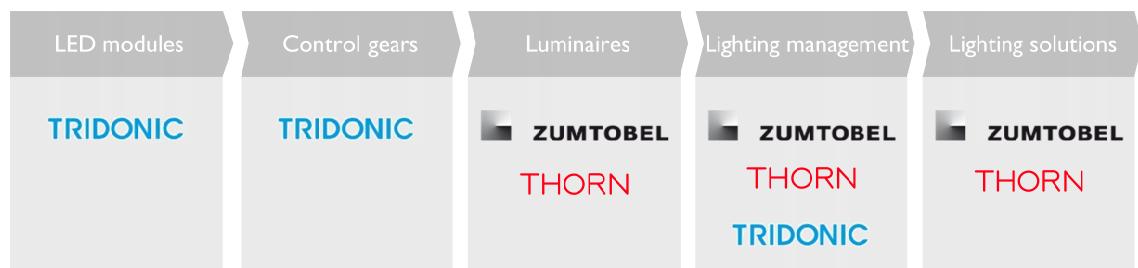
Cost and process efficiency through platform strategy

Management and service functions for the entire Group

Segment reporting based on Lighting and Components Segments

Full coverage of the value added chain

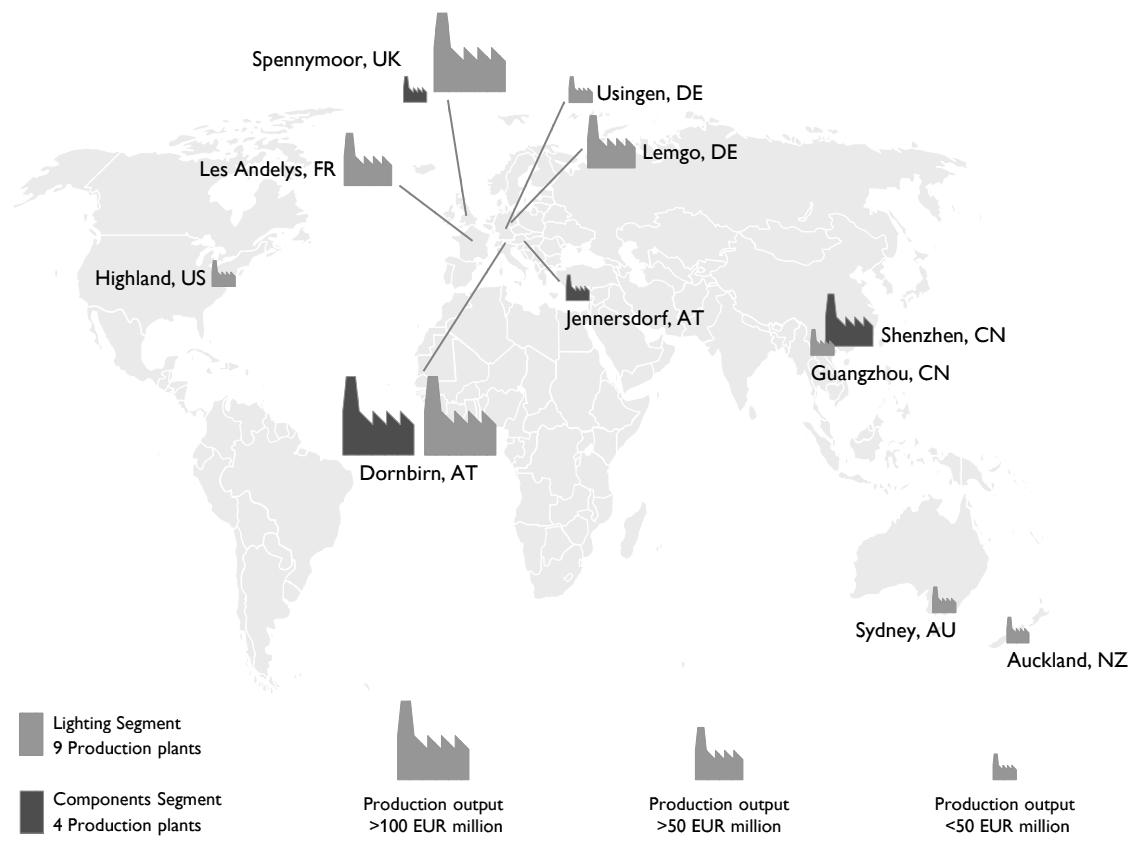
The five-step value chain in the professional lighting sector is covered in full by the Zumtobel Group's brands.



Global production network

As of 30 April 2015, the Group operated 13 production plants on four continents. The new organisation of the Zumtobel Group led to the closing of the lighting plants in Landskrona (Sweden) and Tianjin (China) as well as the components plant in Ennenda (Switzerland) during 2014/15. A buyer was found for Tridonic connection technology in Innsbruck (Austria) and for the components plant in Auckland (New Zealand).

Production network of Zumtobel Group as of 30 April 2015



1.1.6 Market position and brand positioning

The Zumtobel Group is active worldwide, but Europe remains the most important market with over 80% of Group revenues. The European professional lighting industry is highly fragmented, and the ten largest European luminaire producers cover roughly 45% of the total market. In this fragmented market, the Zumtobel Group – with its Thorn and Zumtobel brands – holds a leading position with a market share of roughly 10% in Europe. In contrast, the worldwide conventional components industry is characterised by greater consolidation. The market for LED modules and LED converters has seen the entry of numerous competitors in recent years, above all from Asia. With Tridonic, the Zumtobel Group holds a leading position in lighting management and control gears.

Zumtobel, as a premium brand and innovation leader, offers a wide range of high-end luminaires and lighting management systems for many different types of professional building applications. Its goal is to enrich people's lives with lighting and to make light come alive in the best possible quality. 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, designers and artists in the project business. Outstanding design and innovative technology merge harmoniously in Zumtobel products and allow the brand to create lighting solutions that inspire and enrich numerous lives. Zumtobel's activities are intended to strengthen the globalisation of its market presence, to drive the future-oriented development of the product portfolio and to expand the offering of intelligent lighting management systems.

Thorn is a leading quality supplier of professional solutions for indoor and outdoor lighting. This brand stands for high performance, cost-efficiency and, above all, user-friendly lighting and integrated controls. The Thorn brand markets its luminaires and lighting solutions worldwide, among others to wholesalers, electricians, planners and municipalities as well as end-users. The energy-efficient luminaires made by Thorn support a wide variety of applications in and around buildings, urban areas, sport venues, tunnels and streets. Thorn's functional products also cover all conventional indoor applications from offices to shops and supermarkets, industry, schools and healthcare facilities.

Tridonic – with its intelligent, integrated and efficient solutions – is the global brand for the inner values of light. The brand offers a complete portfolio of hardware and software that is characterised by particularly high quality, reliability and energy efficiency. This fusion of technical expertise and customer orientation makes Tridonic a preferred partner. In addition to the intragroup production of components and system solutions for Thorn and Zumtobel, Tridonic also serves as an OEM supplier (Original Equipment Manufacturer) for luminaire producers throughout the world and generates over 80% of its revenues outside the Zumtobel Group. Customers value Tridonic as an innovative and competent partner that makes light more intelligent, interesting and sustainable. 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 areas of lighting management solutions, software and the Internet of Things.

1.1.7 Key success factors for the Zumtobel Group

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

The sales function plays a key role in the Zumtobel Group's business model. The Group had 2,026 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

Leading position in a highly fragmented lighting market

Zumtobel is an international premium brand for complete lighting solutions

Thorn is an international brand with a focus on reliable performance

Tridonic is the specialist for lighting operations, controls and management

Multi-brand strategy with broad market access

three sales channels: project business, end customers and wholesale. The entire Zumtobel and Thorn product portfolio is now marketed from a single hand. Sales activities for the Zumtobel brand are concentrated primarily on the project business and the end customer business. The Thorn brand markets its products through all three sales channels. One element that links the Thorn and Zumtobel brands is their close customer relationships and 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 directly to a very large number of manufacturers. One of Tridonic's particular strengths is its long-term customer relationships.

Know-how in lighting applications

The design of a customer-specific lighting solution requires extensive knowledge of the product portfolio, the latest technological developments and the specific lighting application. 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

A central 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 digitalisation of the lighting industry and the increased use of LEDs and controls 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 2014/15 research and development (R&D) expenditures rose by 10.0% to EUR 79.0 million. The further development of LED technology and the growing complexity of intelligent lighting systems represent major challenges for R&D. Luminaires and, consequently, also their components are becoming part of the Internet of Things (IoT), which is leading to increased 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.

1.1.8 Energy efficiency and LED technology as structural revenue drivers

“International Year of Light”

In order to underscore the enormous importance of light for mankind as well as for science, economy, art and culture, the United Nations proclaimed 2015 as the “International Year of Light and Light-based Technologies”. Numerous events will be organised throughout the year under the direction of UNESCO and with the help of over 100 partners from 85 countries to provide information on the many facets of light. The goal is to show the importance of light for life and emphasise how light can help to solve global problems. The central idea behind the International Year of Light also reflects the major structural revenue drivers for the professional lighting industry, such as energy efficiency with a special focus on intelligently managed lighting solutions and the potential of LED technology.

Energy efficiency is remains a central growth driver

The subject of energy-efficiency is receiving greater attention in connection with the reduction of CO₂ 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. Comprehensive intelligently managed lighting solutions can reduce electricity consumption by up to 80%. Energy efficiency can best be improved through the use of

LEDs as a lighting source, intelligent control systems and ballasts and the design of the lighting. 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.

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. The LED share of Group revenues nearly reached the 50% threshold for the first time in 2014/15 and equalled 49.8% (2013/14: 33.6%).

Strong rise in demand for LED lighting

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.

Good lighting gives people a sense of well-being

1.1.9 Corporate strategy and medium-term goals up to 2016/17

The Zumtobel Group follows a long-term, profitable global growth strategy. The central elements of this strategy include a multi-brand approach and 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.

Multi-brand approach and full coverage of value chain

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year. Forecasts improved steadily in 2014/15, above all in Great Britain and Germany, which are the largest markets for the Zumtobel Group. This positive trend has been strengthened in the professional lighting industry by the technology shift to LED and energy efficiency with a special focus on intelligently managed lighting solutions. Demand in the professional lighting industry has currently disengaged from new commercial construction to a certain extent. 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 applications, strong technology position and complete coverage of the value chain. Against this backdrop, the Zumtobel Group has set a goal as part of its medium-term planning to generate organic growth of 3% to 5% on average each year up to 2016/17.

Annual growth of 3% to 5% in revenues

The 2014/15 financial year was an important transformation period for 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. This will create a stable foundation for future profitable and dynamic growth. The management of the Zumtobel Group has set a goal to increase profitability to roughly 8% to 10% by the 2016/17 financial year. The first milestone to reach this goal was set in 2014/15 with adjusted EBIT of 5.1%. Based on the new organisational structure, the company is expecting further efficiency improvements in sales, the optimisation of capacity utilisation in production and synergies in procurement.

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

Global operations network with improved capacity utilisation

The organisational changes in the production area involved 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. A number of projects were carried out in 2014/15 to improve capacity utilisation and reduce costs, which led to the downsizing, sale or shutdown of locations. The lighting plants in Landskrona (Sweden) and Tianjin (China) and the components plant in Ennenda (Switzerland) were closed; Tridonic connection technology in Innsbruck (Austria) and the components plant in Auckland (New Zealand) were sold; and the workforce at the lighting plant in Lemgo (Germany) was informed of the planned reduction of approx. 70 positions in 2015/16. The Group purchasing department is also expected to bring further cost savings. The first positive effects of the restructuring measures to improve capacity utilisation and reduce costs in the plants were already visible in 2014/15. The Group's gross margin improved from 32.2% to 33.1%.

Significant efficiency improvements in sales

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 given a transparent structure under three sales channels – project business, end customer and wholesale. Significant cost savings were realised from the cross-regional merger of back office functions and the consolidation of infrastructure (e.g. showrooms and offices) as well as leaner management functions. These efforts led to a further reduction of 120 in the number of sales employees and a decrease in selling costs as a per cent of revenues from 25.7% to 24.9% in 2014/15.

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. This will require, above all, the expansion of capacity and expertise in the areas of system architecture, software development and data management and will also form the basis for future services. 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 be slightly higher than the current level in the coming years at approx. 6% to 6.5% of revenues, in particular due to expenses for software development.

Expansion of know-how in lighting management solutions, software and Internet of Things

Tridonic made very good progress in orienting its business toward LED technology during the past year. Substantial gains in market share were recorded for LED modules and LED converters and fully offset the significant decline in conventional components. The challenge for Tridonic is, on the one hand, to invest quickly in new, innovative LED products and extend global activities and, on the other hand, to expand in the areas of lighting management solutions, software and the Internet of Things. Tridonic plans to strengthen its focus on offering a complete portfolio of hardware and software for intelligent system solutions that are integrated, efficient and meet the needs of customers. This will allow Tridonic to clearly differentiate itself from the growing commodification of LED standard components.

Acquisition strategy

A solid balance sheet structure gives the Zumtobel Group the necessary financial flexibility to also generate selective growth through targeted acquisitions. Potential acquisition targets must meet at least one of the following three selection criteria: expansion of the existing product portfolio through additional application solutions or new technologies or the development of new regional markets. The goal is to create value within the current international sales and production network through the realisation of synergies, market opportunities and application know-how.

Continuing commitment to sustainability

Sustainability and responsible actions are firmly anchored in the Zumtobel Group. This commitment is underscored by numerous activities in the ecological and social areas over the past decades. The Zumtobel Group's focus on 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 2014/15. Under these assumptions, the Zumtobel Group helped to realise energy savings of 2,364,239 megawatt hours in 2014/15 (2013/14: 1,100,710 MWh). This represents the annual electricity requirements of 788,080 two-person households (2013/14: 366,903). Based on the CO₂ emissions of a coal-fired power plant, the energy savings contribution of the Zumtobel Group amounted to approx. 2,033,246 tonnes of CO₂ in 2014/15.

Additional detailed information on sustainability can be found in the following sections: 1.7 Human Resources, 1.8 Suppliers, 1.10 Environmental Protection and 1.11 Research and Development.

Sustainability is closely related to the core business

1.2 General Economic Environment

Moderate global growth during the reporting year

The 2014/15 financial year was characterised by a continuation of the difficult economic environment not only in Europe, but also in the most important overseas regions. Regional growth at different speeds, the ongoing weakness in international trade, declines in the price of oil and other raw materials, geopolitical tensions and the low euro exchange rate defined the worldwide economic environment in 2014. As a result, the global economy generated only moderate growth. The International Monetary Fund (IMF) estimated global growth at 3.4% in 2014, which reflects the 2013 level (2013: 3.4%)¹.

Euro zone remains below expectations

The euro zone generated slight positive growth of 0.9% in the 2014 calendar year; but failed to meet the initial optimistic expectations. The unrest in Ukraine was reflected in a substantial decline in investment confidence and growing market uncertainty, while interest rate cuts and a securities purchase programme by the European Central Bank led to the devaluation of the euro and, as a result, to an improvement in the competitive position of companies based in the euro zone. In the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group, growth accelerated after slower momentum in 2013. The German and Swiss economies grew by 1.6% and 2.0%, respectively, but Austria remained very weak with an increase of only 0.4%. In Southern Europe, Spain and Portugal followed a decline in 2013 with a return to growth in 2014 (Spain: plus 1.4% and Portugal: plus 0.9%). The Italian economy contracted for the third year in succession, but the 2014 decline was lower than previous year at minus 0.4%. In Northern Europe, the upturn in Great Britain continued with an increase of 2.6% in the 2014 calendar year.

US economy continues to gain speed

The USA remained on a sound growth course with an increase of 2.4% in 2014, with development driven primarily by the private economy. China fell below the forecasted targets with an increase of 7.4% in 2014, but remained the most dynamic by far of the major economies. The other BRIC countries presented a mixed picture: India recorded impressive growth of 7.2%, but Brazil and Russia approached recession with slight growth of only 0.1% and 0.6%, respectively. Developments in Brazil reflected the increasing reform backlog, while Russia was negatively affected by the conflict with Ukraine, the economic sanctions and the sharp drop in oil prices.

Growing optimism for major economies, downward risks in emerging countries

In its April 2015 forecast, the IMF painted a reserved positive picture for the global economy with growth of 3.5% in 2015 and 3.8% in 2016. The major economies appear to be stronger than recently estimated, while growth is expected to slow in the emerging and developing countries. The oil-exporting countries have been hit hardest, and the geopolitical tensions have further intensified the effects in Russia. The decline in oil prices will have a lesser effect on the economies of net oil importers because the lower prices have not been passed on to consumers, but used to reduce oil subsidies and/or to improve government budgets. In addition to the continuation of the very loose monetary policy, the IMF is therefore demanding an increase in public investments to create new jobs, strengthen private consumption and increase the inflation rate.

¹ Source: IMF forecast, World Economic Outlook, April 2015

1.3 The Zumtobel Group Share

Turbulent stock market climate in 2014/15

Developments on the global stock markets were generally positive during the reporting year. In spite of the uncertain economic and political conditions, the market climate was positive – among others due to the low level of interest rates. The leading Austrian Traded Index (ATX), which also includes the Zumtobel share, rose from 2,525 to 2,586 points, for a slight increase of 2.4%. Other leading indexes recorded sound performance during this period, including the US Dow Jones (plus 7.1%), the German DAX (plus 16.2%) and the leading European Euro Stoxx 50 (plus 11.5%).

Generally good year
for global stock
markets

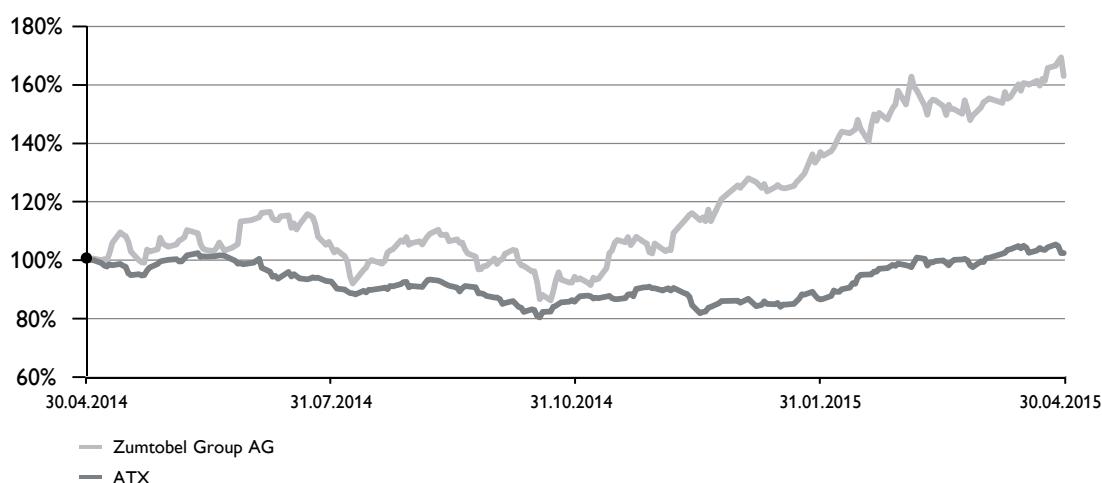
The past year saw sizeable fluctuations on the international financial markets, which resulted primarily from the low interest policy of the European Central Bank (ECB) and political instability in a number of countries. At the beginning of 2014, the stock markets were influenced by positive economic forecasts for the euro zone as well as uncertainty over the development of the Ukraine crisis and a more restrictive monetary policy by the US Federal Reserve. Monetary policy measures by the ECB supported an increase in share prices during the course of the year. Renewed concerns over global economic growth clouded the market climate towards the end of the 2014 calendar year, but tensions were eased by the stabilisation of the Ukraine crisis and the sharp drop in the oil price. The continuation of the ECB's ultra-loose monetary policy, in particular, and the announcement of bond purchases brought about a positive mood on the stock market at the beginning of 2015.

Zumtobel Group share with 63.0% increase in 2014/15

The 2014/15 financial year brought very favourable developments for Zumtobel Group shareholders, with a 63.0% increase in the share price from the beginning of May 2014 to the end of April 2015. With these results, the Zumtobel Group share clearly outperformed the leading Austrian ATX index (plus 2.4%). The share moved sideward during the first two quarters of the financial year and reached the annual low of EUR 12.935 on 20 October 2014. The share price then rose steadily during the last two quarters based on solid financial indicators, the recovery of the European economy with positive impulses for the construction industry and positive effects from the strategic reorientation of the Zumtobel Group. The annual high of EUR 25.4 was reached on 29 April 2015. The Zumtobel Group share closed the financial year on 30 April 2015 at EUR 24.445.

Zumtobel share
clearly outpaces ATX
average

Development of the Zumtobel Group Share



**Market capitalisation
rises to EUR 1,063
million**

The market capitalisation of Zumtobel Group AG reflected the development of the share price in 2014/15. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 1,063 million as of 30 April 2015 (30 April 2014: EUR 653 million). In a ranking to determine ATX membership, the Zumtobel share was 16th among the largest listed companies in Austria as of 30 April 2015 based on market capitalisation and 20th based on trading volume. The average daily turnover on the Vienna Stock Exchange fell from 104,035 shares in the prior year to 99,111 shares (double-count, as published by the Vienna Stock Exchange).

Key Data on the Zumtobel Share for the FY 2014/15

Closing price at 30.04.14	EUR 15.000	Currency	EUR
Closing price at 30.04.15	EUR 24.445	ISIN	AT0000837307
Performance FY 2014/15	63.0%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.15	EUR 1063 Mio	Market segment	Prime Market
Share price - high at 29.04.15	EUR 25.400	Reuters symbol	ZUMVVI
Share price - low at 20.10.14	EUR 12.935	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	99,111	Number of issued shares	43,500,000

Shareholder structure

**Zumtobel family
continues to hold
35.4%**

There were no major changes in the shareholder structure of Zumtobel Group AG during the 2014/15 financial year. The Zumtobel family has remained the stable core shareholder of Zumtobel Group AG since the initial public offering with a stake of 35.4%. As of 30 April 2015 the institutional investor BlackRock Inc. held an investment of over 5%. The remainder of the shares is held predominately by institutional investors, according to the information available to the company. At the end of the 2014/15 financial year, the company held 353,863 treasury shares (2013/14: 360,940 shares).

Steady dividend policy

**Recommended
dividend of EUR 0.22
per share for 2014/15**

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 substantially improved operating development during the reporting year and the stable economic environment in Europe, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel Group AG on 24 July 2015 calling for a dividend of EUR 0.22 for the 2014/15 financial year (2013/14: EUR 0.18).

Investor relations activities focused on transparency and dialogue

**Zumtobel Group
covered by 14
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, Chicago, Zurich, Frankfurt, Paris, Copenhagen, Milan, Zürs, Munich and Vienna. In 2014/15 the following 14 well-known Austrian and international investment banks issued regular reports on the Zumtobel Group 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), Equinet Bank (Frankfurt), Erste Bank (Vienna), HSBC Trinkaus (Düsseldorf), J.P. Morgan (London), Kepler Cheuvreux (Vienna), Landesbank Baden-Württemberg (Stuttgart), Morgan Stanley (London), Nomura (London), Raiffeisen Centrbank (Vienna), UBS (Frankfurt).

In connection with quarterly reporting and the publication of the annual financial report, the Zumtobel Group 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 as well as the corporate governance report can be reviewed on the investor relations website under www.zumtobelgroup.com/en/investor_relations. The investor relations department is also available to answer specific questions and can be reached as follows:

Zumtobel Group AG
Investor Relations
Schweizer Strasse 30
A-6851 Dornbirn
Tel. +43 (5572) 509-1125
investorrelations@zumtobelgroup.com

1.4 Significant events since 30 April 2014

Termination of lighting production in Landskrona

In connection with the 2 April 2014 announcement of restructuring projects to improve cost structures in production, the Zumtobel Group informed employees and the local union at the plant in Landskrona (Sweden) on 5 May 2014 about the termination of lighting production at this location in December 2014.

Termination of components 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 termination of production. The conventional ballasts for high-intensity discharge lamps that are produced in Ennenda were exposed to substantial competitive pressure and a resulting massive drop in price. Production at this location was terminated in February 2015.

Management buyout for Tridonic connection technology

On 6 June 2014 Tridonic announced the divestment of its 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.

Termination of lighting production in Tianjin

A further step in the announced production network consolidation involved the shutdown of the lighting plant in Tianjin, northern China, during July 2014 and the relocation of this production to the lighting plant in Guangzhou (China). This shutdown affected roughly 70 employees.

COO Martin Brandt leaves Zumtobel Group

The Supervisory Board of Zumtobel Group AG accepted the request by Martin Brandt, member of the Management Board and Chief Operating Officer, to terminate his employment contract prematurely as of 31 July 2014. This contract would have ended on 30 April 2015.

AGM approves dividend for FY 2013/14

The 38th annual general meeting on 25 July 2014 authorised the payment of a EUR 0.18 dividend per share for the 2013/14 financial year. This dividend was distributed to shareholders on 1 August 2014. In addition, the annual general meeting approved the change in the company's name from "Zumtobel AG" to "Zumtobel Group AG" and passed an anticipatory resolution which permits an increase of up to 10% in the company's share capital through the issue of new shares (conditional capital increase) within the next five years.

Workforce reduction in Lemgo

At the end of February 2015, the workforce at the lighting plant in Lemgo (Germany) was informed of the planned reduction of approx. 70 employees. These measures are intended to reduce excess capacity, above all in indirect production, and thereby improve the cost structure.

Sale of Auckland

A sale and purchase agreement with effect from 30 June 2015 to sell the components plant in Auckland (New Zealand) was concluded in April 2015. This transaction affected roughly 40 employees.

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

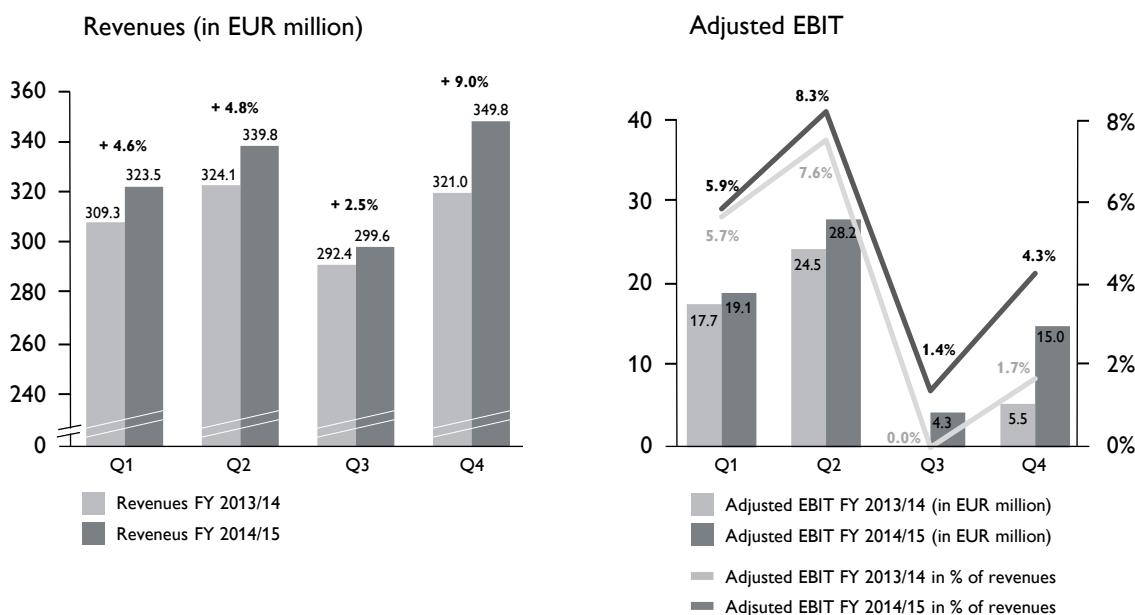
1.5 Related Party Transactions

Related parties include the Management Board and Supervisory Board of Zumtobel Group AG. As of the balance sheet date on 30 April 2015, 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 2014/15 was influenced by a generally stable economic environment and the acceleration of the technology shift to LED as well as the strategic reorientation of the Zumtobel Group and the implementation of the necessary restructuring measures. The analysis of revenues by quarter shows an increase in the speed of growth towards the end of the financial year, which was also supported by clearly positive foreign exchange effects. Revenues recorded by the Zumtobel Group rose by 5.3% to EUR 1,312.6 million in 2014/15.



Group EBIT, adjusted for special effects, rose by 39.7%, or EUR 18.9 million, to EUR 66.5 million (2013/14: EUR 47.6 million). The first successful results from the adjustment of plant capacity, the merger of the previously separate Zumtobel and Thorn sales organisations and the Group-wide bundling of purchasing activities led to a steady quarter-on-quarter improvement in the adjusted EBIT margin. Both the Lighting Segment and the Components Segment recorded a sound increase in adjusted earnings over the previous year.

1.6.2 Revenues

- >> Group revenues rise by 5.3%
- >> Clearly positive currency translation effects
- >> Zumtobel Group with above average benefits from technology shift to LED
- >> Solid year-on-year growth in revenues for Lighting Segment (plus 5.5%)
- >> Sound progress in Components Segment (plus 2.4%)
- >> Substantial regional differences in business development

Revenues recorded by the Zumtobel Group rose by 5.3% year-on-year to EUR 1,312.6 million (2013/14: 1,246.8 million) in a generally stable economic environment during the 2014/15 financial year, which covered the period from 1 May 2014 to 30 April 2015. The development of revenues was supported by clearly positive foreign exchange effects totalling EUR 33.9 million. These positive foreign exchange effects resulted, above all, from the revaluation of the Swiss franc (CHF), British pound (GBP) and US dollar (USD). After an adjustment for these effects, the increase in revenues amounted to 2.6%.

Group revenues rise by 5.3%

**Zumtobel Group
with above average
benefits from
technology shift**

Important growth impulses have been created, in particular, by LED technology and by the trend to intelligently managed, energy-efficient lighting. This was reflected in continued dynamic growth with LED products during the reporting year. Revenues from the sale of LED products rose by 55.9% to EUR 653.3 million in 2014/15 (2013/14: EUR 419.0 million). The LED share of Group revenues grew to 49.8%, compared with 33.6% in the previous year. Both the Lighting Segment (plus 51.1%) and the Components Segment (plus 79.6%) benefited from the shift to LED with their extensive portfolio of innovative LED products. The LED share of Group revenues exceeded 50% in both segments during the second half of the reporting year and was accompanied by a corresponding decline in revenues from the sale of conventional lighting and components.

Segment development in EUR million	2014/15	2013/14	Change in %
Lighting Segment	989.9	938.5	5.5
Components Segment	393.8	384.5	2.4
Reconciliation	(71.1)	(76.2)	(6.6)
Zumtobel Group	1,312.6	1,246.8	5.3

**Solid revenue growth
in Lighting Segment**

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year, but with very different regional developments. Revenues in the Lighting Segment rose by 5.5% to EUR 989.9 million in 2014/15 (2013/14: EUR 938.5 million) and by 2.9% after an adjustment for positive foreign exchange effects. This development was supported by the first positive impulses from the new multi-brand sales structure, which now markets the entire Zumtobel and Thorn product portfolio in all regions from a single hand, and by a rapidly growing key account business. There has been a strong increase in the demand from European retail chains that want to convert their shop lighting to LED because of the attractive amortisation periods and are looking for a supplier who can guarantee the local implementation of centrally designed lighting concepts.

**Sound progress
in Components
Segment**

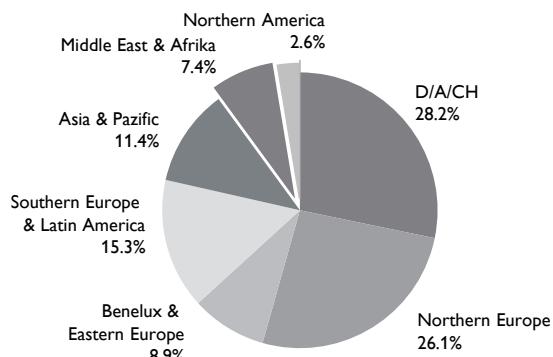
The Components Segment continued to make sound progress in transforming its business to LED technology to create a stable foundation for further growth. The development of revenues during the reporting year was still negatively influenced by the exit from magnetic technology, the sale of the non-core connecting clamp business and the rapidly declining demand for electronic ballasts in 2013/14. However, the sound increase in sales volumes of LED converters and LED modules confirms the strategy to invest in the structural shift to LED. Revenues from the sale of LED components rose by an outstanding 79.6% to EUR 212.3 million in 2014/15 (2013/14: EUR 118.2 million) and completely offset the declining demand for electronic ballasts as well as the revenues lost from discontinued operations. Segment revenues increased 2.4% to EUR 393.8 million in the reporting year (2013/14: EUR 384.5 million). After an adjustment for positive foreign exchange effects, revenues reflected the previous year.

Development of revenues by region

2014/15	Revenues in EUR million	Change in %
D/A/CH	370.7	5.8
Northern Europe	342.9	9.8
Benelux & Eastern Europe	116.4	10.1
Southern Europe & Latin America	200.8	(5.5)
Asia & Pacific	149.6	6.0
Middle East & Africa*	97.6	6.3
Northern America	34.5	5.2
Total	1,312.6	5.3

*incl. India, Central Asia & Turkey

Regional distribution of revenues



In connection with the new organisational structure of the Zumtobel Group, the sales regions were redefined during the reporting year and the regional assignment of the individual countries was adjusted as follows:

D/A/CH:	Germany, Austria, Switzerland
Northern Europe:	Great Britain, Ireland, Sweden, Norway, Iceland, Finland, Denmark, Baltic States
Benelux & Eastern Europe:	Belgium, Netherlands, Luxembourg and all countries in Eastern Europe, including Russia
Northern America:	USA and Canada
Southern Europe & Latin America:	France, Italy, Spain, Portugal, Greece and all countries in Latin America
Asia & Pacific:	All countries in the Far East, including China as well as Japan, Australia and New Zealand
Middle East & Africa:	All countries in Middle East, India, Africa, Central Asia and Turkey

These changes were also made retroactively, which led to the adjustment of the regional distribution in 2013/14.

There are major regional differences in the economic environment and the speed of implementation for the restructuring measures and strategic reorientation. Therefore, the development of revenues in the individual regions differed significantly during the reporting period. The D/A/CH region, the strongest market in the Zumtobel Group, recorded a 5.8% increase in revenues (FX-adjusted: 3.7%) to EUR 370.7 million. Germany, in particular, benefited from the rising demand by large retail chains that want to convert from conventional to LED lighting. Switzerland benefited from positive foreign exchange effects based on an increase in the Swiss franc versus the euro during the first half-year. In Northern Europe, revenues rose by 9.8% (FX-adjusted: 4.8%) to EUR 342.9 million. The strongest growth in this region was recorded in Great Britain. Benelux & Eastern Europe increased revenues by 10.1% to EUR 116.4 million. Solid development was recorded, above all, in Eastern Europe (Czech Republic, Poland, Hungary). In the Southern Europe and Latin America region, the development of business in France and Italy remained clearly below expectations during 2014/15. France, in particular, was negatively affected by a sharp drop in the outdoor lighting business. Revenues in this region fell by 5.5% to EUR 200.8 million. The Asia & Pacific region is undergoing extensive restructuring. The Components Segment generated sound growth, but the lighting business in Asia remained disappointing. Substantial efforts are still required at the product, cost and process levels in this region to

New organisation of sales regions

Great Britain remains central growth driver

ensure the planned profitable growth. Revenues in the Asia & Pacific region rose by 6.0% (FX-adjusted: 1.8%) to EUR 149.6 million in 2014/15. In the Middle East & Africa region, the sound development from the previous year continued with an increase of 6.3% (FX-adjusted: 3.6%) in revenues to EUR 97.6 million. Revenues in North America rose by 5.2% to EUR 34.5 million. After an adjustment for the positive foreign exchange effects, revenues declined by 3.2% year-on-year.

1.6.3 Earnings

- >> Adjusted Group EBIT rises by 39.7% to EUR 66.5 million
- >> Higher expenditures for research and development
- >> Selling expenses as a % of revenues below prior year
- >> Negative special effects from the transformation process (EUR 25.4 million)
- >> Net profit of EUR 11.9 million for the reporting year

Income statement in EUR million	2014/15	2013/14	Change in %
Revenues	1,312.6	1,246.8	5.3
Cost of goods sold	(878.0)	(845.4)	3.9
Gross profit	434.6	401.5	8.2
as a % of revenues	33.1	32.2	
SG&A expenses adjusted for special effects	(368.1)	(353.9)	4.0
Adjusted EBIT	66.5	47.6	39.7
as a % of revenues	5.1	3.8	
Special effects	(25.4)	(35.5)	(28.4)
EBIT	41.1	12.1	>100
as a % of revenues	3.1	1.0	
Financial results	(25.4)	(14.6)	(74.4)
Profit/loss before tax	15.7	(2.4)	>100
Income taxes	(3.7)	(2.3)	65.1
Net loss from discontinued operations	0.0	(0.1)	43.1
Net profit/loss for the year	11.9	(4.8)	>100
Earnings per share (in EUR)	0.28	(0.12)	>100

Note: EBITDA amounted to EUR 100.1 million in 2014/15 (2013/14: EUR 80.2 million).

Adjusted Group EBIT rises by 39.7%

Group EBIT adjusted for special effects rose by 39.7% from EUR 47.6 million in 2013/14 to EUR 66.5 million for the reporting year. The return on sales increased from 3.8% to 5.1%. Both the Lighting Segment and the Components Segment reported a substantial improvement in adjusted earnings over the previous year. The gross profit margin for the Group increased to 33.1% (2013/14: 32.2%), whereby the first positive effects of the restructuring measures to improve capacity utilisation and reduce production costs were clearly visible.

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 further expanded during the reporting year. This was reflected in an increase in development costs included in the cost of goods sold, which rose by 9.7% year-on-year to EUR 75.3 million (2013/14: EUR 68.6 million). The increasing intelligence of systems will require, above all, the expansion of capacity and expertise in the areas of system architecture, software development and data management.

Selling expenses as a % of revenues below prior year

Selling expenses as a percent of revenues declined from 25.7% to 24.9%. One focal point of the Zumtobel Group's new structure is the merger of the previously separate Zumtobel and Thorn sales organisations, and the related measures were introduced during the past 12 months. The number of employees in sales

declined by roughly 120 year-on-year as of 30 April 2015. Administrative expenses rose from EUR 40.4 million to EUR 46.5 million, primarily due to higher consulting costs and personnel reinforcement in central functions. Other operating results excluding special effects amounted to EUR 5.4 million (2013/14: EUR 6.8 million), and, as in the previous year, consisted primarily of license income from the LED business and government grants.

Similar to the previous year, 2014/15 was also influenced by significant negative special effects of EUR 25.4 million (2013/14: EUR 35.5 million). These effects are related, above all, to the termination of production in Landskrona (Sweden) and Ennenda (Switzerland), the sale of the components plant in Auckland (New Zealand), the workforce reduction at the lighting plant in Lemgo (Germany) and restructuring measures in the Lighting Segment sales organisations. Additional detailed information is provided in section 2.6.4.3 of the notes.

Negative special effects from transformation process

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

Adjusted EBIT in EUR million	2014/15	2013/14	Change in %
Reported EBIT	41.1	12.1	>100
thereof special effects	(25.4)	(35.5)	(28.4)
Adjusted EBIT	66.5	47.6	39.7
as a % of revenues	5.1	3.8	

Financial results deteriorated by EUR 10.8 million to minus EUR 25.4 million in 2014/15 (2013/14: minus EUR 14.6 million). Interest expense consists mainly of interest on the current credit agreement. Other financial income and expenses totalled minus EUR 16.6 million (2013/14: minus EUR 6.8 million). The Zumtobel Group hedges foreign exchange transaction risk primarily with forward exchange contracts that have a maximum term of one year and also uses options in individual cases. The Group's key currencies are the EUR, GBP, USD, AUD and CHF. The negative change versus the prior year resulted mainly from the fair value measurement of financial instruments. In particular, the increase in the Swiss franc versus the euro as of 30 April 2015 led to the negative year-on-year market valuation of foreign currency transactions that involve the future sale of Swiss francs for euros. Additional detailed information is provided in sections 2.6.4.4 and 2.6.4.5 of the notes.

Financial results deteriorate by EUR 10.8 million

Financial result in EUR million	2014/15	2013/14	Change in %
Interest expense	(9.1)	(8.9)	1.9
Interest income	0.4	0.8	(51.0)
Net financing costs	(8.7)	(8.1)	(7.3)
Other financial income and expenses	(16.6)	(6.8)	<(100)
Result from companies accounted for at-equity	(0.1)	0.3	<(100)
Financial results	(25.4)	(14.6)	(74.4)

Profit before tax rose to EUR 15.7 million in the reporting year (2013/14: minus EUR 2.4 million), and income taxes equalled EUR 3.7 million (2013/14: EUR 2.3 million). The effective tax rate represents a weighted average of all companies included in the consolidation range and equals 23.8%. Following a loss of EUR 4.8 million in 2013/14, the Zumtobel Group recorded positive net profit (including non-controlling interests) of EUR 11.9 million for the reporting year. Earnings per share for the shareholders of Zumtobel Group AG (based on 43.1 million shares) equalled EUR 0.28 (2013/14: minus EUR 0.12 based on 43.1 million shares).

Net profit of EUR 11.9 million

1.6.4 Cash flow, financial and asset position

- >> Rising volume of business leads to increase in working capital
- >> Capital expenditure increases to EUR 76.6 million (2013/14: EUR 65.6 million)
- >> Free cash flow equals minus EUR 15.2 million (2013/14: EUR 7.2 million)
- >> Continued secure liquidity position and solid balance sheet structure

Seasonality of the business

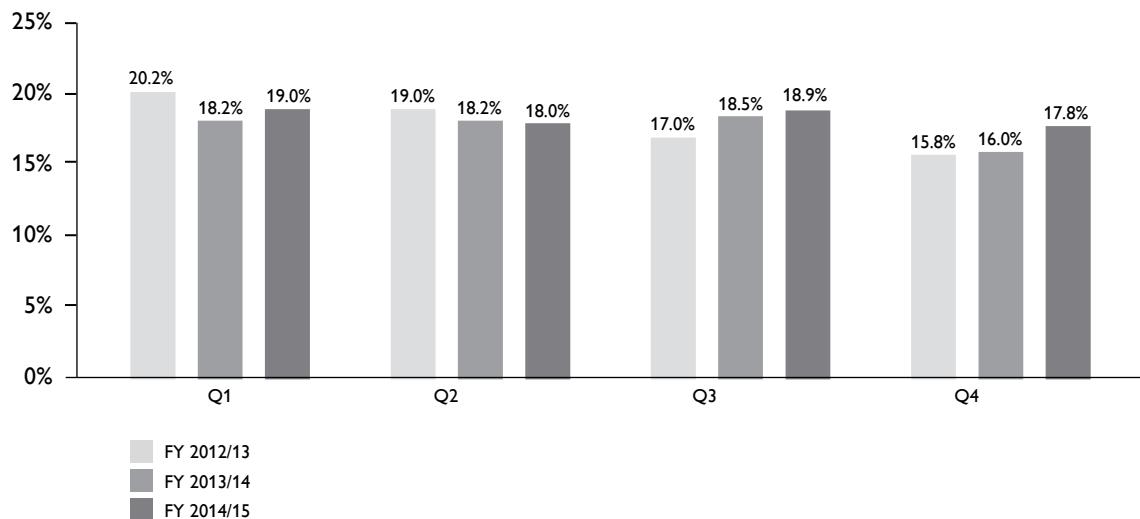
The development of business in the Zumtobel Group follows a seasonal pattern: during the first half of the financial year (1 May to 31 October) the volume of business is normally higher because most construction projects are concluded during the summer and autumn and the installation of the lighting 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 flow is calculated on a monthly basis using the indirect method. The resulting monthly 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 procedure leads to currency translation differences, above all in the individual components of cash flow from operating activities, and therefore also to substantially different amounts compared with the differences in the individual balance sheet positions. The amounts recorded on the statement of comprehensive income in accordance with IAS 19, IAS 21 and IAS 39 are reported on the cash flow statement under the changes in the respective balance sheet positions.

Increase in working capital

Working capital rose by EUR 33.8 million year-on-year to EUR 233.8 million as of 30 April 2015 (EUR 200.0 million), primarily due to the increase in business during the fourth quarter and growth in inventories. Stocks of raw materials and finished goods were increased at a higher rate than sales to ensure continued production and uninterrupted supplies to customers. Working capital in relation to rolling 12-month revenues rose from 16.0% in the previous year to 17.8% in 2014/15 and is therefore within the Group's defined target corridor of 16% to 18%. The cash outflows from the increase in working capital during the reporting year totalled EUR 22.6 million. The negative cash flow effect from non-current provisions (EUR 28.2 million) resulted primarily from the change in the IAS 19 reserve recorded under comprehensive income in 2014/15. The negative effect from current provisions was related chiefly to the reversal of provisions for guarantee costs and onerous contracts, which was contrasted by accruals for restructuring. The year-on-year increase in the cash flow position "other current and non-current assets and liabilities" resulted mainly from higher employee-related liabilities. In total, cash flow from operating activities fell by EUR 8.9 million to EUR 62.8 million in 2014/15 (2013/14: EUR 71.8 million).

Working Capital in % of rolling 12-month revenues



Capital expenditure in the Zumtobel Group amounted to EUR 76.6 million for the reporting year (2013/14: EUR 65.6 million). These expenditures covered investments in new production equipment and the manufacture of tools for new products, expansion and maintenance investments as well as capitalised R&D costs of EUR 15.9 million (2013/14: EUR 19.0 million). The investments in 2014/2015 focused primarily on modern equipment for the industrial production of LED lights and components. The positive cash effect in the position "change in liquid funds from changes in the consolidation range" is related to the sale of Tridonic connection technology GmbH, Austria, and Tridonic connection technology GmbH & Co. KG, Austria, and the initial consolidation of Thorn Lighting Limited Liability Company in Qatar.

Increase in capital expenditure

Free cash flow was substantially lower than the previous year at minus EUR 15.2 million (plus EUR 7.2 million) due to the increase in capital expenditure and working capital. Cash flow from financing activities of minus EUR 17.1 million (2013/14: minus EUR 13.1 million) consisted, above all, of the EUR 7.8 million dividend paid to the shareholders of Zumtobel Group AG for the 2013/14 financial year and interest payments of EUR 9.0 million.

Free cash flow declines to minus EUR 15.2 million

In order to ensure the ability to meet its payment 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 Zumtobel Group can also access extensive working capital credit lines to offset liquidity fluctuations arising from business activities. As of 30 April 2015, the Zumtobel Group had short-term, unsecured credit lines totalling EUR 93.4 million (2013/14: EUR 89.0 million). The consortium credit agreement concluded on 8 November 2011 with seven banks also represents a major financing agreement for the Zumtobel Group. The agreement has a term extending to October 2016 and a maximum line that currently equals EUR 350 million. The amount drawn under this credit line totalled EUR 80 million as of 30 April 2015 (2013/14: EUR 170 million). In addition to the consortium credit agreement, the Zumtobel Group also concluded two long-term bilateral bank credit agreements of EUR 40 million each. They call for bullet repayment and have terms ending in September 2018, respectively in January 2020. The proceeds of both bilateral credits were fully drawn as of 30 April 2015 and were used, in part, to repay the consortium credit. The result was a substantial extension in the average term of the Group's financing. The financing agreements concluded by the Zumtobel Group are 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 2015 with a debt coverage ratio of 1.48 (2013/14: 1.57) and an equity ratio of 29.7% (2013/14: 32.5%). Net liabilities totalled

Secure liquidity

EUR 148.2 million at the end of the 2014/15 financial year (2013/14: EUR 126.2 million), which represents an increase of EUR 22.0 million over the comparable prior year value.

Balance sheet data in EUR million	30 April 2015	30 April 2014
Total assets	1,086.3	1,006.6
Net debt	148.2	126.2
<i>Debt coverage ratio</i>	1.48	1.57
Equity	322.6	327.6
<i>Equity ratio in %</i>	29.7	32.5
<i>Gearing in %</i>	46.0	38.5
Investments	76.6	65.5
Working capital	233.8	200.0
<i>As a % of rolling 12 month revenues</i>	17.8	16.0

Solid balance sheet structure

The Zumtobel Group's balance sheet remains solid. The balance sheet total was higher than on 30 April 2014 due to the increase in working capital. Equity was negatively influenced by actuarial losses that resulted from the measurement of the pension and severance compensation obligations as of 30 April 2015. 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 section 2.6.6.12. The equity ratio therefore declined from 32.5% on 30 April 2014 to 29.7% at the end of the 2014/15 financial year. Gearing, the ratio of net debt to equity, deteriorated from 38.5% to 46.0%.

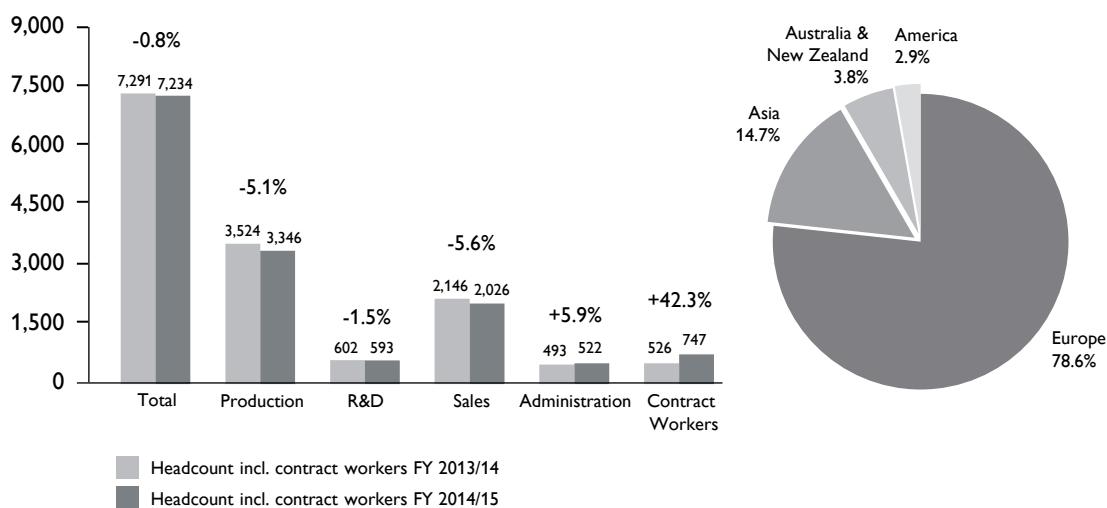
1.7 Human Resources

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.

The strategic reorientation of the Zumtobel Group and the related necessary restructuring measures led to a decline in the workforce during the reporting year, above all in production and sales administration. This was contrasted by additional hiring in the central administrative functions to support the entrepreneurially managed organisational units. The sound development of revenues, above all in the fourth quarter, and the related higher production volume led to an increase of 220 in the number of contract workers towards the end of the reporting year. The Zumtobel Group had 7,234 full-time employees (including contract workers) as of 30 April 2015, or 60 fewer employees than in the previous year. The following graph shows the distribution and development of the workforce by activity and region:

Restructuring measures lead to workforce reduction

Breakdown by activity and region



Labour productivity – i.e. adjusted EBIT as a per cent of personnel expenses – rose from 10.7% in the prior year to 14.7% in 2014/15 due to the sound improvement in operating results. Average revenues per employee (including contract workers) increased slightly from EUR 172,700 to EUR 183,000.

Increase in labour productivity

Current challenges

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.

Support for cultural shift and optimal utilisation of synergy effects

The Zumtobel Group created a dedicated talent management function at the beginning of the reporting year to focus and support the internal recruitment of men and women for key positions. The persons identified through this process take part in a development and coaching programme that is tailored to their

Targeted talent management

personal and business challenges and accompanied by talent management. This forms the basis for concrete succession planning and continuous management development.

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. An important step during the reporting year was the merger of the individual brand academies into the Global Learning Academy based on a Group-wide approach. Training measures focused on efficiency aspects and the intensification of the corporate vision through common training activities in the Zumtobel Group.

Corporate training

The Global Learning Academy offers training programmes for employees and managers on management, processes and social skills, whereby roughly two-thirds of the courses are held by company instructors. The online training offering was further expanded in 2014/15 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. In addition, train-the-trainer concepts were developed, tested and implemented together with the specialist departments.

Apprenticeship training in 11 professions

As of 30 April 2015, the Zumtobel Group had 130 apprentices (2013/14: 147). 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 available to employees. In 2014/15, 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.

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. 34%, 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 13.3%.

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.

Remuneration

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.

Performance-based
remuneration
schemes

The performance indicator for all employees eligible for bonuses was changed in May 2014 to the total shareholder return of Zumtobel Group AG in comparison with the total shareholder return for a clearly defined, relevant peer group. For middle and upper management, this base performance indicator is generally supplemented by individual goals which can lead to positive or negative variances from the defined targets at the individual level. Variable remuneration consists of a short-term component and a long-term component. The short-term component is paid out directly in cash during the bonus year. The distribution of the long-term component is spread over the following three to five years, whereby the tranche in the respective payment year is weighted by the target achievement of the base performance indicator (total shareholder return relative to the peer group). This structure is intended to support sustainable decisions by management.

New bonus system

Detailed position descriptions and function evaluations (job mapping) 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 focus on the functional content also limits any gender-specific irregularities.

The annual employee review forms an important instrument in the interaction between employees and their supervisors. In this structured discussion, managers and their staff define goals, develop a common understanding for the values and the importance of the corporate strategy for the specific job responsibilities. Mutual expectations are coordinated and development opportunities are systematically identified. Training measures are also defined depending on the employee's individual needs.

Annual employee
review

Workplace safety

The Zumtobel Group places high importance on accident prevention and health protection for its employees. Local officers monitor compliance with specific environmental, health and safety guidelines at all locations. 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 2014/15 the TRI rate for the lighting plants increased slightly to 16.6 (2013/14: 14.7) and declined to 4.7 (2013/14: 4.8) for the components plants.

Focus on occupational
safety

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. Business relationships with over half these suppliers have existed for more than 15 years. That provides economical, ecological and socially responsible protection for the supply chain, while ensuring optimal quality. The procurement specialists in the Zumtobel Group were faced with numerous challenges during the reporting year, above all from the volatile exchange rate constellations – the decline in the euro and the resulting weaker purchasing power in foreign currency markets – and the rapid technological shift toward LED.

Commodity management and risk management strategy

In connection with the strategic reorientation of the Zumtobel Group, the structure of 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. Commodity managers 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). The platform and multi-sourcing strategy and other focal point activities optimise costs and protect supply security and quality, even in the event of unexpected external incidents and demand shifts. This multi-sourcing strategy calls for the identification and approval of at least two suppliers for high-revenue procurement articles. One particular focal point for the reporting year was the implementation of logistics concepts, which were developed individually for the various production plants together with suppliers.

The Zumtobel Group has a network of 1,500 suppliers throughout the world. The supplier network was further reduced during the reporting year, although the increasing demands of LED technology have led to the addition of numerous new partners. In 2014/15, 8% of the suppliers were responsible for more than 75% of procurement volumes. The goal is to further reduce the number of suppliers.

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 roughly 7% for the Lighting Segment and 65% for the Components Segment in 2014/15.

Systematic evaluation and audits of suppliers

Both segments of the Zumtobel Group have implemented systematic processes for the regular evaluation and auditing of suppliers. These reviews are coordinated by commodity management in cooperation with the engineering, purchasing and supplier quality staffs. In addition to the recognised success factors of supplier reliability, quality and service, sustainability aspects are also evaluated (environmental management system, code of conduct). The Lighting Segment carried out 40 audits in 2014/15, including 17 with potential new suppliers and 23 with existing suppliers. The Components Segment carried out 19 audits with existing suppliers during the reporting year, whereby more than half represented sustainability audits which concentrated principally 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. A new Group-wide process for the qualification of new suppliers was introduced during the reporting year. All new suppliers must, among others, confirm their compliance with the Zumtobel Group's code of conduct in writing and demonstrate the availability of a verifiable quality management system in a release audit. Compliance with environmental and energy management standards is also reviewed. By countersigning the code of conduct document, 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

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.

Highest quality demands

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 products and processes. Total Quality Management (TQM), Lean Management 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 Management and 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. The Lighting Segment 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.

High-quality processes and products

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). Compliance with these regulations is ensured by material compliance software, which is continuously developed and adapted to meet the changing framework conditions.

Standards and directives

The reorientation of the Zumtobel Group was also accompanied by an adjustment of the service organisation and the related processes. A joint service team is now responsible for after-sales service for both the Zumtobel and Thorn lighting brands.

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

This commitment to environmental protection is anchored not only in the vision, mission statement and values, but also in the corporate policies and the code of conduct of the Zumtobel Group. 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 that are moderated by well-known external experts 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 and methods that safeguard compliance with legal and government requirements. The ten most important production plants in the Zumtobel Group are certified under ISO 14001: the Tridonic locations in Dornbirn (Austria), Jennersdorf (Austria), Spennymoor (Great Britain) and Shenzhen (China) and the lighting plants in Dornbirn (Austria), Lemgo (Germany), Usingen (Germany), Spennymoor (Great Britain), Les Andelys (France) and Guangzhou (China).

Energy management certified under ISO 50001

The goal of an energy management system certified under ISO 50001 is to monitor and manage a company's energy performance and thereby improve energy efficiency. In 2013 the Tridonic production plant in Dornbirn (Austria) became the first location in the Zumtobel Group to receive certification under the international standard ISO 50001 for energy management systems (EnMS), and the components plant in Jennersdorf (Austria) and the lighting plant in Dornbirn (Austria) successfully completed the certification process during the 2014 calendar year. The scope of certification was further expanded at the beginning of 2015 to include the components plant in Spennymoor (Great Britain).

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

Research and development (R&D) represents a decisive success factor for the Zumtobel Group through its role in the development and application of new technologies. In accordance with the goal to further expand the Zumtobel Group's outstanding technology position, R&D expenditures were increased by a further 10.0% to EUR 79.0 million.

Research and Development in EUR million	2014/15	2013/14	Change in %
Development costs	75.3	68.6	9.7
Research costs	3.7	3.2	14.9
R&D total	79.0	71.8	10.0
as a % of revenues	6.0	5.8	
Headcount (full-time equivalent) R&D	593	602	(1.5)

Further increase in R&D expenditures

The individual brands are responsible for product development, while specific responsibilities are concentrated at the Group level. These responsibilities primarily involve coordination to prevent duplication in product development, 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.

Individual brands are responsible for product development

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, OLED, quantum dots (QD) and lasers for light sources, new optical concepts for the direction of light in LEDs, new control gears and concepts for the operation of LEDs and OLEDs as well as new approaches for the management of lighting systems. The levelling-out of the efficiency increase in LEDs and the increased processor and storage performance in control gears is slowly shifting the focus of development from the lighting function to additional functions with added value for customers.

Focus on energy efficiency, light quality and intelligent controls

The Zumtobel Group's innovative strength is closely linked to R&D. An extensive patent portfolio, especially in the area of new technologies, protects the brands' positions in the areas of growth, competitive advantage and access to strategic cooperation with other companies. In 2014/15 the Lighting Segment registered 64 patents (2013/14: 94) and the Components Segment 97 patents (2013/14: 73). In 2014/15 the share of revenues generated with new products (products not older than three years) equalled 40.7% (2013/14: 32.6%) in the Lighting Segment and 71.3% (2013/14: 54.1%) in the Components Segment. The number of active commercial property rights – currently approx. 7,600, including 4,295 patents – and the share of revenues recorded with new products speak for the company's innovative strength.

Continued high innovation power

Technological shift

Not only LED technology continues to have a significant influence on R&D in the Zumtobel Group, but also the increasing intelligence of systems and the need for higher performance interfaces. Luminaires and, consequently, also their components are becoming part of the Internet of Things (IoT), which is leading to increased demands for the expansion of capacity and expertise in the areas of system architecture, software development and data management. This expanded hardware and software structure will also form the basis for future services.

From pure hardware to a combination of hardware, software and service

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, standardised hardware and differentiation through software. Development partnerships and open systems will also become even more important in the future. The R&D organisation has now moved beyond Europe's borders with the expansion of R&D activities by all brands 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 markets and low-cost products for the local Asian market. The strengthening of software activities and expertise has also led to the expansion of the development sites in the USA and Australia.

Cooperation with universities on research

In addition to established cooperation with universities such as Ilmenau, Berlin, Hamburg (all Germany), Graz (Austria) and Zurich (Switzerland) in the areas of lighting and lighting technology, the Zumtobel Group is also increasing its interaction with universities in hardware and software development and communication technology. The same is true for non-university research institutions like the Fraunhofer Institute. Especially in software development, e.g. applications for mobile devices (so-called Apps) and the user-friendly design of interfaces, formal design has also become very important. In this area, the Zumtobel Group also works with smaller design studios and spin-offs of larger companies.

1.12 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2015 that would have led to a change in the asset, financial or earnings position of Zumtobel Group AG.

COSO models and recognised best practice as basis

The frameworks defined by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) has formed the basis for the internal control system (ICS) and risk management in the Zumtobel Group for many years, specifically in the form of the COSO Internal Control – Integrated Framework and Enterprise Risk Management – Integrated Framework. In addition, IT controls are based on the COBIT IT Governance Framework issued by the ISACA (Information Systems Audit and Control Association). The internal control system covers all monitoring and management measures integrated in processes, which provide reasonable assurance over the safeguarding of the Group's assets, the completeness and reliability of information and systems, the efficiency and effectiveness of processes and compliance with legal, contractual and internal rules and 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. Corporate Internal Audit, as an independent and objective assurance provider, supports management in the on-going monitoring and improvement of the internal control system.

1.13.1 Principles of the internal control system

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

- >> Integrity and ethical values
- >> Transparent organisational structure
- >> Systematically defined corporate policies & procedures
- >> Clear assignment of roles and responsibilities
- >> Clearly defined decision-making authority and accountability with appropriate levels for release and approval procedures
- >> Appropriate documentation of processes
- >> Separation of functions and four-eyes-principle
- >> Controls for completeness, plausibility checks, cross-checks and variance analyses
- >> Reconciliation procedures, verification of consistency and validity
- >> Analytical reviews by specialised departments and management
- >> Appropriate IT general controls
- >> IT application controls that include mandatory fields, check digits and logic queries
- >> Ongoing and targeted reviews by management
- >> Independent audits by Corporate Internal Audit

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

- >> The internal control system is understood as an integral part of business processes and does not operate as a separate system.
- >> The internal control system is risk-oriented, i.e. monitoring and control measures must be reasonable with regards to the magnitude of the underlying risk (cost-benefit analysis).
- >> Preventive controls should be given preference over detecting and correcting controls.
- >> Automatic control mechanisms (e.g. IT-operated controls) will be primarily used. In cases where this is not possible or reasonable, manual or organisational controls will be used.

The written process documentation, the internal control system 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.

Appropriateness of risks and controls

Suitable written documentation

1.13.2 Internal controls over 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 Group AG and the major Group companies, including a management report and notes to the financial statements 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 charts. 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 Integrity and Corporate Responsibility and other corporate policies and procedures.

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 1.14 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 period closing 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 Group 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 internal control system in financial reporting and the activities of corporate internal audit.

1.13.3 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.

Further developments in the area of accounting during 2014/15 included the clarification of the current credit management guideline with the introduction of a veto right for credit managers, the installation of an IT systems to support the correct VAT classification of business transactions and the implementation of software with additional control functions and integrated release workflows to handle incoming invoices.

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. In addition, work continued to consolidate and document the bank accounts used worldwide by the Group companies and integrate these accounts in the central treasury system.

Activities also focused on the development of an independent compliance department based on the results of an external evaluation of the compliance management system (CMS) in 2014/15. The corporate integrity department under the direction of the chief ethics & compliance officer has been responsible for the design and gradual implementation of the CMS since July 2014. The primary responsibilities of corporate integrity include preventive anticorruption measures such as the verification and approval routines in SAP processes, antifraud management, insider information compliance as defined in the Issuer Compliance Code, data protection and the review of compliance with the Austrian Corporate Governance Code. A training programme on the code of conduct, insider compliance, corruption and fraud prevention, data protection and other central aspects of compliance management is currently under development. Corporate integrity is also developing a central management structure for the corporate policies, which will support the regular review, adaptation, harmonisation and communication of the individual guidelines.

Corporate integrity cooperates closely with the legal department, internal audit, risk management, human resources and IT. The chief ethics & compliance officer provides regular reports at the Management Board meetings on current compliance issues and on the planning and progress with the development of the CMS. He meets personally with the chairman of the Audit Committee at least twice each year and also reports to the Audit Committee twice each year on the status and major developments in the area of compliance.

The fraud awareness information portal in the Intranet presented a series of announcements in 2014/15, among others with warnings to employees about external phishing attacks via telephone and email, in order to raise employees' awareness and attention. The annual questionnaire-based fraud awareness check was completely revised by corporate integrity to include questions on important ethics & compliance subjects and the scope of participants was significantly expanded.

The appointment of a chief ethics & compliance officer underscores the importance placed by the Zumtobel Group on corporate governance, ethics & compliance. This focus on the continuous improvement and further development of the internal control system will also be strengthened and continued during the 2015/16 financial year.

1.14 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 an internal control system – 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 internal control system (see section 1.13).

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 internal control system. The underlying framework for these two systems is formed by the principles of the COSO model. Risks and opportunities are systematically identified 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. This information includes a monthly financial report, which provides a summary of key financial indicators and the Group's development, as well as a risk report that analyses 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 Group every two years and reports to the Supervisory and Management Boards on the results of this review.

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

1.14.1 Market and competitive risks in the lighting industry

A major risk for the development of business in the Zumtobel Group is the economic uncertainty in key selling markets, especially in Europe. 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. More stringent austerity measures in the public sector or increased destocking by wholesalers could also have a negative effect on revenues. 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 a more difficult market environment, changes in the organisational structure or the strategic reorientation of the Zumtobel Group could lead to additional restructuring costs and thereby have a negative effect on earnings.

The speed of the technological transformation from conventional lighting to LED represents a major challenge for the entire lighting industry. In particular, the larger range of products, shorter innovation cycles and rising complexity of digital lighting systems lead to substantially higher R&D expenditures.

Aggressive and established competitors, above all the Asian LED chip producers, are entering the professional lighting market with strategies that include forward integration. 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.

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.

1.14.2 Business risks

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.

Differentiation from the competition can strengthen a company's market position and protect 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.

The Zumtobel Group operates in a global business environment, whereby Europe is the most important market with over 80% 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 several agency contracts. The analysis of new investment projects also includes

Macroeconomic risks

Technology shift through LED

Competition from Asia

Risk in human resources management

Access to global decision-making networks

Market acceptance of new products

Political risks

an assessment of the political risk at the target location. The European Union's sanctions against Russia, the ongoing unrest in Ukraine and the continuing crises in a number of North African countries and the Arabian Peninsula are a source of economic risks 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 A strong increase in the 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. 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. However, the decline in the price of these USD-based products for the Zumtobel Group was offset in part by the increase in the US dollar versus the euro. 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 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. In order to minimise the impact of a supplier's inability to deliver, the Zumtobel Group uses a multi-sourcing strategy. Further 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 risks. In addition, multistage 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.

1.14.3 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 "Highly Protected Risk status" (HPR) at all major production locations. 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. This reduces the risk of write-offs to inventories and capitalised development costs.

1.14.4 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 2.6.6.13 of the notes.

1.14.5 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.

1.14.6 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.

1.14.7 Financial risks

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. These risks are hedged in part with derivative financial instruments in accordance with the current hedging policy. No derivatives are used for trading or speculative purposes. In general, hedges are concluded on a rolling basis for a period of one to three quarters to cover planned cash flows and the risks arising from exchange rate fluctuations. This method leads to a relatively constant volume of hedges and levels foreign exchange exposure. Raw material price risks are reduced, where possible, through appropriate supplier agreements.

Market 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 2015 the Zumtobel Group had short-term, unsecured lines of credit totalling EUR 93.4 million (2013/14: EUR 89.0 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

Liquidity risk

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 and a maximum line that currently equals EUR 350 million. As of the balance sheet date on 30 April 2015, the amount drawn under the credit agreement totalled EUR 80 million. In addition to the consortium credit agreement, the Zumtobel Group concluded two long-term bank credit agreements of EUR 40 million each on a bilateral basis, which call for bullet repayment and have terms ending in September 2018, respectively in January 2020. These credits were fully drawn as of 30 April 2015 and were used for the partial repayment of the consortium credit which, in turn, clearly extended the maturity structure of the Group's financing. 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%). The financial covenants were met in full as of 30 April 2015 with a debt coverage ratio of 1.48 (2013/14: 1.57) and an equity ratio of 29.7% (2013/14: 32.5%). 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 balance of EUR 80 million currently outstanding under the consortium credit agreement has a long-term character because the term of the loan ends in October 2016. However, the interest on this loan is variable (EURIBOR money market interest rates). The long-term loans concluded on a bilateral basis in 2014/15, each with a volume of EUR 40 million, have fixed interest rates and are therefore not exposed to interest rate risk. In order to reduce the interest rate risk on the consortium credit agreement, the Zumtobel Group has concluded interest rate swaps with various banks for a total nominal volume of approx. EUR 80 million. 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 2.694%. 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.

1.14.8 Credit risk

The default risk associated with trade receivables is largely limited by credit management processes and appropriate merchandise credit insurance. 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. An important development during the reporting year was the improvement of the existing credit management guideline through more detailed specifications and the inclusion of a veto right for credit managers.

1.14.9 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.

1.14.10 Other risks

The Zumtobel Group is faced with extensive and increasingly strict environmental, health and safety regulations in many countries. 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

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. Group controlling and the internal control system are able to quickly identify all major risks with a high degree of probability.

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

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.

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

1. The share capital of Zumtobel Group 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 2015. As of 30 April 2015 the company held 353,863 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 2017. Any additional information about the syndicate contract is not known to the Management Board.

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 2015 the syndicate held 35.4% of the company's share capital. In addition, the institutional investor BlackRock Inc. held an investment of over 5%. The company is not aware of any other reportable holdings.

4. None of the company's shares carries 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, and the last exercise period ended on 30 April 2015. Detailed information is provided under section 2.6.8.4 of the notes. A total of 1,185,348 shares had been distributed to employees up to 30 April 2015 in connection with the stock participation programmes.

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, the SOP considered all granted options (including options that are considered to be granted) to be exercised on the last day of the relevant offer (with no additional notice required by the company).

A cash-based long-term incentive programme (LTI) was introduced for the Managing Board and upper management 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.

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 and also through indirect subscription rights as defined in § 153 (6) of the Austrian Stock Corporation Act – 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 five years beginning on the date the respective amendment to the articles of association, which was passed by the annual general meeting on 25 July 2014, was recorded in the company register (i.e. up to 30 August 2019). Furthermore, the Management Board was empowered to exclude the subscription rights of shareholders to the new shares issued from this authorised capital and to determine the issue price and conditions (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.

7. 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 the votes cast.

8. 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.

9. 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 and a current maximum line of EUR 350 million. As of the balance sheet date on 30 April 2015, the amount drawn under the credit agreement totalled EUR 80 million. The agreement includes a change-of-control clause, which is linked to a change in the absolute majority of voting rights. In addition to the consortium credit agreement, the Zumtobel Group also concluded two other long-term bank credit agreements on a bilateral basis. These credit agreements have a volume of EUR 40 million each with bullet repayment and a term ending in September 2018, respectively January 2020. The two credits had been fully drawn as of 30 April 2015.

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.

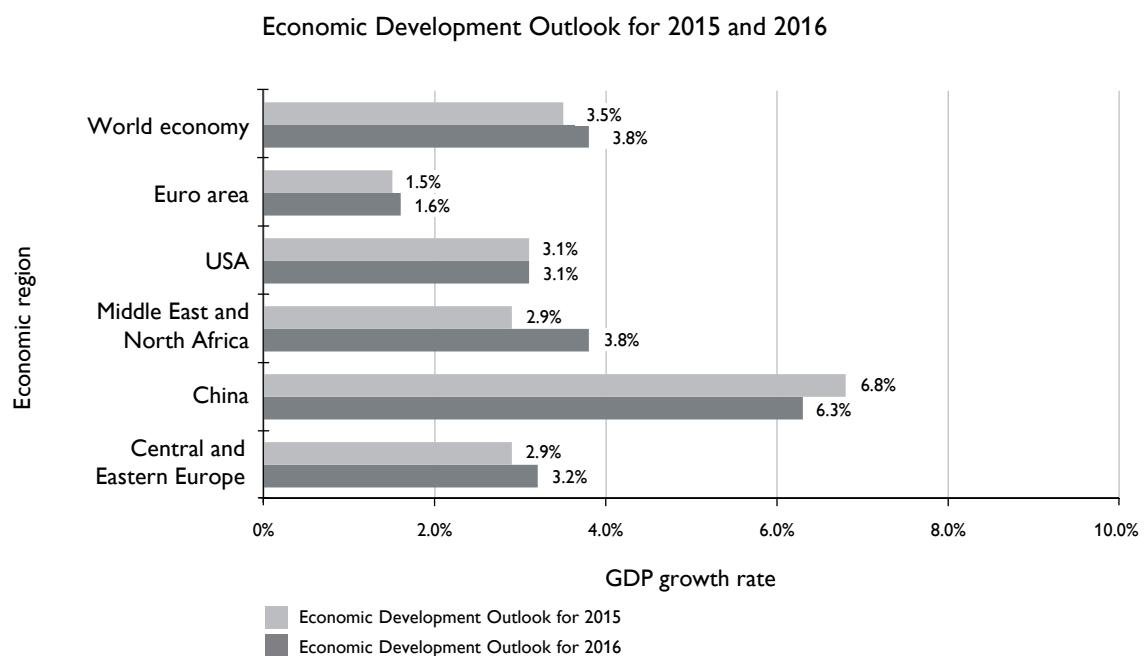
11. The most important elements of the risk management system and the internal control system are described in sections 1.14 and 1.13 of the Group management report.

1.16 Outlook and Goals

General economic outlook

Continuation of global recovery

Forecasts by the International Monetary Fund (IMF) point to a continuation of the global recovery at a moderate pace in 2015. The 3.4% increase in global economic performance in 2014 is expected to be followed by growth of 3.5% in 2015 and 3.8% in 2016. This recovery will be based less on the emerging countries and increasingly on the industrial nations. The latter, led by the USA, are projected to generate growth of 2.4% in 2015 and repeat this level in 2016. The euro zone should benefit from lower oil prices, looser monetary policies and the weak euro. For the euro zone, the IMF is forecasting an increase of 1.5% in 2015 and 1.6% in 2016. This development should be supported, above all, by the countries in Central and Northern Europe – for example Germany with plus 1.6%, Great Britain with plus 2.7% and Sweden with plus 2.7% in 2015. In contrast, greater uncertainty is connected with the developing and emerging countries. Russia, in particular, will be negatively affected by the decline in oil prices, the conflict with Ukraine and the related economic sanctions. In total, the IMF economists expect the developing and emerging countries to generate growth of 4.3% in 2015 and 4.7% in 2016.



Outlook: increasing optimism and confirmation of goals for 2016/17

The extensive restructuring in 2014/15 created a solid foundation that will support further growth and the realization of cost synergies from the strategic reorientation of the Zumtobel Group in 2015/16. Activities will also focus on the continuous evaluation of additional opportunities to optimize structural costs in 2015/16 financial year.

Tailwinds from restructuring, construction industry and technology shift

In the European construction industry, the signs of a trend reversal from the longer period of declines to slight market growth were confirmed during the reporting year. This positive trend has been strengthened in the professional lighting industry by the technology shift to LED, and has currently disengaged demand in the professional lighting industry from new commercial construction to a certain extent.

The multi-brand strategy gives the Zumtobel Group very broad market access, extensive know-how in lighting applications and a strong technology position. All this and the complete coverage of the value chain

place the company in an outstanding position to realise above-average benefits from the growth impulses in the industry. The Group is also investing specifically to develop additional expertise and capacity in intelligent controls and data management, services and other innovative business models. In the future, lighting with its increasingly digital components will become more integrated in the Internet of Things (IoT).

For the 2015/16 financial year, the Management Board expects an increase of approx. 5% in revenues and adjusted EBIT of EUR 90 to 100 million (FY 2014/15: EUR 66.5 million). That also places the Zumtobel Group on target to gradually raise the adjusted EBIT margin to roughly 8% to 10% by 2016/17. The Management Board will therefore make a recommendation to the Supervisory Board and subsequently to the Annual General Meeting of Zumtobel Group AG on 24 July 2015 to distribute a dividend of EUR 0.22 per share for the 2014/15 financial year.

Dornbirn, 12 June 2015

The Management Board

Ulrich Schumacher
Chief Executive Officer (CEO)

Karin Sonnenmoser
Chief Financial Officer (CFO)

Group Management Report

Zumtobel Group AG

1 May 2014 to 30 April 2015

2. Consolidated Financial Statements



Contents

2. Consolidated Financial Statements	
2.1 Income Statement	58
2.2 Statement of Comprehensive Income	59
2.3 Balance Sheet	60
2.4 Cash Flow Statement	61
2.5 Statement of Changes in Equity	62
2.6 Notes to the Consolidated Financial Statements	63
2.6.1 General Information	63
2.6.2 Consolidation Range and Methods	63
2.1.1.1 Consolidation range	63
2.6.2.1 Consolidation methods	64
2.6.3 Accounting and Valuation Methods	66
2.6.3.1 Effects of new and revised standards and interpretations	66
2.6.3.2 Major accounting and valuation methods	68
2.6.4 Notes to the Income Statement	76
2.6.4.1 Revenues	76
2.6.4.2 Expenses	76
2.6.4.3 Other operating results	78
2.6.4.4 Interest income and expenses	80
2.6.4.5 Other financial income and expenses	80
2.6.4.6 Income taxes	80
2.6.4.7 Results from discontinued operations	82
2.6.4.8 Earnings per share	82
2.6.5 Notes to the Statement of Comprehensive Income	82
2.6.5.1 Foreign exchange differences	82
2.6.5.2 Foreign exchange differences arising from loans	82
2.6.5.3 Actuarial loss	83
2.6.5.4 Deferred taxes	83
2.6.6 Notes to the Balance Sheet	83
2.6.6.1 Goodwill	83
2.6.6.2 Other intangible assets	84
2.6.6.3 Property, plant and equipment	86
2.6.6.4 Financial assets accounted for at equity	87
2.6.6.5 Investments in other companies	88
2.6.6.6 Financial assets	90
2.6.6.7 Other assets	90
2.6.6.8 Deferred taxes	91
2.6.6.9 Inventories	92
2.6.6.10 Trade receivables	92
2.6.6.11 Cash and cash equivalents	93
2.6.6.12 Assets and liabilities held for sale	93
2.6.6.13 Employee benefits	94
2.6.6.14 Defined contribution obligations	100
2.6.6.15 Other provisions	100
2.6.6.16 Financial liabilities	102
2.6.6.17 Finance leases	102
2.6.6.18 Operating leases	103
2.6.6.19 Other liabilities	103
2.6.7 Notes to the Cash Flow Statement	104
2.6.7.1 Reconciliation to cash and cash equivalents	105
2.6.8 Notes to the Statement of Changes in Equity	105
2.6.8.1 Share capital	105
2.6.8.2 Additional paid-in capital	106
2.6.8.3 Reserves	106

2.6.8.4 Stock option programmes	106
2.6.8.5 Dividend	107
2.6.9 Capital management	107
2.6.10 Financial instruments	108
2.6.10.1 Categories of financial instruments as defined in IAS 39	108
2.6.10.2 Income / expense on financial instruments (IAS 39 valuation categories)	112
2.6.11 Information on Risk Management	113
2.6.11.1 Credit risk	113
2.6.11.2 Liquidity risk	114
2.6.11.3 Market risk	116
2.6.12 Segment Reporting	118
2.6.12.1 Operating segments	118
2.6.12.2 Regional segments	120
2.6.13 Contingent Liabilities and Guarantees	120
2.6.14 Subsequent events	120
2.6.15 Related Party Transactions	121
2.6.16 Information on Employees and Corporate Bodies	123
2.6.16.1 Personnel structure	123
2.6.16.2 Corporate bodies	123
2.7 Statement by the Management Board in accordance with § 82 (4) of the Austrian Stock Corporation Act	124
2.8 Consolidation Range	125
Auditor's Report	128

2. Consolidated Financial Statements

2.1 Income Statement

in TEUR	Notes	2014/15	2013/14	Change in %
Revenues	2.6.4.1	1,312,620	1,246,831	5.3
Cost of goods sold	2.6.4.2	(878,048)	(845,356)	3.9
Gross profit		434,572	401,475	8.2
as a % of revenues		33.1	32.2	
Selling expenses	2.6.4.2	(326,968)	(320,263)	2.1
Administrative expenses	2.6.4.2	(46,527)	(40,424)	15.1
Other operating results	2.6.4.3	(19,986)	(28,645)	(30.2)
thereof special effects		(25,392)	(35,452)	(28.4)
Operating profit/loss		41,091	12,143	>100
as a % of revenues		3.1	1.0	
Interest expense	2.6.4.4	(9,077)	(8,904)	1.9
Interest income	2.6.4.4	399	815	(51.0)
Other financial income and expenses	2.6.4.5	(16,576)	(6,763)	<(100)
Result from companies accounted for at-equity	2.6.6.4	(145)	289	<(100)
Financial results		(25,399)	(14,563)	(74.4)
as a % of revenues		(1.9)	(1.2)	
Profit/loss before tax		15,692	(2,420)	>100
Income taxes	2.6.4.6	(3,737)	(2,263)	65.1
Net profit/loss from continuing operations		11,955	(4,683)	>100
Net loss from discontinued operations	2.6.4.7	(41)	(73)	43.1
Net profit/loss for the year		11,914	(4,756)	>100
as a % of revenues		0.9	(0.4)	
thereof due to non-controlling interests		(317)	239	<(100)
thereof due to shareholders of the parent company		12,231	(4,995)	>100
Average number of shares outstanding – basic (in 1,000 pcs.)		43,139	43,133	
Average diluting effect (stock options) (in 1,000 pcs.)		1	3	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,140	43,136	
Earnings per share (in EUR)	2.6.4.8			
Basic earnings per share		0.28	(0.12)	
Diluted earnings per share		0.28	(0.12)	
Earnings per share from continuing operations (in EUR)				
Basic earnings per share		0.28	(0.11)	
Diluted earnings per share		0.28	(0.11)	
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	2014/15	2013/14	Change in %
Net profit/loss for the year	11,914	(4,756)	>100
Actuarial loss	2,653	(48,495)	(8,775) <(100)
Deferred taxes due to actuarial loss	2,654	5,966	48 >100
Total of items that will not be reclassified ("recycled") subsequently to the income statement	(42,529)	(8,727)	<(100)
Currency differences	2,65.1	26,053	(11,457) >100
Currency differences arising from loans	2,65.2	6,767	(1,441) >100
Hedge accounting		195	1,881 (89.6)
Deferred taxes due to hedge accounting		(49)	(470) (89.6)
Total of items that will be reclassified ("recycled") subsequently to the income statement	32,966	(11,487)	>100
Subtotal other comprehensive income	(9,563)	(20,214)	52.7
thereof due to non-controlling interests		343	(105) >100
thereof due to shareholders of the parent company		(9,906)	(20,109) 50.7
Total comprehensive income	2,351	(24,970)	>100
thereof due to non-controlling interests		26	136 (81.1)
thereof due to shareholders of the parent company		2,325	(25,104) >100

2.3 Balance Sheet

in TEUR	Notes	30 April 2015	in %	30 April 2014	in %
Goodwill	2.6.6.1	198,891	18.3	187,792	18.7
Other intangible assets	2.6.6.2	60,540	5.6	55,682	5.5
Property, plant and equipment	2.6.6.3	236,671	21.7	230,635	22.9
Financial assets accounted for at-equity	2.6.6.4	2,295	0.2	2,441	0.2
Financial assets	2.6.6.6	1,811	0.2	1,466	0.1
Other assets	2.6.6.7	4,289	0.4	4,354	0.4
Deferred taxes	2.6.6.8	48,075	4.4	37,509	3.7
Non-current assets		552,572	50.8	519,879	51.5
Inventories	2.6.6.9	201,785	18.6	181,426	18.1
Trade receivables	2.6.6.10	234,587	21.6	199,303	19.8
Financial assets	2.6.6.6	4,034	0.4	2,731	0.3
Other assets	2.6.6.7	29,133	2.7	29,071	2.9
Liquid funds	2.6.6.11	59,345	5.5	74,191	7.4
Available for sale assets	2.6.6.12	4,819	0.4	0	
Current assets		533,703	49.2	486,722	48.5
ASSETS		1,086,275	100.0	1,006,601	100.0
Share capital		108,750	10.0	108,750	10.8
Additional paid-in capital		335,316	30.9	335,249	33.3
Reserves		(137,848)	(12.7)	(115,215)	(11.5)
Net profit/loss for the year		12,231	1.1	(4,995)	(0.5)
Capital attributed to shareholders of the parent company		318,449	29.3	323,789	32.1
Capital attributed to non-controlling interests		4,152	0.4	3,765	0.4
Equity	2.6.8	322,601	29.7	327,554	32.5
Provisions for pensions	2.6.6.13	99,994	9.2	77,486	7.7
Provisions for severance compensation	2.6.6.13	49,348	4.5	41,374	4.1
Provisions for other employee benefits	2.6.6.13	13,433	1.2	12,860	1.3
Other provisions	2.6.6.15	1,238	0.1	1,073	0.1
Borrowings	2.6.6.16	190,904	17.7	197,357	19.6
Other liabilities	2.6.6.19	4,174	0.4	2,575	0.3
Deferred taxes	2.6.6.8	5,556	0.5	4,337	0.4
Non-current liabilities		364,647	33.6	337,062	33.5
Provisions for taxes		21,521	2.0	20,057	2.0
Other provisions	2.6.6.15	31,927	2.9	32,985	3.3
Borrowings	2.6.6.16	17,301	1.6	5,314	0.5
Trade payables		174,040	16.0	159,912	15.9
Other liabilities	2.6.6.19	153,989	14.2	123,717	12.3
Current liabilities		398,778	36.7	341,985	34.0
Liabilities held for Sale	2.6.6.12	249	0.0	0	
EQUITY AND LIABILITIES		1,086,275	100.0	1,006,601	100.0

2.4 Cash Flow Statement

in TEUR	Notes	2014/15	2013/14
Profit/loss before tax	2.1	15,692	(2,420)
Depreciation and amortisation	2.6.4.2	59,048	68,067
Gain/loss from disposal of fixed assets		2,854	508
Other financial income and expenses		16,750	6,479
Interest income/Interest expense		8,649	8,084
Changes in the consolidation range		133	(1,050)
Results from discontinued operations		(41)	(73)
Cash flow from operating results		103,085	79,595
Inventories		(12,484)	(24,833)
Trade receivables		(7,415)	(19,846)
Trade payables		(7,523)	30,477
Prepayments received		4,789	3,298
Change in working capital		(22,633)	(10,904)
Non-current provisions		(28,177)	(11,414)
Current provisions		(2,569)	8,905
Other current and non-current assets and liabilities		19,069	11,006
Change in other operating items		(11,677)	8,497
Taxes paid		(5,936)	(5,423)
Cash flow from operating activities		62,839	71,765
Proceeds from the sale of non-current assets		3,678	429
Capital expenditures on non-current assets		(76,576)	(65,553)
Change in non-current and current financial assets		(10,044)	(1,545)
Change in liquid funds from changes in the consolidation range		9,522	2,117
Assets/Liabilities held for Sale		(4,570)	0
Cash flow from investing activities		(77,990)	(64,552)
FREE CASH FLOW		(15,151)	7,213
Change in net borrowings		(814)	(2,238)
<i>thereof restricted cash</i>		(7)	11
Change in non-controlling interests		0	(1,524)
Capital increases		492	0
Dividends		(8,149)	(3,258)
Exercise of options		67	39
Interest paid		(9,048)	(6,922)
Interest received		399	815
Cash flow from financing activities		(17,053)	(13,088)
Effects of exchange rate changes on cash and cash equivalents		4,772	(6,444)
CHANGE IN CASH AND CASH EQUIVALENTS		(27,432)	(12,319)
Cash and cash equivalents at the beginning of the period	2.6.7.1	70,583	82,902
Cash and cash equivalents at the end of the period	2.6.7.1	43,151	70,583
Change absolute		(27,432)	(12,319)

2.5 Statement of Changes in Equity

2014/15 Financial Year

Attributed to shareholders of the parent company											Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the year	Total			
in TEUR												
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	
+/- Additions to reserves	0	0	(4,995)	0	0	0	0	4,995	0	0	0	
+/- Total comprehensive income	0	0	0	32,477	146	0	(42,529)	12,231	2,325	26	2,351	
+/- Capital increases	0	0	0	0	0	0	0	0	0	492	492	
+/- Stock options – exercises	0	67	0	0	0	0	0	0	67	0	67	
+/- Dividends	0	0	(7,765)	0	0	0	0	0	(7,765)	(384)	(8,149)	
+/- Changes in the consolidation range	0	0	(336)	0	0	0	369	0	33	252	285	
30 April 2015	108,750	335,316	(2,013)	(9,782)	(2,814)	19,479	(142,718)	12,231	318,449	4,152	322,601	

2013/14 Financial Year

Attributed to shareholders of the parent company											Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Other Reserves	Currency reserve	Hedge accounting	Reserve for stock options	Reserve IAS 19	Net profit/loss for the year	Total			
in TEUR												
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 non-controlling interests	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	

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 2014/15 financial year (IFRS).

The Management Board of Zumtobel Group AG released the consolidated financial statements for distribution to the Supervisory Board on 12 June 2015. 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 2015 in Dornbirn.

Zumtobel is an international lighting group. The headquarters of the parent company, Zumtobel Group 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 2014 to 30 April 2015. 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 and LED lighting components).

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

2.1.1.1 Consolidation range

The consolidated financial statements for 2014/15 include 94 (2013/14: 96) fully consolidated companies in which Zumtobel Group AG exercises management control or directly or indirectly owns the majority of shares. Two companies were included in the consolidation at equity (2013/14: two). Eleven companies (2013/14: 11) were not included in the consolidation because their influence on the asset, financial and earnings position of the Group is immaterial. An overview of the Group companies is provided in section 2.8 (Consolidation Range) at the end of the notes.

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.

Consolidated Financial Statements

Zumtobel Group AG

1 May 2014 to 30 April 2015

The consolidation range changed as follows during the reporting year:

	Consolidation Method		
	full	at equity	Total
30 April 2014	96	2	98
Included during reporting period for first time	4		4
thereof newly founded	4		4
Deconsolidated during reporting period	(3)		(3)
Merged during reporting period	(3)		(3)
30 April 2015	94	2	96

Thorn Lighting Limited Liability Company, Qatar, was founded together with a Qatari business partner in July 2014. The Zumtobel Group holds 49% of the shares in the new company, but is entitled to 50% of the results. Further agreements give the Zumtobel Group control over the company as defined in IFRS 10, and the company was therefore included through full consolidation.

ZG Iluminacion LATAM Limitada, Chile, was also founded in July 2014. The Zumtobel Group holds 100% of the shares.

ZG LICHT Nord-West GmbH, Germany, was founded in October 2014. The Zumtobel Group also holds 100% of the shares in this company.

ZG Lighting, Russia, was founded in January 2015 and is a wholly owned subsidiary of the Zumtobel Group.

The shares in Tridonic connection technology GmbH & Co KG, Austria, and Tridonic connection technology GmbH, Austria, were sold during June 2014. These two companies were subsequently deconsolidated in the first quarter of 2014/15. The deconsolidation resulted in a loss of TEUR 120, which was recognised under other operating results. The transactions led to the sale of net assets totalling TEUR 9,435, which were held primarily by Tridonic connection technology GmbH & Co KG.

Zumtobel Belysning Nordic AB, Sweden, was deconsolidated in April 2015 following its liquidation.

LEDON OLED Verwaltungs-GmbH, Dresden, and Tridonic Dresden GmbH & Co. KG merged with Zumtobel Holding GmbH, Germany, during the reporting year.

The Czech company Thorn Lighting CS Spol s.r.o. merged with ZG Lighting Czech Republic, s.r.o. in March 2015.

2.6.2.1 Consolidation methods

Basis of consolidation

The principles set forth in IFRS 3 "Business Combinations" 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 "Business Combinations".

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:

1 EUR equals	Average exchange rate		Income Statement		Closing rate		Balance sheet	
	30 April 2015	30 April 2014	30 April 2015	30 April 2014	30 April 2015	30 April 2014	30 April 2015	30 April 2014
AUD	1.4407	1.4591	1.4161	1.4947				
CHF	1.1620	1.2298	1.0486	1.2200				
USD	1.2438	1.3466	1.1215	1.3850				
SEK	9.2496	8.7882	9.3261	9.0723				
NOK	8.4655	8.0892	8.3845	8.2720				
GBP	0.7768	0.8414	0.7267	0.8230				

2.6.3 Accounting and Valuation Methods

2.6.3.1 Effects of new and revised standards and interpretations

The following new, revised and/or expanded standards and interpretations were initially applied by the Zumtobel Group in 2014/15:

Standard / Interpretation	Publication by IASB	Mandatory application as of
IAS 27 Separate Financial Statements	12 May 2011	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	12 May 2011	1 January 2014
IFRS 10 Consolidated Financial Statements	12 May 2011	1 January 2014
IFRS 11 Joint Arrangements	12 May 2011	1 January 2014
IFRS 12 Disclosures of Interests in Other Entities	12 May 2011	1 January 2014
IAS 32 Offsetting of Financial Assets and Liabilities	16 December 2011	1 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	27 June 2013	1 January 2014

IFRS 10 "Consolidated Financial Statements" provides a more comprehensive definition of control and is intended to establish a uniform basis for determining the consolidation range. Control is considered to exist when a company has the power to decide over the significant activities of a subsidiary and to receive variable returns from these activities and also has the ability to influence these returns. IFRS 10 replaces IAS 27 "Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". The application of this standard did not have a material effect on the consolidated financial statements of the Zumtobel Group.

The new standard IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures". It regulates the accounting treatment of joint arrangements as a joint venture or joint operation. IFRS 11 also eliminates the option to apply proportionate consolidation to joint ventures, which must now be accounted for at equity. In addition, joint ventures are more clearly differentiated from joint operations. The application of this standard did not lead to any material changes in the consolidated financial statements of the Zumtobel Group.

IFRS 12 "Disclosures of Interests in Other Entities" combines the required disclosures for interests in subsidiaries, joint ventures, associates and structured entities into a single comprehensive standard. The disclosures required by IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures" and IAS 31 "Interests in Joint Ventures" were expanded. Additional information on the share of a group's activities and cash flow held by non-controlling interests must also be disclosed.

IAS 32 "Offsetting of Financial Assets and Liabilities" includes changes that clarify the requirements for offsetting financial instruments on the balance sheet.

The revision to IAS 39 "Financial Instruments – Recognition and Measurement" includes an exception for the novation of over-the-counter derivatives that allows hedge accounting to continue when the novation of a hedging instrument with a central counterparty meets certain criteria.

The other standards and interpretations that required mandatory application in the EU during the 2014/15 financial year had no material effects on the consolidated financial statements.

The following new or revised IAS/IFRS/IFRIC interpretations were not applied prematurely. These standards and interpretations were published, but do not yet require mandatory application and/or were not yet adopted by the European Union through its endorsement process. Consequently, they were not applied by the Zumtobel Group in 2014/15:

Standards / Interpretations	Mandatory application in financial years beginning on or after
IAS 1	Changes to IAS 1 Presentation of Financial Statements
IAS 19	Changes to IAS 19 Employee Benefits: employee contributions
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRIC 21	Levies
Various	Improvements to IFRS, Cycle 2011 – 2013
Various	Improvements to IFRS, Cycle 2010 – 2012
Various	Improvements to IFRS, Cycle 2012 – 2014

As part of the initiative to improve disclosure requirements, the IASB announced changes to IAS 1 "Presentation of Financial Statements". These changes focus, above all, on the presentation of financial statements. The changes to IAS 19 "Employee Benefits" clarify the rules for allocating contributions by employees and third parties to service periods when these contributions are linked to the service time.

IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and Measurement" and lead to the uniform approach for the classification and valuation of financial assets and the accounting treatment of hedge relationships.

IFRS 14 "Regulatory Deferral Accounts" includes rules for the accounting treatment of price-regulated sales transactions.

IFRS 15 "Revenue from Contracts with Customers" is intended to combine the many different rules and interpretations for revenue recognition under a single standard. The new standard is based on a five-step model that regulates revenues from contracts with customers.

IFRIC 21 "Levies" represents an interpretation to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". In particular, it clarifies the question as to when a current obligation arises from levies imposed by governments and, consequently, when a provision or liability must be recognised.

The projects "Improvements to IFRS" involve the adjustment of individual standards primarily to clarify existing rules.

The effects of 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 2015/16 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 cost 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 and trade payables

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

>> 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 "Financial Instruments: Recognition and Measurement", whereby fair value is determined in line with the rules defined in IFRS 13 "Fair value measurement". 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 "Fair value measurement", 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 values 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 values of derivatives (hedge accounting)

The Zumtobel Group applies the requirements of IAS 39 "Financial Instruments: Recognition and Measurement" (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 values 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 "Financial Instruments: Recognition and Measurement", 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 termination of component production in Ennenda (Switzerland) during the reporting year and the resulting volume adjustments to the hedge made parts of the hedging instrument ineffective. This, in turn, led to the first-time inclusion of the respective part of the negative market value as a valuation effect on the income statement. 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). These are securities and similar rights.

The financial instruments classified under Level 2 represent the derivatives included under financial assets and other liabilities (positive market value: TEUR 3,398, 2013/14:TEUR 464; negative market value: TEUR -21,593, 2013/14:TEUR -9,353; 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 Group 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 during the reporting period in which the options were granted (granting period). 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. This programme expired as of 30 April 2015, and there are no more exercise windows. 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 "The Effect of Changes in Foreign Exchange Rates", 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 development projects are carried out. A WACC of 7.0% (2013/14: 7.1%) was applied to the region "Europe" and 5.8% (2013/14: 7.0%) to the USA.

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 following two CGUs resulted from this process: "CGU Zumtobel Brand" and "CGU Thorn Brand".

In accordance with this brand-based reporting structure, goodwill was reallocated in line with the relative fair value of the CGU. These CGUs represented the operating segments as defined in IFRS 8.5, which were aggregated under "Lighting Brands" for segment reporting. Since the brand-based reporting structure remained in effect up to 30 April 2014, impairment testing at the end of the 2013/14 financial year took place at the level of the "CGU Zumtobel Brand" and "CGU Thorn Brand".

A new organisational structure was implemented in the Zumtobel Group as of 1 December 2013. It involves the combination of the Zumtobel and Thorn brands as well as the new business area OEM & TPP under the Lighting Segment through a unified sales and production organisation. The related business processes have been managed on a centralised basis since that time. The implementation of the new organisational structure in reporting took place as of 1 May 2014. Accordingly, the previous goodwill from the "CGU Zumtobel Brand" and "CGU Thorn Brand" was reallocated to the "CGU Lighting" in 2014/15. In accordance with this new reporting structure, the entire amount of goodwill was allocated to the Lighting Segment and tested for impairment at this level in the reporting year. The "CGU Lighting" represents the operating "Lighting Segment" in the sense of IFRS 8.5.

The most important assumptions for the impairment testing of goodwill are the forecasted cash flows of the midterm financial plan, the long-term growth rate after the midterm financial plan and the WACC.

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 approved by the Management Board, which were prepared in detail for 2015/16 and with minor simplifications for a further three years. These forecasts are derived from past experience and from estimates by the Management Board for the expected market environment, whereby future margin improvements are anticipated – in particular due to the following: the realisation of growth and cost synergies from the multi-brand approach, the adjustment of production capacity, the merger of the previously separate sales organisations and the implementation of projects to further reduce costs and bundle procurement activities. The forecasts are based on an operating return on sales (adjusted EBIT margin) of 8% to 10%.

A long-term growth rate of 2.2% for the lighting industry was applied to the years after the detailed forecast period.

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.

An after-tax WACC of 7.0% was applied to the "CGU Lighting" in 2014/15. This discount rate is derived from regional discount rates, which are weighted according to the volume of business in the respective region. The regional interest rates are 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 impairment testing of goodwill allocated to the "CGU Lighting" did not indicate any need for the recognition of an impairment charge in 2014/15 based on relative deviations of 10% each in the forecast assumptions and WACC.

In 2013/14 the impairment testing of goodwill allocated to the "CGU Zumtobel Brand" did not indicate any need for the recognition of an impairment charge based on relative deviations of more than 10% each in the forecast assumptions and WACC. Similar deviations in the forecast assumptions used to evaluate the goodwill allocated to the "CGU Thorn Brand" led to an impairment charge of TEUR 30,876 in 2013/14.

>> 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 2015, the Group was not aware 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 52,056 (2013/14:TEUR 50,852) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,364,646 (2013/14:TEUR 1,297,683).

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:

2014/15 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(554,440)	(6,163)	(43)	0	(560,646)
Personnel expenses	(223,105)	(183,184)	(32,232)	(14,208)	(452,729)
Depreciation	(48,736)	(6,341)	(1,032)	(2,939)	(59,048)
Other expenses	(78,836)	(129,676)	(18,033)	(9,190)	(235,735)
Own work capitalised	17,197	7	0	0	17,204
Internal charges	5,055	(9,082)	4,027	0	0
Total expenses	(882,865)	(334,439)	(47,313)	(26,337)	(1,290,954)
Other income	4,817	7,471	786	6,351	19,425
Total	(878,048)	(326,968)	(46,527)	(19,986)	(1,271,529)

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)

The cost of materials includes TEUR 23,342 (2013/14:TEUR 24,561) of third party services.

Other income includes government grants of TEUR 5,210 (2013/14: TEUR 4,599), which were provided primarily for research activities. Of this total TEUR 3,325 (2013/14: TEUR 3,239) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 75,269 (2013/14: TEUR 68,590). Development costs capitalised during the reporting year amounted to TEUR 15,949 (2013/14: TEUR 18,985), and the related amortisation totalled TEUR 15,804 (2013/14: TEUR 13,406). No impairment charges were recognised to capitalised development costs during the reporting year. The impairment charges recognised to capitalised development costs in 2013/14 were recorded as special effects under other operating results. The development costs recognised as expenses in 2014/15 were reduced by a net amount of TEUR 145 (2013/14: net reduction of TEUR 5,489 in expenses).

Research costs of TEUR 3,703 (2013/14: TEUR 3,222) are reported under selling expenses.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2014/15:

In TEUR	2014/15	2013/14
Total fees	283	192
thereof audit and related activities	198	180
thereof other services	85	12

The fees for other services involve audit-related consulting and the evaluation of risk management.

Administrative expenses include TEUR 1,482 (2013/14: TEUR 1,556) 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 2014/15 (see section 2.6.4.3).

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

in TEUR	2014/15	2013/14
Wages	(79,557)	(79,112)
Salaries	(254,097)	(245,807)
Expenses for severance compensation	(4,202)	(4,343)
Expenses for pensions	(4,982)	(5,701)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(66,522)	(68,139)
Other employee benefits	(10,939)	(10,032)
Contract workers	(18,605)	(14,427)
Expenses from restructuring	(13,825)	(18,795)
Personnel expenses	(452,729)	(446,356)

2.6.4.3 Other operating results

in TEUR	2014/15	2013/14
Government grants	3,325	3,239
License revenues	2,032	3,011
Special effects	(25,392)	(35,452)
<i>Impairment charges to non-current assets</i>	(2,810)	(12,139)
<i>Restructuring</i>	(21,029)	(17,571)
<i>expenses resulting from an exit agreement</i>	0	(4,675)
<i>Impairment charges to current assets</i>	(1,420)	(349)
<i>Changes in the consolidation range</i>	(133)	(719)
Miscellaneous	49	557
Total	(19,986)	(28,645)

As in the prior year, the government grants received in 2014/15 represent subsidies that were recognised to profit or loss.

License revenues for 2014/15 were generated chiefly by the LED business, as was the case in the prior year.

Special effects recorded during the reporting year in accordance with IAS 1 "presentation of financial statements" include the following major items:

The impairment charges to non-current assets include TEUR 1,767 attributable to the Components Segment and TEUR 1,043 for the Lighting Segment. The expenses of TEUR 1,767 recognised in the Components Segment resulted from the write-off of property, plant and equipment in connection with the exit from magnetics technology. The impairment charges of TEUR 1,043 to non-current assets in the Lighting Segment were related mainly to the write-off of pressure casting machines due to the shutdown of the pressure casting department at the plant in Lemgo, Germany.

The impairment charges recognised to non-current assets in 2013/14 included TEUR 5,802 in the Components Segment and TEUR 6,337 in the Lighting Segment.

The impairment charges recognised in the Components Segment during the prior year included TEUR 3,032 related to the exit from magnetics technology and TEUR 1,461 from the termination of production in Ennenda, Switzerland. The strategic reorientation in Controls & Systems business also led to the termination of a development project and, in turn, to an impairment charge of TEUR 1,309.

The prior year impairment charges to non-current assets in the Lighting Segment consisted primarily of unscheduled write-downs due to the planned termination or downsizing of production. Of the impairment charges totalling TEUR 6,337, TEUR 3,561 were 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 restructuring expenses recognised in 2014/15 include TEUR 20,122 for the Lighting Segment, TEUR 764 for the Components Segment and TEUR 143 for Zumtobel Group AG.

The expenses charged to the Lighting Segment in 2014/15 total TEUR 20,122 and include, among others, TEUR 7,891 related to the relocation of production from Landskrona, Sweden, to the existing plant in Spennymoor, Great Britain, as well as expenses for the shutdown of the plant in Landskrona. Also included under this position are expenses of TEUR 9,473 for the restructuring of the sales organisations in the DACH region and France and for capacity adjustments at the plant in Lemgo, Germany. The disposal of TEUR 2,377 in production equipment following the restructuring in the Lighting Segment is also reported under this position.

The restructuring expenses in the Components Segment amount to TEUR 764 and are related, above all, to the exit from magnetics technology (TEUR 384) and the shutdown of the plant in Fürstenfeld, Austria (TEUR 377).

Of the restructuring expenses recognised in 2013/14, TEUR 10,892 were attributable to the Lighting Segment and TEUR 6,679 to the Components Segment. The expenses charged to the Lighting Segment included TEUR 7,760 of employee-related costs, which were connected primarily with the restructuring of the sales organisations. The remaining restructuring costs were related, above all, to rental contracts that were 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 included TEUR 6,380 of employee-related costs that resulted from the exit from magnetics 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.

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

The impairment charges recognised to current assets in 2014/15 include TEUR 1,092 for the Components Segment, whereby TEUR 780 are related to the exit from magnetics technology and TEUR 312 to the plant shutdown in Fürstenfeld, Austria. In the Lighting Segment, an impairment charge of TEUR 328 was recognised to current assets at the plant in Spennymoor, Great Britain, due to the restructuring of the product portfolio.

The impairment charges recognised to current assets in the prior year (TEUR 349) were attributable to the Components Segment and resulted from the shutdown of the plant in Fürstenfeld, Austria.

The results reported under changes in the consolidation range in 2014/15 are related chiefly to the sale and subsequent deconsolidation of Tridonic connection technology GmbH & Co KG, Austria, and Tridonic connection technology GmbH, Austria.

The comparable prior year position included TEUR -855 from the deconsolidation of the Australian Tridonic Manufacturing Pty Ltd and TEUR 136 from 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.

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 expenses

Interest expense consists mainly of interest and fees for the current credit agreement as well as the interest component of the lease for the plant in England (TEUR 2,158; 2013/14:TEUR 1,854).

2.6.4.5 Other financial income and expenses

in TEUR	2014/15	2013/14
Interest component as per IAS 19 less income on plan assets	(6,997)	(5,100)
Foreign exchange gains and losses	(677)	(1,954)
Market valuation of financial instruments	(8,899)	298
Gains/losses on sale	(3)	(7)
Total	(16,576)	(6,763)

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. In particular, the increase in the Swiss franc versus the euro led to the negative market valuation on 30 April 2015 of foreign currency transactions that involve the sale of Swiss francs for euros at future dates. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", parts of a hedge also became ineffective and the respective component of the negative market value was consequently included under this position for the first time.

2.6.4.6 Income taxes

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

in TEUR	2014/15	2013/14
Current taxes	(6,227)	(4,776)
thereof current year	(6,255)	(4,672)
thereof prior years	28	(104)
Deferred taxes	2,490	2,513
Income taxes	(3,737)	(2,263)

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to 23.8% for the reporting year (2013/14: -94%).

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	2014/15	2013/14
Profit/loss before tax	15,693	(2,420)
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	(3,923)	605
Difference between calculated/actual tax expense	186	(2,868)
Non-deductible expenses	(3,624)	(2,312)
Foreign tax rates	(248)	192
Valuation discounts for deferred taxes	1,405	(1,029)
Tax-free income	2,404	1,848
Other items	249	(1,567)
Total tax expense	(3,737)	(2,263)

Deferred taxes of TEUR 6,262 (2013/14: TEUR 7,112) were recognised on tax deductible impairment charges of subsidiaries by the head company of the Austrian tax group. This represents 100% of the impairment charges on tax group members in Austria.

The option to form a tax group in accordance with § 9 of the Austrian Corporate Tax Act of 1988 has been used in Austria since the 2004/05 financial year. For this purpose, Zumtobel Group AG, as the head of the group, concluded a tax transfer contract with the following group members: Zumtobel Lighting GmbH (participating corporation), ZG Lighting Austria GmbH (formerly Zumtobel Licht GmbH), Zumtobel Holding GmbH, Zumtobel Insurance Management GmbH (participating corporation), Zumtobel Pool GmbH, Tridonic GmbH (participating corporation), Tridonic Jennersdorf GmbH, Tridonic Holding GmbH, LEDON Lighting GmbH, Zumtobel LED Holding GmbH (participating corporation) and Zumtobel LED GmbH.

This contract provides for the transfer of taxable profit or loss as calculated in accordance with the Austrian Corporate Tax Act and the Austrian Income Tax Act to the participating corporation or the head of the group in the sense of the step-by-step allocation of earnings. Tax expense calculated on the basis of the group member's taxable profit is to be paid as a tax charge to the participating corporation or the head of the group, independent of the amount owed by the head of the group and the corporate income tax owned by the entire group for the respective financial year. If the group member records a tax loss, the participating corporation or the head of the group holds this loss on record as an internal loss carryforward for the offset of future profit generated by the respective group member. A group member with a tax loss is obliged to pay the minimum corporate income tax to the participating corporation or the head of the group. Pre-group losses and external group losses as defined in § 9 of the Austrian Corporate Tax Act are offset against the taxable profit of the respective group member or the head of the group in accordance with any carryforward and/or transfer limits.

Income from investments in domestic subsidiaries is generally tax-exempt 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 Group AG, which are prepared in accordance with Austrian corporate law (TEUR 60,383; 2013/14:TEUR 69,821).

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

2014/15 Financial Year

in 1,000 pcs.	Balance Sheet Date	Average
1 May 2014	43,139	43,139
Stock options – exercises	7	1
30 April 2015	43,146	43,140

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

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 11,099 (2013/14: TEUR -2,578) of currency-related adjustments to goodwill. The currency reserve under equity contains foreign exchange-related effects of TEUR 342 (2013/14:TEUR -103) 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 6,767 (2013/14:TEUR -1,441) from loans result from 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 "The Effects of Changes in Foreign Exchange Rates" 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 48,495 for the reporting year (2013/14:TEUR 8,775) include TEUR 12,850 (2013/14:TEUR 5,435) from a pension plan in Great Britain. These actuarial losses were caused primarily by the decline in interest rates during the reporting period. An actuarial loss of TEUR 10,001 was also recorded in 2014/15 (2013/14:TEUR 535) chiefly due to interest rate adjustments to the provisions for severance compensation.

2.6.5.4 Deferred taxes

The deferred tax effect of TEUR 5,917 (2013/14: TEUR -422) resulted mainly from the revaluation of the involved IAS 19 obligations and was recorded under other comprehensive income. Deferred tax assets were not recognised for the actuarial losses related to a pension plan in a British subsidiary because of immateriality.

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

The goodwill arising from the acquisition of the Thorn Lighting Group, which was previously allocated by region or brand, was reallocated in 2014/15 to the "CGU Lighting" to reflect the new reporting structure and tested for impairment at the "CGU Lighting" level, i.e. the entire lighting segment. The "CGU Lighting" represents the operating Lighting Segment in the sense of IFRS 8.5.

in TEUR	Lighting Segment	Components Segment	Total
30 April 2013	188,313	1,722	190,035
FX effects	(2,578)	0	(2,578)
Addition to goodwill	0	335	335
30 April 2014	185,735	2,057	187,792
FX effects	11,099	0	11,099
30 April 2015	196,834	2,057	198,891

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 2013 totalled TEUR 338,278, and the accumulated foreign exchange effects equalled TEUR -17,070.

The application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" led to a foreign exchange-based adjustment of TEUR 11,099 to goodwill during the reporting year, which was not recognised through profit or loss (2013/14:TEUR -2,578). These foreign exchange effects are allocated to the assets in the Lighting Segment for segment reporting.

The reallocation of goodwill to the "CGU Lighting" in 2014/15 had no influence on its value. No impairment charges were recognised to this goodwill during the reporting year or the previous year.

In 2013/14 the remaining shares were purchased in Tridonic SA (Proprietary) Limited, a South African sales company previously included at equity. 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 patents and licenses.

2014/15 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2014	42,206	125,877	168,083
Foreign currency translation	233	2,457	2,690
Changes in the consolidation range	(56)	(155)	(211)
Additions	6,813	16,355	23,168
Disposals	(959)	(6,534)	(7,493)
Transfers	289	0	289
30 April 2015	48,526	138,000	186,526
Accumulated amortisation			
30 April 2014	(36,109)	(76,292)	(112,401)
Foreign currency translation	(200)	(2,352)	(2,552)
Changes in the consolidation range	43	155	198
Scheduled depreciation	(2,453)	(15,924)	(18,377)
Disposals	926	6,323	7,249
Transfers	(103)	0	(103)
30 April 2015	(37,896)	(88,090)	(125,986)
Net carrying amount 30 April 2014	6,097	49,585	55,682
Net carrying amount 30 April 2015	10,630	49,910	60,540

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 "Intangible Assets". The additions to acquisition costs, including transfers, include capitalised development expenses totalling TEUR 15,949 (2013/14: TEUR 18,985). Most of these additions involve work on luminaires and lighting components, whereby TEUR 12,599 (2013/14: TEUR 14,727) were not yet available for use as of the balance sheet date.

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

Development costs and similar expenses

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

2.6.6.3 Property, plant and equipment

2014/15 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2014	251,399	392,915	114,024	13,036	771,374
Foreign currency translation	8,006	12,337	4,312	746	25,401
Changes in the consolidation range	(3,220)	(25,854)	(2,427)	(1,943)	(33,444)
Additions	5,370	12,371	10,123	25,547	53,411
Disposals	(7,910)	(44,646)	(15,992)	(9)	(68,557)
Transfers	483	17,492	2,453	(20,717)	(289)
30 April 2015	254,128	364,615	112,493	16,660	747,896
Accumulated amortisation					
30 April 2014	(123,790)	(322,698)	(94,251)	0	(540,739)
Foreign currency translation	(3,577)	(9,763)	(3,409)	0	(16,749)
Changes in the consolidation range	1,542	21,059	1,967	0	24,568
Scheduled depreciation	(9,623)	(20,688)	(7,540)	(10)	(37,861)
Impairment	0	(2,810)	0	0	(2,810)
Disposals	6,259	41,591	14,413	0	62,263
Transfers	557	0	(454)	0	103
30 April 2015	(128,632)	(293,309)	(89,274)	(10)	(511,225)
Net carrying amount 30 April 2014	127,609	70,217	19,773	13,036	230,635
Net carrying amount 30 April 2015	125,496	71,306	23,219	16,650	236,671

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 current credit agreements.

The Group has incurred obligations of TEUR 5,051 (2013/14:TEUR 6,406) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 335 (2013/14:TEUR 511), plant and machinery at TEUR 4,401 (2013/14:TEUR 5,420) and other non-current assets at TEUR 314 (2013/14:TEUR 475).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 603 (2013/14: TEUR 907), plant and machinery at TEUR 15,622 (2013/14:TEUR 11,884) and other non-current assets at TEUR 425 (2013/14:TEUR 245).

The impairment charges to plant and machinery comprise TEUR 1,767 for the Components Segment and TEUR 1,043 for the Lighting Segment. The expenses of TEUR 1,767 recorded in the Components Segment represent the write-off of non-current assets in connection with the exit from magnetics technology. The impairment charges of TEUR 1,043 in the Lighting Segment were related mainly to the write-off of pressure casting machines due to the shutdown of the pressure casting department at the plant in Lemgo, Germany.

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)	0
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
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 impairment charges to land and buildings in 2013/14 included TEUR 2,650 attributable to the Components Segment and were related to the sale of the magnetics plant in Melbourne, Australia. The remaining impairment charges of TEUR 3,911 were recognised in connection with the planned shutdown or downsizing of plants in the Lighting Segment.

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in two (2013/14: two) companies, in which it has significant influence over major financial and/or operating policies but does not exercise control ("associated companies"). Therefore, these companies were included in the consolidated financial statements "at equity" as of 30 April 2015:

LEXEDIS Lighting GmbH, is classified as a joint venture in accordance with IFRS 11 "Joint Arrangements" because it is managed together with an equal partner. The valuation "at equity" was discontinued due to the accumulated losses. This company develops, produces and sells LED products (light-emitting diodes). The profit generated in 2014/15 was offset against previous losses. Valuation will be resumed if / when profits exceed the accumulated losses of TEUR 4,724. A participation right (risk capital) was granted in an earlier year to finance the company, but this right was written off because of the accumulated losses.

The Spanish Staff Iberica S.A., in which the Zumtobel Group holds 50% of the shares, is classified as an associated company in accordance with IAS 28 "Investments in Associates" and is also accounted for "at equity". This company manufactures and processes metal, plastic and wood components, assembles lamps and imports and exports lighting.

Consolidated Financial Statements

Zumtobel Group AG

1 May 2014 to 30 April 2015

The carrying amounts of the two companies included "at equity" is shown in the following table:

in TEUR	Staff Iberica S.A.	LEXEDIS Lighting GmbH
30 April 2015		
Assets	6,245	2,791
Liabilities	1,655	4,915
Equity	4,590	(2,123)
Revenues	5,464	21,117
Net profit/loss for the year	(292)	215

The earnings contribution and balance sheet total of the two associated companies is immaterial for the Zumtobel Group. Therefore, a detailed classification of the proportional values is not provided.

Current trade receivables due from associated companies totalled TEUR 932 (2013/14:TEUR 742), 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.

Deferred taxes of TEUR 274 (2013/14: deferred taxes of TEUR 310) are attributable to investments in associated companies, but were not recognised in accordance with IAS 12.39 "Income Taxes".

2.6.6.5 Investments in other companies

The following companies have non-controlling interests:

Total	Country	Operating Segment	30 April 2015	30 April 2014
Zumtobel Lighting Saudi Arabia Limited	Saudi Arabia	Lighting Segment	51%	51%
Thorn Gulf LCC	UAE	Lighting Segment	49%	49%
Thorn Lighting Limited Liability	Qatar	Lighting Segment	49%	
Thorn Lighting (Tianjin) Co. Ltd.	China	Lighting Segment	100%	70%

Additional contractual agreements give the Zumtobel Group control over the above companies as defined in IFRS 10 "Consolidated Financial Statements". They are therefore included through full consolidation.

The remaining 30% of the shares in Thorn Lighting (Tianjin) Co. Ltd. were acquired during July 2013.

The following tables present summarised financial information on the subsidiaries with non-controlling interests. This information represents the status before intragroup eliminations:

Balance Sheet	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia		Thorn Lighting Limited Liability, Qatar		Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia		Thorn Lighting (Tianjin) Co. Ltd., China		Total
	Thorn Gulf LCC, UAE					Thorn Gulf LCC, UAE				
in TEUR	30 April 2015					30 April 2014				
Non-current assets	220	28		248	39	9	425		473	
Current assets	194	8,830	614	9,638	2,003	6,657	3,929		12,589	
Assets	414	8,858	614	9,886	2,042	6,666	4,354		13,062	
Current liabilities	1,284	3,781	102	5,167	564	3,200	6,445		10,208	
Equity	(870)	5,077	512	4,719	1,478	3,466	(2,091)		2,854	
Equity and Liabilities	414	8,858	614	9,886	2,042	6,666	4,354		13,062	
Dividends		(959)				(596)				

Statement of Comprehensive Income	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia		Thorn Lighting Limited Liability, Qatar		Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia		Thorn Lighting (Tianjin) Co. Ltd., China		Total
	Thorn Gulf LCC, UAE					Thorn Gulf LCC, UAE				
in TEUR	2014/15					2013/14				
Revenues	0	10,239	0	10,239	0	9,036	1,360		10,396	
Net profit/loss for the year	(3,265)	1,773	(92)	(1,584)	516	540	(438)		618	
thereof due to non-controlling interests	(980)	709	(46)	(317)	155	216	(132)		239	
Subtotal other comprehensive income	(133)	767	99	733	(45)	(31)	(530)		(605)	
thereof due to non-controlling interests	(27)	319	50	342	(13)	(12)	(79)		(105)	
Dividends paid to non-controlling interests	0	(384)	0	(384)	0	(239)	0		(239)	

Cash Flow Statement	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia		Thorn Lighting Limited Liability, Qatar		Total	Zumtobel Lighting Saudi Arabia Limited, Saudi Arabia		Thorn Lighting (Tianjin) Co. Ltd., China		Total
	Thorn Gulf LCC, UAE					Thorn Gulf LCC, UAE				
in TEUR	2014/15					2013/14				
Cash flow from operating activities	(790)	340		(450)	(667)	325	(331)		(674)	
Cash flow from investing activities	(202)	(26)		(228)	(25)	(8)	(1)		(34)	
Cash flow from financing activities	1,066	(892)	508	682	45	(635)	(4)		(594)	
Net increase/decrease in cash and cash equivalents	74	(578)	508	4	(647)	(319)	(336)		(1,302)	

2.6.6.6 Financial assets

Non-current financial assets consist primarily of depository balances, securities and similar rights and shares in other companies.

Current financial assets consist primarily of a short-term financial receivable due from an associated company (TEUR 616; 2013/14:TEUR 2,253) and active market values from hedged positions (TEUR 3,398; 2013/14:TEUR 464).

Detailed information is presented in section 2.6.10.1.

2.6.6.7 Other assets

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

in TEUR	30 April 2015	30 April 2014
Coverage capital for Group life insurance	3,449	3,548
Other	840	806
Other non-current assets	4,289	4,354
Prepaid expenses and deferred charges	8,692	6,442
Amounts due from tax authorities	6,806	6,573
Prepayments made	959	1,330
Other	12,676	14,726
Other current assets	29,133	29,071

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 "Employee Benefits".

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

The position "other" consists mainly of the following: accrued research receivables of TEUR 4,307 (2013/14:TEUR 5,922), receivables of TEUR 2,426 (2013/14: TEUR 2,911) arising from part-time work for older employees in Germany and advance contributions of TEUR 1,575 (2013/14:TEUR 2,020) to pension plans in Switzerland.

2.6.6.8 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:

in TEUR	30 April 2015		30 April 2014	
	Assets	Liabilities	Assets	Liabilities
Other intangible assets	126	12,011	52	11,687
Property, plant and equipment	2,405	4,111	2,006	5,234
Financial assets	140	556	1	158
Inventories	4,721	108	3,135	165
Trade receivables	991	900	1,296	798
Other receivables	406	2,304	299	2,816
Non-current provisions	22,050	43	16,751	76
Other provisions	1,969	1,653	2,572	945
Trade payables	3,247	70	3,719	208
Loss carryforwards	148,653		136,755	0
Deferred tax credits or liabilities	184,708	21,756	166,586	22,087
Valuation discounts for deferred taxes	(120,433)	0	(111,327)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(16,200)	(16,200)	(17,750)	(17,750)
Deferred taxes	48,075	5,556	37,509	4,337

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 481,728 (2013/14:TEUR 445,308) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 26,602 (2013/14:TEUR 23,483) will expire within ten years. In agreement with IAS 12.39 "Income Taxes", deferred tax liabilities are not recognised on timing differences related to shares in subsidiaries. The calculation of deferred taxes for Group companies is based on the applicable national tax rate. Deferred taxes on loss carryforwards are only capitalised if they will be offset by deferred tax liabilities or if the utilisation of the loss carryforwards is sufficiently certain.

Deferred taxes of TEUR 5,917 (2013/14:TEUR -422) were recognised under other comprehensive income during the reporting year. This amount includes TEUR 5,966 (2013/14: TEUR 48) related to actuarial losses on the provisions for pensions and severance compensation as required by IAS 19 "Employee Benefits" as well as TEUR -49 (2013/14: TEUR -470) for the hedge accounting reserve.

2.6.6.9 Inventories

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

in TEUR	30 April 2015	30 April 2014
Raw materials	71,448	61,535
Gross value	80,496	70,781
Impairment charges	(9,048)	(9,246)
Work in process	3,750	3,094
Semi-finished goods	13,081	11,992
Gross value	14,600	13,562
Impairment charges	(1,519)	(1,570)
Merchandise	21,953	20,558
Gross value	25,707	25,274
Impairment charges	(3,754)	(4,716)
Finished goods	91,553	84,247
Gross value	103,553	92,684
Impairment charges	(12,000)	(8,437)
Inventories	201,785	181,426

Income was reduced by valuation adjustments of TEUR 2,352 to inventories during the reporting year (2013/14: TEUR 1,555).

Special write-offs recognised in the Components Segment during 2014/15 included TEUR 780 of impairment charges related to the exit from magnetics technology and TEUR 312 for the shutdown of the plant in Fürstenfeld, Austria.

In the Lighting Segment, the restructuring of the product portfolio resulted in an impairment charge of TEUR 328 to current assets at the plant in Spennymoor, Great Britain.

In 2013/14 a special valuation adjustment of TEUR 349 was recognised to inventories (above all semi-finished goods) in connection with the shutdown of the Components Segment plant in Fürstenfeld, Austria.

2.6.6.10 Trade receivables

in TEUR	30 April 2015	30 April 2014
Trade receivables gross	261,061	224,899
Valuation adjustments to receivables	(10,119)	(10,404)
Provision for customer bonuses and discounts	(16,355)	(15,192)
Trade receivables	234,587	199,303

Details on valuation adjustments are provided in section 2.6.11.1.

The receivables sold by several Group companies through factoring contracts totalled TEUR 45,560 as of 30 April 2015 (2013/14: TEUR 40,158). The amounts received from factoring were deducted from the gross receivables shown in the above table.

2.6.6.11 Cash and cash equivalents

Cash and cash equivalents consist of deposits at banks, cash on hand and checks. Of the total bank deposits, TEUR 204 (2013/14:TEUR 169) 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.

2.6.6.12 Assets and liabilities held for sale

In April 2015 Tridonic, the Zumtobel Group brand for lighting components, concluded a contract for the sale of 100% of the shares in Tridonic New Zealand Ltd. as of 30 June 2015. The assets and liabilities held by this company were therefore classified as a disposal group held for sale.

The write-down of the disposal group to the lower of the carrying amount and fair value less costs to sell resulted in impairment charges of TEUR 2,518. In addition, provisions totalling TEUR 384 were created for restructuring. Fair value was determined according to the selling price for the company less the costs incurred for the sale. The disposal group was recorded at fair value less costs to sell as of 30 April 2015 and included the following assets and liabilities:

in TEUR	30 April 2015
Non-current assets	6
Current assets	4.813
Available for sale assets	4.819
Non-current liabilities	15
Current liabilities	234
Liabilities held for Sale	249

Other comprehensive income does not include any cumulative income or expenses related to the above disposal group.

2.6.6.13 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 "Employee Benefits".

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

Defined benefit plans as per IAS 19 in TEUR	Post-employment benefits			Other		
	Pensions 2014/15	2013/14	Severance compensation 2014/15	2013/14	2014/15	2013/14
Beginning balance, net liability	77,486	74,669	41,374	42,744	12,860	14,146
Foreign currency translation & reclassification	6,471	847	0	0	224	(590)
Change in consolidation range & reclassifications	0	0	(1,317)	0	443	(538)
Changes recognised through profit or loss	3,354	5,615	2,633	3,028	3,312	2,210
thereof service cost	2,642	2,023	1,354	1,734	1,648	2,079
thereof past service cost	0	403	0	(250)	38	397
thereof plan reductions and settlements	(3,619)	0	0	0	0	(128)
thereof interest expense	10,870	10,252	1,279	1,544	1,387	367
thereof expected income from plan assets	(6,539)	(7,063)	0	0	0	0
thereof actuarial gain/loss	0	0	0	0	239	(505)
Actuarial loss recognised to equity	26,874	6,181	10,001	535	0	0
thereof financial adjustments	(5,733)	673	(163)	44	0	0
thereof demographic adjustments	44,614	154	9,175	657	0	0
thereof experience related adjustments	(12,007)	5,353	989	(166)	0	0
Payments	(14,191)	(9,827)	(3,343)	(4,933)	(3,406)	(2,368)
thereof to salaried employees	(14,191)	(9,827)	(3,343)	(4,933)	(3,406)	(2,368)
Ending balance, net liability	99,994	77,486	49,348	41,374	13,433	12,860

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.

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

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)	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Germany	1.6%	3.2%	-	-	3.0%	3.0%	1.5%	1.8%	1)	1)
Great Britain	3.4%	4.4%	3.4%	4.4%	-	-	3.1%	2.4%	65/65	65/65
Switzerland	0.9%	2.1%	0.9%	2.1%	1.5%	1.5%	-	-	64/65	64/65
Norway	2.2%	3.2%	2.2%	3.2%	2.5%	3.5%	0.1%	0.1%	67/67	67/67
Sweden	2.0%	3.5%	-	-	-	-	1.5%	1.8%	65/65	65/65
Austria	1.6%	3.4%	-	-	3.0%	3.0%	-	-	2)	2)
France	1.5%	2.9%	-	-	2.0%	2.0%	-	-	3)	3)
Italy	1.1%	3.6%	-	-	3.0%	3.0%	-	-	60/65	60/65
Australia	2.2%	3.8%	2.2%	3.8%	3.0%	3.0%	-	-	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 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 "Employee Benefits" 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 691 in 2014/15 (2013/14: TEUR 613). The asset coverage calculated in accordance with Swedish law equalled 149% (2013/14: 148%) 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 2015	30 April 2014
Obligations not financed through funds	33,624	29,527
Obligations financed through funds	283,096	223,944
Present value of defined benefit obligation (DBO)	316,720	253,472
Fair value of plan assets	(216,726)	(175,986)
Net liability as per balance sheet	99,994	77,486

The provision for pensions is classified by country as follows:

in TEUR	30 April 2015	30 April 2014
Germany	30,516	26,503
Great Britain	53,486	40,974
Switzerland	12,206	6,986
Other	3,786	3,023
Net liability as per balance sheet	99,994	77,486

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

in TEUR	2014/15		2013/14	
	DBO	Plan assets	DBO	Plan assets
30 April 2014	253,472	175,986	240,723	166,054
Foreign currency translation	30,099	23,628	3,905	3,057
Service cost	2,642	0	2,023	0
Plan reductions and settlements	(3,619)	0	0	0
Past service cost	0	0	403	0
Interest expense / income	10,870	6,539	10,252	7,063
Plan expansion	0	0	4,840	4,840
Actuarial loss recognised to equity	38,212	11,338	(202)	(6,383)
<i>thereof financial adjustments</i>	(5,733)	0	673	0
<i>thereof demographic adjustments</i>	44,614	0	154	0
<i>thereof experience related adjustments</i>	(669)	11,338	(1,030)	(6,383)
Payments	(14,956)	(765)	(8,473)	1,354
<i>thereof payments</i>	(10,461)	3,730	(8,473)	1,354
<i>thereof payments due to settlements</i>	(4,495)	(4,495)	0	0
30 April 2015	316,720	216,726	253,472	175,986

The plan reductions and settlements are related entirely to a Swiss group company. The actual payments from the pension plans totalled TEUR 14,956 for the reporting year (2013/14: TEUR 8,473).

As of 30 April 2015, plan assets comprised the following:

in TEUR	30 April 2015	thereof quoted on an active market
Liquid funds	4,219	2,271
Equity instruments	43,824	43,078
Debt instruments	120,388	118,984
Assets held by insurance companies	30,702	0
Other	17,593	16,226
Plan assets	216,726	180,559

Prices on an active market were not available for the assets in the Australian and Norwegian pension plans as of 30 April 2015. The fair value of the assets in these two plans totalled TEUR 4,224 as of that date (2013/14:TEUR 4,313).

The actual income on the plan assets totalled TEUR 17,877 (2013/14:TEUR 680).

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

in TEUR	30 April 2015	30 April 2014
Present value	316,720	253,472
Plan assets	(216,726)	(175,986)
Deficit	99,994	77,486

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 2015	30 April 2014
Austria	43,583	36,142
France	3,907	3,651
Italy	1,858	1,581
Severance compensation obligation	49,348	41,374

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 2013	85,134	6,697	91,831
Actuarial loss	6,181	535	6,716
Foreign currency translation	2,058	0	2,058
Deferred taxes	69	(117)	(48)
30 April 2014	93,442	7,115	100,558
Actuarial loss	26,874	10,001	36,875
Changes in the consolidation range	0	(369)	(369)
Foreign currency translation	11,620	0	11,620
Deferred taxes	(3,445)	(2,521)	(5,966)
30 April 2015	128,491	14,226	142,718

Deferred taxes of TEUR 5,966 were recorded directly in equity during the reporting year (2013/14: TEUR 48). The actuarial losses in 2012/13 and 2014/15 resulted primarily from interest rate developments and were related, above all, to the Thorn Lighting Pension Fund in Great Britain.

Sensitivity

Effects on the DBO as of 30 April 2015:

	Discount rate	Salary trend	Pension trend
	+0.5%	(0.5)%	+0.5%
Pension plans	(27,374)	28,841	244
Severance compensation	(2,971)	3,371	3,197

Effects on the DBO as of 30 April 2014:

	Discount rate	Salary trend	Pension trend
	+0.5%	(0.5)%	+0.5%
Pension plans	(20,665)	19,476	530
Severance compensation	(2,284)	2,623	2,533

Weighted average term of the obligation in years

	30 April 2015	30 April 2014
Pension plans	18	18
Severance compensation	13	12

In 2015/16 the contributions to pension plans are expected to total TEUR 12,506 and severance compensation payments are expected to equal TEUR 1,438.

Other long-term employee benefits

These obligations total TEUR 13,433 (2013/14:TEUR 12,860) and consist mainly of the following provisions: TEUR 5,875 (2013/14:TEUR 5,122) for service anniversary bonuses in Austria, TEUR 5,039 (2013/14:TEUR 5,317) for part-time work for older employees in Germany and TEUR 1,596 (2013/14:TEUR 1,734) for special leave in Australia. Also included here are provisions for legally required profit sharing and bonus payments for long-standing service in France.

2.6.6.14 Defined contribution obligations

Defined contribution payments of TEUR 6,591 were made by various group companies in 2014/15 (2013/14:TEUR 5,823). This amount also includes payments made in Austria based on the amended severance compensation regulations ("Abfertigung neu").

2.6.6.15 Other provisions

2014/15 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2014	13,517	10,684	247	1,504	8,106	34,058
Addition	4,635	10,846	37	0	8,115	23,633
Utilisation	(5,027)	(8,102)	0	(895)	(6,194)	(20,218)
Reversal	(3,740)	(975)	0	(677)	(515)	(5,907)
Changes in the consolidation range	(28)	0	0	0	(20)	(48)
Foreign currency translation	731	526	6	171	213	1,647
30 April 2015	10,088	12,979	290	103	9,705	33,165
thereof current	10,088	12,979	290	103	8,467	31,927
thereof non-current	0	0	0	0	1,238	1,238

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.

Provisions for guarantees

The provisions for guarantees are classified into separate provisions of TEUR 6,769 (2013/14:TEUR 7,852) for individual items as well as experience-based provisions of TEUR 3,319 (2013/14:TEUR 5,665) 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. The year-on-year decline in the provision for cases not recognised individually or not known at balance sheet date resulted from experience with the initial expiration of the five-year guarantee.

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 2015.

Provisions for legal proceedings

The change in these provisions during 2013/14 and 2014/15 is related to 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 previous 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. The use of the provision in 2014/15 reflected the costs required to meet these contractual obligations. In contrast, successful negotiations led to the release of a provision for an onerous rental contract in England.

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)	(187)	(40)	(7)	(103)	(512)
30 April 2014	13,517	10,684	247	1,504	8,106	34,058
<i>thereof current</i>	13,517	10,684	247	1,504	7,033	32,985
<i>thereof non-current</i>	0	0	0	0	1,073	1,073

The increase in other current provisions during 2014/15 is related, above all, to higher provisions for license expenses.

2.6.6.16 Financial liabilities

in TEUR	30 April 2015	30 April 2014
Loans from financial institutions	831	103
Finance leases	431	349
Loans from public authorities	0	1,374
Loans from other third parties	49	49
Working capital credits	15,990	3,439
Current borrowings	17,301	5,314
Loans from financial institutions	165,383	175,357
Finance leases	21,968	19,777
Loans from public authorities	3,553	2,223
Non-current borrowings	190,904	197,357
Borrowings	208,205	202,671

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 TEUR 500,000 to TEUR 350,000, whereby this reduction was accompanied by a reduction in the standard commitment fee. As of 30 April 2015, the amount drawn under the credit agreement totalled TEUR 80,000 (30 April 2014: TEUR 170,000).

In addition to the consortium credit agreement, financing is supported by two long-term credit agreements of TEUR 40,000 each which were concluded on a bilateral basis. These agreements call for bullet repayment and have terms ending in September 2018, respectively in January 2020. The proceeds of both bilateral credits were transferred during the reporting year and were used, in part, to repay the consortium credit. This led to a substantial extension of the average maturity of the Group's debt financing.

The short-term portion of the government loan was repaid in 2014/15.

2.6.6.17 Finance leases

in TEUR	Expenses 2014/15	Minimum lease payments				Total Liability	Net carrying amount assets		
		Future payments							
		< 1 year	1 (5) years	> 5 years					
Land & buildings	2,553	2,553	11,091	29,509	43,153		11,163		
Total minimum lease payments	2,553	2,553	11,091	29,509	43,153		11,163		
Less: finance charge = Interest expense	2,158	2,122	8,009	10,623	20,754				
Present value of net minimum lease payments	395	431	3,082	18,886	22,399				

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, Great Britain. 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 22,399 as of 30 April 2015 (2013/14: TEUR 20,126). The year-on-year increase in the net present value of the minimum lease payments resulted primarily from foreign exchange translation effects.

2.6.6.18 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	Future payments to third parties				Total
	Expenses 2014/15	< 1 year	1 (5) years	> 5 years	
Minimum lease payments based on non-cancellable leases	22,347	16,254	21,885	8,225	46,364
Less payments received from leases and sub-leases	108	5	0	0	5
Net minimum lease payments	22,239	16,249	21,885	8,225	46,359

These leases were concluded chiefly for office buildings, plant equipment/warehouses and motor vehicles. The terms range from one month to 15 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. The term of this non-cancellable lease began on 1 May 2010 and extends for 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	Future payments from third parties				Total
	Income 2014/15	< 1 year	1 (5) years	> 5 years	
Minimum lease payments based on non-cancellable leases	494	247	0	0	247

2.6.6.19 Other liabilities

The major components of other current liabilities are as follows:

in TEUR	30 April 2015	30 April 2014
Vacations, comp. in free time, special payments to employees	54,111	46,907
Amounts due to employees	11,531	13,253
Miscellaneous taxes	15,586	15,518
Social security	6,463	6,300
Prepayments received	28,524	20,770
Accrued interest	128	75
Deferred income	1,404	1,099
Derivatives (hedge accounting)	11,077	7,521
Derivatives held for trading	10,516	1,832
Customs	2,939	1,832
Other liabilities	11,710	8,610
Other current liabilities	153,989	123,717

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 2,575 to TEUR 4,174 resulted primarily from the accrual of the non-current component of the long-term incentive programme for managers.

2.6.7 Notes to the Cash Flow Statement

Cash flow was determined on a monthly basis in accordance with the indirect method. The starting point for the cash flow calculation was changed from operating profit to profit before tax. 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 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, profit before tax 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 56,238) as well as impairment charges (TEUR 2,810).

The amounts recognised under other comprehensive income in accordance with IAS 19 "Employee Benefits", IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" are included in the cash flow statement under the changes to the respective balance sheet positions.

Cash flow from operating results rose from TEUR 79,595 in 2013/14 to TEUR 103,085 in 2014/15, primarily due to the improvement of TEUR 18,112 in profit before tax.

Despite the increase in gross cash flow, cash flow from operating activities was TEUR 8,926 lower than the previous year. This decline resulted, above all, from the year-on-year increase in working capital as well as changes in other operating positions.

The increase in working capital was related, in particular, to the expansion of business during the fourth quarter and to higher inventories. Stocks of raw materials and finished goods were increased at a higher rate than revenues to safeguard production and ensure uninterrupted supplies to customers.

The development of the other operating positions was related primarily to the increase in non-current provisions, which was caused mainly by the change in the IAS 19 reserve recorded under comprehensive income in 2014/15, and from a change in current provisions. The negative cash flow effect from current provisions resulted primarily from a reduction in the provisions for guarantees and onerous contracts. The increase in the cash flow position "other current and non-current assets and liabilities" resulted chiefly from an increase in amounts due to employees.

Investments in non-current assets totalled TEUR 76,576 in 2014/15 (2013/14: TEUR 65,553) and included the purchase of new production equipment and the manufacture of tools for new products as well as expansion investments, maintenance and capitalised R&D costs. Investments in 2014/15 focused, in particular, on modern production equipment for the industrial manufacture of LED lighting and components.

The increase in cash and cash equivalents from changes in the consolidation range reflects the sale of the shares in Tridonic connection technology GmbH & Co KG, Austria, and Tridonic connection Technology GmbH, Austria, as well as the initial consolidation of Thorn Lighting Limited Liability Company, Qatar. The scheduled sale of 100% of the shares in Tridonic New Zealand Ltd. on 30 June 2015 is reported under "assets and liabilities held for sale", i.e. under cash flow from investing activities.

In the prior year, the change in cash and cash equivalents from changes in the consolidation range represented 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, Dresden, and LEDON OLED Lighting GmbH & Co. KG (now "Tridonic Dresden GmbH & Co. KG"), Dresden. This position also included a negative cash effect from the purchase of the remaining shares in Tridonic SA (Proprietary) Limited during the fourth quarter of 2013/14.

Cash flow from financing activities changed from TEUR -13,088 in the previous year to TEUR -17,053 in 2014/15. This development reflected the dividend (TEUR 7,765) approved by the annual general meeting on 25 July 2014 as well as the dividend attributable to a non-controlling interest (TEUR 384) and the positive cash effect from the non-controlling interest in the capital increase of the company in Qatar. Cash flow was reduced by an increase of TEUR 2,126 in interest expense.

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 2015	30 April 2014
Liquid funds	59,345	74,191
Not available for disposal	(204)	(169)
Overdrafts	(15,990)	(3,439)
Cash and cash equivalents	43,151	70,583

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 Group AG shares are traded in the Prime Market segment of the Vienna Stock Exchange. The stock market abbreviation 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 annual general meeting on 25 July 2014 passed the following resolution: The Management Board is authorised, in accordance with § 169 of the Austrian Stock Corporation Act and contingent upon the approval of the Supervisory Board, to increase the company's share capital by up to EUR 10,875,000.00 through the issue of up to 4,350,000 new bearer shares of zero par value stock – in one or more tranches and also through indirect subscription rights as defined in § 153 (6) of the Austrian Stock Corporation Act – at a minimum issue price equalling 100% (one hundred per cent) of the proportional share of share capital in exchange for cash or contributions in kind. This authorisation is valid for five years beginning on the date the respective amendment to the articles of association is recorded in the company register. Furthermore, the Management Board is empowered to determine the issue price and conditions and 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 43,146,137 shares were outstanding as of 30 April 2015 (2013/14: 43,139,060). Transactions carried out in 2014/15 as part of the employee stock participation programmes involved the exercise of 7,077 options (2013/14: 5,170) from the Stock Option Programme (SOP). The last exercise window closed at the end of 2014/15, and no further options will be issued from the SOP. The company held 353,863 treasury shares as of 30 April 2015 (2013/14: 360,940).

2.6.8.2 Additional paid-in capital

Additional paid-in capital includes the appropriated and non-appropriated capital of Zumtobel Group 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 "The Effects of Changes in Foreign Exchange Rates" (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 19 reserve is provided in section 2.6.6.13.

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; the exercise period expired as of April 2015 and the programme was terminated. This exercise period contained a number of exercise slots, whereby the company reserved the right to close the exercise periods prematurely. Each option carried the right to purchase one share at a fixed price. The SOP options were not transferrable, and the shares purchased under the SOP were not subject to a retention period.

The development of treasury shares is as follows:

in pcs.	Total
Share buyback (to 30 April 2014)	1,539,211
Exercised (to 30 April 2014)	(1,178,271)
30 April 2014	360,940
Exercised	(7,077)
30 April 2015	353,863

The exercise price payable by employees in 2014/15 equalled TEUR 67 (2013/14: TEUR 39). A total of TEUR 7,212 was paid for the 924,424 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 remains unchanged in year-on-year comparison at TEUR 19,479 and is included under reserves. The decrease in the prior year 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	
	2014/15	2013/14
Granted options – beginning balance	16,719	21,889
New grants	0	0
Exercised	(7,077)	(5,170)
Cancelled	(9,642)	0
Forfeited	0	0
Granted options – ending balance	0	16,719
<i>Thereof eligible for exercise</i>	<i>0</i>	<i>16,719</i>

2.6.8.5 Dividend

The annual general meeting on 25 July 2014 authorised the payment of a EUR 0.18 dividend per share for the 2013/14 financial year. The resulting amount of TEUR 7,765 for the 43,140,512 shares outstanding as of 31 July 2014 (43,500,000 less 359,488 treasury shares) was distributed to shareholders on 1 August 2014.

The Zumtobel Group follows a continuous dividend policy, whereby the amount of the dividend is dependent on the current profitability, earnings forecasts and expected economic developments. Against the backdrop of the further positive development of business, the Management Board will make a recommendation to the Supervisory Board and subsequently to the annual general meeting of Zumtobel Group AG on 24 July 2015, calling for a dividend of EUR 0.22 per share for the 2014/15 financial year (2013/14: EUR 0.18).

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 the consortium 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 80,000 had been drawn as of 30 April 2015. 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 2015 with a debt coverage ratio of 1.48 (2013/14: 1.57) and an equity ratio of 29.7% (2013/14: 32.5%). In addition to the consortium credit agreement, financing is supported by two long-term credit agreements of TEUR 40,000 each which were concluded on a bilateral basis. These agreements call for bullet repayment and have terms ending in September 2018, respectively in January 2020. The proceeds of both bilateral credits were transferred during the reporting year and were used, in part, to repay the consortium credit. This led to a substantial extension of the average maturity of the Group's debt financing.

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 "Financial Instruments: Recognition and Measurement":

- >> Initially recognised at fair value through profit or loss (at fair value through P&L)
- >> HFT – held for trading
- >> 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 "Financial Instruments – Disclosure" (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.

The fair value of financial instruments not measured at fair value is not reported because the carrying amounts represent appropriate values for these items.

2014/15 Financial Year

Assets

in TEUR	Carrying amount	upon initial recognition	HFT	L&R	Cash
Non-current financial assets	1,811	587	-	1,224	-
<i>Securities and similar rights</i>	587	587	-	-	-
<i>Loans originated and other receivables</i>	1,224	-	-	1,224	-
Current financial assets	4,034	-	3,398	636	-
<i>Loans originated and other receivables</i>	13	-	-	13	-
<i>Positive market values of derivatives held for trading</i>	3,398	-	3,398	-	-
<i>Other</i>	623	-	-	623	-
Trade receivables	234,587	-	-	234,587	-
Liquid funds	59,345	-	-	-	59,345
Total	299,777	587	3,398	236,447	59,345

The position "other" under current financial assets includes a financial receivable of TEUR 616 (2013/14: TEUR 2,253) that is due from an associated company.

Liabilities

in TEUR	Carrying amount	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	190,904	-	190,904	-	-
<i>Loans received</i>	168,936	-	168,936	-	-
<i>Finance leases</i>	21,968	-	21,968	-	-
Other non-current liabilities	4,174	-	-	-	4,174
Current borrowings	17,301	-	17,301	-	-
<i>Loans received</i>	16,870	-	16,870	-	-
<i>Finance leases</i>	431	-	431	-	-
Trade payables	174,040	-	174,040	-	-
Other current liabilities	153,989	10,516	129	11,077	132,267
<i>Negative market values of derivatives held for trading</i>	10,516	10,516	-	-	-
<i>Negative market values of derivatives (hedge accounting)</i>	11,077	-	-	11,077	-
<i>Other</i>	132,396	-	129	-	132,267
Total	540,408	10,516	382,374	11,077	136,441

Financial liabilities are measured at amortised cost, with the exception of the derivatives carried at fair value.

IFRS 13 "Fair Value Measurement" had no material effects on the valuation of the Zumtobel Group's assets and liabilities.

The financial instruments carried at fair value through profit or loss as of 30 April 2015 are categorised as follows:

in TEUR	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Non-current financial assets	-	-	-	-	-
Securities and similar rights	587	587	-	-	587
Loans originated and other receivables	-	-	-	-	-
Current financial assets	-	-	-	-	-
Loans originated and other receivables	-	-	-	-	-
Positive market values of derivatives held for trading	3,398	3,398	-	3,398	-
Other	-	-	-	-	-
Total	3,985	3,985	-	3,398	587

in TEUR	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Other current liabilities					
Derivatives held for trading	10,516	10,516	-	10,516	-
Derivatives (hedge accounting)	11,077	11,077	-	11,077	-
Total	21,593	21,593	-	21,593	-

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 3,398, 2013/14: TEUR 464; negative market value TEUR -21,593, 2013/14: TEUR -9,353). 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 quoted prices on an active market (Level 1).

The consolidated financial statements of the Zumtobel Group also include an immaterial amount of financial instruments whose valuation is not based on quoted prices or input factors that can be monitored on the market (Level 3). Most of these financial instruments represent smaller investments in various companies. The year-on-year change in the financial instruments classified under Level 3 is related to the purchase of an investment in an Austrian company.

2013/14 Financial Year

Assets

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

Liabilities

in TEUR	Carrying amount	HFT	at amortised cost	Hedge Accounting	Non-FI
Non-current borrowings	197,357	-	197,357	-	-
<i>Loans received</i>	177,579	-	177,579	-	-
<i>Finance leases</i>	19,777	-	19,777	-	-
Other non-current liabilities	2,575	-	-	-	2,575
Current borrowings	5,314	-	5,314	-	-
<i>Loans received</i>	4,965	-	4,965	-	-
<i>Finance leases</i>	349	-	349	-	-
Trade payables	159,912	-	159,912	-	-
Other current liabilities	123,717	1,832	75	7,521	114,288
<i>Negative market values of derivatives held for trading</i>	1,832	1,832	-	-	-
<i>Negative market values of derivatives (hedge accounting)</i>	7,521	-	-	7,521	-
<i>Other</i>	114,364	-	75	-	114,288
Total	488,875	1,832	362,658	7,521	116,863

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

in TEUR	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Non-current financial assets	-	-	-	-	-
Securities and similar rights	380	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	-	464	-
Other	-	-	-	-	-
Total	844	844	-	464	380

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

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

	2014/15	2013/14
Net gains or net losses	(9,579)	(1,662)
Financial instruments measured at amortised cost	(677)	(1,954)
Financial instruments held for trading	(5,764)	298
Net investment hedge – ineffective portion of changes in fair value	(3,135)	0
Gains/losses on sale	(3)	(7)
Interest expense	(9,077)	(8,904)
Interest expense for financial assets measured at amortised cost	(7,080)	(6,400)
Interest expense hedge accounting	(1,609)	(2,139)
Interest expense for financial instruments held for trading	(388)	(365)
Interest income	400	816
Interest income at amortised cost	364	773
Interest income hedge accounting	36	43
Valuation adjustments to loans and receivables	136	(1,561)

Other financial income and expense (TEUR –16,576; 2013/14:TEUR –6,763) includes net income or expense (TEUR –9,579; 2013/14: TEUR –1,662) as well as the interest component as defined in IAS 19 "Employee Benefits" after the deduction of income on plan assets (TEUR –6,997; 2013/14:TEUR –5,100).

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 Zumtobel 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 2014/15 losses on receivables, i.e. derecognised receivables, totalled 0.1% (2013/14: 0.1%) of Group revenues. The ten largest customers were responsible for 28% of Group revenues in 2014/15 (2013/14: 23%).

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 2015. 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 2015	30 April 2014
Beginning balance	10,404	9,414
Addition	3,427	3,310
Utilisation	(1,499)	(809)
Reversal	(2,213)	(1,511)
Ending balance	10,119	10,404

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 more than 60 days overdue. 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:

in TEUR	30 April 2015		30 April 2014	
	Trade receivables gross	Valuation adjustments	Trade receivables gross	Valuation adjustments
Not yet due	231,201	191	194,252	31
Overdue 1(60) days	17,105	22	16,606	0
Overdue 61(90) days	1,648	257	1,384	274
Overdue 91(120) days	1,007	311	1,103	396
Overdue 121(180) days	1,326	613	958	671
Overdue > 180 days	8,774	8,725	10,597	9,032
Total	261,061	10,119	224,899	10,404

The nominal value of receivables includes TEUR 7,727 (2013/14:TEUR 7,234) that are classified as doubtful. These doubtful receivables were adjusted by a total of TEUR 6,789 (2013/14:TEUR 6,501).

>> 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 299,777 as of 30 April 2015 (2013/14:TEUR 277,691). 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 2015 liquidity was secured by the consortium credit agreement and two other credit agreements (see section 2.6.6.16) as well as short-term unsecured lines of credit totalling TEUR 93,414 (2013/14:TEUR 88,978). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The following schedule of future payments shows the periods in which the cash flows are expected to occur. The liabilities recorded as of 30 April 2015 will result in the following payments.

30 April 2015

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 (5) years	> 5 years
Borrowings	208,205	236,956	21,156	180,312	35,488
Loans from financial institutions	166,214	174,142	2,538	165,625	5,979
Loans from public authorities	3,553	3,622	26	3,596	0
Loans from other third parties	49	49	49	0	0
Finance leases	22,399	43,153	2,553	11,091	29,509
Working capital credits	15,990	15,990	15,990	0	0
Trade payables	174,040	174,040	174,040	0	0
Other liabilities	158,163	158,321	156,137	2,184	0
Derivatives held for trading	10,516	10,703	10,703	0	0
Derivatives (hedge accounting)	11,077	11,048	8,864	2,184	0
Other financial instruments	128	128	128	0	0
Liabilities Non-FI	136,442	136,442	136,442	0	0
Liquidity risk	540,408	569,317	351,333	182,496	35,488

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

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

30 April 2015

in TEUR	Carrying amount	Total	Contractual cash flow		
			< 1 year	1 (5) years	> 5 years
Financial assets	3,398	3,342	3,342	0	0
Derivatives held for trading	3,398	3,342	3,342	0	0

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

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. No derivatives are used for trading or speculative purposes.

Cash flows that are exposed to exchange rate risks are generally hedged for an average of one to three quarters on a rolling basis. This method leads to a relatively constant volume of hedges and equalises foreign exchange exposure. Raw material price risks are reduced where possible through appropriate supplier agreements.

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 or the future change in cash flows from interest-bearing items that carry a variable interest rate. 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 80,000) 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). The two long-term loans concluded on a bilateral basis in 2014/15 (TEUR 40,000 each) carry fixed interest rates and are therefore not exposed to interest rate risk.

In order to reduce the interest rate risk associated with the consortium credit agreement, the Zumtobel Group concluded EUR-interest rate swaps with various banks. These swaps have a current effective nominal volume of TEUR 80,000, i.e. 100% of the long-term variable interest credit volume outstanding at the present time. 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 2.694%. The euro-denominated interest rate swaps with fixed interest rates qualify for hedge accounting as defined in IAS 39 "Financial Instruments: Recognition and Measurement". The effectiveness of these hedges is demonstrated by the hypothetical derivative method. The Zumtobel Group also concluded a EUR/CHF-cross-currency swap with payment obligations in Swiss francs. The foreign exchange component of this cross-currency swap meets the requirements for a hedge of a net investment in a foreign operation as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates", and the market value is reported under derivatives (hedge accounting). 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	Fair value in TEUR
		2014/15	2013/14
EUR	80,000	(3,742)	(3,961)
CHF	28,728	(7,335)	(3,560)
Negative market values of interest rate hedging instrument (hedge accounting)		(11,077)	(7,521)
CHF	28,728	(163)	(470)
Negative market values of interest rate hedging instrument (held for trading)		(163)	(470)

>> 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 2015	30 April 2014
Borrowings	(128,205)	(32,670)
Fixed rate instruments	(128,205)	(32,670)
Financial assets	5,845	4,197
Liquid funds	59,345	74,191
Borrowings	(80,000)	(170,000)
Variable rate instruments	(14,810)	(91,612)
Total	(143,015)	(124,282)

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 347 (2013/14:TEUR 991) 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 ofTEUR 706 (2013/14:TEUR 924).

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, NOK 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 2015 (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 2015 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.

in TEUR	EUR decrease of 10%		EUR increase of 10%	
	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	5,016	6,605	(5,016)	(6,605)
EUR - SEK	929	3,914	(929)	(3,914)
EUR - USD	(1,577)	401	1,577	(401)

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

in TEUR	Fair value	EUR decrease	EUR increase
		of 10%	of 10%
EUR - GBP	(3,117)	(11,825)	10,656
EUR - CHF	(5,344)	(3,963)	3,603
EUR - AUD	(138)	(586)	533
EUR - USD	(1,808)	3,125	(3,061)
EUR - NOK	(151)	(282)	256

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.

2.6.12 Segment Reporting

2.6.12.1 Operating segments

The Zumtobel Group comprises two operating segments: the Lighting Segment and the Components Segment. The Lighting Segment covers the Thorn, Zumtobel and OEM & TPP businesses and markets lighting solutions, interior and exterior lighting, electronic-digital lighting and room management systems. The Components Segment includes the Tridonic business, which develops, produces and markets electronic lighting components, LED lighting components 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 segments", 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 -145 (2013/14:TEUR 289) for the Lighting Segment. In the prior year, TEUR -10 was allocated to the Components Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR 2,810 (2013/14:TEUR 12,139) of impairment charges: TEUR 1,767 (2013/14:TEUR 5,802) from the Components Segment and TEUR 1,043 (2013/14:TEUR 6,337) from the Lighting Segment. The elimination of inter-segment revenues is included in the reconciliation column.

in TEUR	Lighting Segment			Components Segment			Reconciliation			Group		
	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13
Net revenues	989,907	938,450	935,662	393,819	384,546	377,722	(71,106)	(76,165)	(69,768)	1,312,620	1,246,831	1,243,616
External revenues	988,419	937,897	934,883	323,897	308,849	308,344	304	85	389	1,312,620	1,246,831	1,243,616
Inter-company revenues	1,488	553	779	69,922	75,697	69,378	(71,410)	(76,250)	(70,157)	0	0	0
Operating profit/loss	42,194	21,075	24,298	24,670	11,617	8,605	(25,773)	(20,549)	(11,243)	41,091	12,143	21,660
Investments	49,186	49,970	41,140	19,899	13,768	16,296	7,491	1,815	2,073	76,576	65,553	59,509
Depreciation	(35,321)	(39,220)	(33,675)	(21,109)	(26,711)	(22,000)	(2,618)	(2,136)	(2,136)	(59,048)	(68,067)	(57,811)
in TEUR	30 April 2015	30 April 2014	30 April 2013	30 April 2015	30 April 2014	30 April 2013	30 April 2015	30 April 2014	30 April 2013	30 April 2015	30 April 2014	30 April 2013
Assets	743,925	668,998	640,657	207,140	209,046	208,852	135,210	128,557	145,329	1,086,275	1,006,601	994,838
	30 April 2015	30 April 2014	30 April 2013	30 April 2015	30 April 2014	30 April 2013	30 April 2015	30 April 2014	30 April 2013	30 April 2015	30 April 2014	30 April 2013
Headcount (full-time equivalent)	5,302	5,186	5,091	1,752	1,971	1,946	180	134	125	7,234	7,291	7,162

The reconciliation column comprises the following:

in TEUR	2014/15	2013/14
Group parent companies	(25,398)	(20,424)
Group entries	(375)	(125)
Operating loss	(25,773)	(20,549)

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 2015	30 April 2014
Assets used by more than one segment	130,995	129,266
Group parent companies	58,155	48,927
Group entries	(53,940)	(49,636)
Assets	135,210	128,557

No individual external customer is responsible for more than 10% of total revenues.

Consolidated Financial Statements

Zumtobel Group AG

1 May 2014 to 30 April 2015

2.6.12.2 Regional segments

The classification of business activities by region is based on „D/A/CH“, „Northern Europe“, „Southern Europe & Latin America“, „Benelux & Eastern Europe“, „Middle East & Africa“, „Asia & Pacific“ and „Northern America“:

in TEUR	External revenues		Assets	
	2014/15	2013/14	30 April 2015	30 April 2014
D/A/CH	370,745	350,568	508,449	447,366
Northern Europe	342,946	312,266	148,965	126,925
Southern Europe & Latin America	200,791	212,528	71,100	77,819
Benelux & Eastern Europe	116,417	105,762	22,131	19,592
Middle East & Africa	97,620	91,792	18,109	15,796
Asia & Pacific	149,590	141,117	82,675	69,571
Northern America	34,511	32,799	13,102	9,528
Reconciliation	0	0	221,744	240,004
Total	1,312,620	1,246,831	1,086,275	1,006,601

Reconciliation of regions:

in TEUR	30 April 2015	30 April 2014
Assets used by more than one segment	215,110	235,134
Group entries	6,634	4,870
Assets	221,744	240,004

2.6.13 Contingent Liabilities and Guarantees

Group companies have accepted liabilities of TEUR 8,898 (2013/14: TEUR 8,135) for bank guarantees.

2.6.14 Subsequent events

No significant events occurred after the balance sheet date on 30 April 2015.

2.6.15 Related Party Transactions

Closely related persons include the Management Board and Supervisory Board of Zumtobel Group AG. As of 30 April 2015 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 2.6.4). Trade receivables due from associated companies totalled TEUR 932 as of 30 April 2015 (2013/14:TEUR 742) and trade payables equalled TEUR 2,560 (2013/14:TEUR 3,528). No receivables due from associated companies were derecognised due to failed collection in 2014/15, and no receivables due from associated companies were classified as uncollectible as of 30 April 2015.

As of 30 April 2015 a financial receivable of TEUR 616 (2013/14:TEUR 2,253) was due from an associated company.

Consolidated Financial Statements

Zumtobel Group AG

1 May 2014 to 30 April 2015

Remuneration for the corporate bodies of Zumtobel Group AG

in TEUR	2014/15	2013/14
Total remuneration for the Management Board	3,845	6,839
thereof fixed component	1,700	1,368
thereof short-term variable component	528	181
thereof long-term variable component	1,617	615
expenses resulting from an exit agreement	0	4,675

in TEUR	2014/15	2013/14
Ulrich Schumacher (as of 1 October 2013)	1,905	960
thereof fixed component	750	379
thereof short-term variable component	231	116
thereof long-term variable component	924	465
Karin Sonnenmoser (as of 1 May 2014)	894	0
thereof fixed component	400	0
thereof short-term variable component	148	0
thereof long-term variable component	346	0
Martin Brandt (up to 31 July 2014)	1,046	765
thereof fixed component	550	550
thereof short-term variable component	149	64
thereof long-term variable component	347	150
Harald Sommerer (up to 30 September 2013)	0	4,123
thereof fixed component	0	273
thereof short-term variable component	0	0
thereof long-term variable component	0	0
expenses resulting from an exit agreement	0	3,850
Mathias Dähn (up to 30 September 2013)	0	992
thereof fixed component	0	167
thereof short-term variable component	0	0
thereof long-term variable component	0	0
expenses resulting from an exit agreement	0	825

The target remuneration and actual remuneration for Ulrich Schumacher in 2014/15 include the contractually agreed compensation for the functions of CEO as well as additional compensation for his interim activities as COO (1 August 2014 – 30 April 2015). In 2013/14 the remuneration for Ulrich Schumacher included the contractually agreed compensation for the functions of CEO as well as additional compensation for his interim activities as CFO (1 October 2013 – 30 April 2014).

As of 30 April 2015 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 2015.

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 Group AG is shown in the following table:

in TEUR	2014/15	2013/14
Total Supervisory Board remuneration	313	319
thereof annual remuneration	180	180
thereof attendance fees	129	135
thereof reimbursement for expenses	4	4

2.6.16 Information on Employees and Corporate Bodies

2.6.16.1 Personnel structure

	2014/15		2013/14	
	Average	Balance Sheet Date	Average	Balance Sheet Date
Production	3,401	3,346	3,528	3,524
R&D	590	593	601	602
Sales	2,042	2,026	2,197	2,146
Administration	492	522	485	493
Miscellaneous	649	747	410	526
Total	7,174	7,234	7,221	7,291

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, resigned as of 31 July 2014

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, 12 June 2015

The Management Board

Ulrich Schumacher
Chief Executive Officer (CEO)

Karin Sonnenmoser
Chief Financial Officer (CFO)

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	Austria	99.95	full	30 April	EUR
12	Tridonic GmbH	Austria	100	full	30 April	EUR
13	Tridonic GmbH & Co KG	Austria	100	full	30 April	EUR
14	Tridonic Holding GmbH	Austria	100	full	30 April	EUR
15	Zumtobel Group AG	Austria	100	full	30 April	EUR
16	Zumtobel Holding GmbH	Austria	100	full	30 April	EUR
17	Zumtobel Insurance Management GmbH	Austria	100	full	30 April	EUR
18	Zumtobel LED GmbH	Austria	100	full	30 April	EUR
19	Zumtobel LED Holding GmbH	Austria	100	full	30 April	EUR
20	ZG Lighting Austria GmbH	Austria	100	full	30 April	EUR
21	Zumtobel Lighting GmbH	Austria	100	full	30 April	EUR
22	Zumtobel Pool GmbH	Austria	100	full	30 April	EUR
23	N.V. Zumtobel Lighting S.A.	Belgium	100	full	30 April	EUR
24	ZG ILUMINACION LATAM LIMITADA	Chile	100	full	30 April	CLP
25	Thorn Lighting (Guangzhou) Ltd.	China	100	full	31 December	CNY
26	Thorn Lighting (Hong Kong) Ltd.	China	100	full	30 April	HKD
27	Thorn Lighting (Tianjin) Co. Ltd.	China	100	full	31 December	CNY
28	Tridonic (Shanghai) Co. Ltd.	China	100	full	31 December	CNY
29	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	31 December	CNY
30	TridonicAtco Hong Kong Ltd.	China	100	full	30 April	HKD
31	Zumtobel Licht d.o.o.	Croatia	100	full	30 April	HRK
32	ZG Lighting Czech Republic, s r.o.	Czech Republic	100	full	30 April	CZK
33	Thorn Lighting AS	Denmark	100	full	30 April	DKK
34	Thorn Lighting OY	Finland	100	full	30 April	EUR
35	Thorn Europhane S.A.	France	99.95	full	30 April	EUR
36	Tridonic France Sarl	France	100	full	30 April	EUR
37	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
38	ZG Licht Süd GmbH	Germany	100	full	30 April	EUR
39	Reiss Lighting GmbH	Germany	100	full	30 April	EUR
40	Tridonic Germany GmbH	Germany	100	full	30 April	EUR
41	Zumtobel Holding GmbH	Germany	100	full	30 April	EUR
42	ZG Licht Nord-West GmbH	Germany	100	full	30 April	EUR

Consolidated Financial Statements

Zumtobel Group AG

1 May 2014 to 30 April 2015

43	ZG Licht Mitte-Ost GmbH	Germany	100	full	30 April	EUR
44	Zumtobel Lighting GmbH	Germany	100	full	30 April	EUR
45	Luxmate Ltd.	Great Britain	100	full	30 April	GBP
46	Rewath Ltd.	Great Britain	100	full	30 April	GBP
47	Thorn Lighting Group	Great Britain	100	full	30 April	GBP
48	Thorn Lighting Holdings Ltd.	Great Britain	100	full	30 April	GBP
49	Thorn Lighting International Ltd.	Great Britain	100	full	30 April	GBP
50	Thorn Lighting Ltd.	Great Britain	100	full	30 April	GBP
51	Tridonic UK Ltd.	Great Britain	100	full	30 April	GBP
52	Wengen-Five Ltd.	Great Britain	100	full	30 April	GBP
53	Wengen-Four Ltd.	Great Britain	100	full	30 April	GBP
54	Wengen-One Ltd.	Great Britain	100	full	30 April	GBP
55	Wengen-Three Ltd.	Great Britain	100	full	30 April	GBP
56	Wengen-Two Ltd.	Great Britain	100	full	30 April	GBP
57	Zumtobel Lighting Limited	Great Britain	100	full	30 April	GBP
58	Zumtobel Hongkong Limited	Hong Kong	100	full	30 April	HKD
59	Zumtobel Lighting Kft	Hungary	100	full	30 April	HUF
60	Thorn Lighting India Private Limited	India	100	full	30 April	INR
61	Thorn Lighting (Ireland) Limited	Ireland	100	full	30 April	EUR
62	Thorn Europhane SPA	Italy	99,89	full	30 April	EUR
63	Tridonic Italia SRL	Italy	100	full	30 April	EUR
64	Zumtobel Illuminazione SRL	Italy	100	full	30 April	EUR
65	Zumtobel LED Illuminazione Holding srl	Italy	100	full	30 April	EUR
66	Tridonic (Malaysia) Sdn, Bhd.	Malaysia	100	full	30 April	MYR
67	Thorn Lighting (Mauritius) Holdings Ltd.	Mauritius	100	full	30 April	USD
68	Thorn Lighting Asian Holdings BV	Netherlands	100	full	30 April	EUR
69	Thorn Lighting (NZ) Limited	New Zealand	100	full	30 April	NZD
70	Tridonic NZ Limited	New Zealand	100	full	30 April	NZD
71	Thorn Lighting AS	Norway	100	full	30 April	NOK
72	ZG Lighting Polska sp.z o.o.	Poland	100	full	30 April	PLN
73	Thorn Lighting Limited Liability	Qatar	49	full	30 April	QAR
74	R Lux Immobilien Linie SRL	Romania	100	full	31 December	RON
75	Zumtobel Lighting Romania SRL	Romania	100	full	31 December	RON
76	ZG Lighting Russia	Russia	100	full	30 April	RUB
77	Zumtobel Lighting Saudi Arabia Limited	Saudi Arabia	51	full	31 December	SAR
78	Thorn Lighting (Singapore) Pte Ltd.	Singapore	100	full	30 April	SGD
79	Tridonic (S.E.A.) Pte Ltd.	Singapore	100	full	30 April	SGD
80	Zumtobel Lighting s.r.o	Slovakia	100	full	30 April	EUR
81	ZUMTOBEL LICHT d.o.o.	Slovenia	100	full	30 April	EUR
82	Tridonic SA (Proprietary) Limited	South Africa	100	full	28 February	ZAR
83	Luxmate S.L.	Spain	100	full	30 April	EUR
84	Staff Iberica S.A.	Spain	50	equity	30 April	EUR
85	Tridonic Iberia SL	Spain	100	full	30 April	EUR
86	ZG Lighting Nordic AB	Sweden	100	full	30 April	SEK
87	Thorn Lighting Nordic AB	Sweden	100	full	30 April	SEK

88	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK
89	Tridonic Switzerland AG	Switzerland	100	full	30 April	CHF
90	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
91	Zumtobel Pool AG in Liquidation	Switzerland	100	full	30 April	EUR
92	Tridonic Aydinlatma Ticaret Limited Sirketi	Turkey	100	full	30 April	TRY
93	Thorn Gulf LCC	UAE	49	full	31 December	AED
94	Tridonic (ME) FZE	UAE	100	full	30 April	AED
95	Lemgo Realty Corp.	USA	100	full	30 April	USD
96	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

Deconsolidated/merged in 2014/15

1	Tridonic connection technology GmbH	Austria	100	full	30 April	EUR
2	Tridonic connection technology GmbH & Co KG	Austria	100	full	30 April	EUR
3	LEDON OLED Lighting Verwaltungs GmbH	Germany	100	full	30 April	EUR
4	Tridonic Dresden GmbH & Co. KG	Germany	100	full	30 April	EUR
5	Thorn Lighting CS Spol s.r.o.	Czech Republic	99.95	full	30 April	CZK
6	Zumtobel Belysning Nordic AB	Sweden	100	full	30 April	SEK



Auditor's Report

Report on the Consolidated Financial Statements

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

**Zumtobel Group AG,
Dornbirn,**

for the **year from 1 May 2014 to 30 April 2015**. These consolidated financial statements comprise the consolidated balance sheet as of 30 April 2015, 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 2014/15 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 2015 and of its financial performance and its cash flows for the year from 1 May 2014 to 30 April 2015 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, 12 June 2015

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Thomas Smrekar

pp Mag. Renate Vala

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.

Consolidated Financial Statements

Zumtobel Group AG

1 May 2014 to 30 April 2015

3. Corporate Governance Report 2014/15



Contents

3.	Corporate Governance	
3.1	Corporate Governance in the Zumtobel Group	133
3.2	The Austrian Corporate Governance Code	134
3.2.1	Comply or Explain	134
3.2.2	Other disclosure requirements	135
3.3	Risk Management and the Internal Control System	136
3.4	The Corporate Bodies and Committees of Zumtobel Group AG	137
3.4.1	Shareholders and the annual general meeting	137
3.4.2	The Management Board	137
3.4.3	The Supervisory Board	140
3.5	Remuneration Report	144
3.5.1	Management Board remuneration	144
3.5.2	Supervisory Board remuneration scheme	148
3.6	Report by the Supervisory Board	150

3. Corporate Governance

3.1 Corporate Governance in the Zumtobel Group

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.

Information on Corporate Governance also under www.zumtobelgroup.com

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 the chief ethics & compliance officer of the Zumtobel Group as well as specially trained colleagues in the legal and internal audit departments. Reports of violations of questions on the code of conduct can also be directed to internal contact partners such as the respective supervisor, human resources staff and employee representatives. The awareness and acceptance of employees for the meaning and content of the code of conduct are reviewed each year in a Group-wide survey and remain at a rewarding high level. Employees and managers took frequent advantage of the opportunities to consult these contact partners on compliance issues during the reporting year. All reports on possible violations of the code of conduct were investigated by the chief ethics & compliance officer in close cooperation with internal audit, the legal department and other specialist departments and – if necessary – also examined by external experts and reported to the Management Board.

Further developments in the 2014/15 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 2014/15. An important element was the revision of the Group-wide vision, mission statement and values.

Another focal point was the development of an independent compliance department as a result of the external evaluation of the compliance management system (CMS) in 2014/15. The design and the step-by-step establishment and expansion of the CMS by the corporate integrity department has been in progress since July 2014 under the direction of the chief ethics & compliance officer. The major activities of corporate integrity include preventive anti-corruption measures, e.g. through the verification and approval routines integrated in SAP processes, anti-fraud management, insider compliance as defined in the Issuer Compliance Directive, data protection and the verification of compliance with the Austrian Corporate Governance Code. A training programme covering the code of conduct, insider compliance, corruptions and fraud prevention, data protection and other central aspects of compliance management is currently under development. In addition, corporate integrity is developing a central management framework for the corporate policies, which will support the regular review, adaptation, harmonisation and communication of the individual Group guidelines.

Corporate integrity continues to work closely with the legal department, internal audit, risk management, human resources and IT. The chief ethics & compliance officer reports regularly on current compliance issues as well as planning and progress on the establishment and expansion CMS at the Management Board meetings. He holds personal meetings with the chairman of the Audit Committee at least twice each year and also reports to the Audit Committee twice each year on the status of and major developments in the area of compliance.

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 completely revised by corporate integrity to also include questions on key ethics & compliance subjects and the scope of participants was significantly enlarged.

The appointment of the chief ethics & compliance officer underscores the importance placed by the Zumtobel Group on the issues of corporate governance, ethics & compliance.

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 latest amendments were made in January 2015 to incorporate the new provisions of Austrian stock corporation law and the Austrian Commercial Code, above all with respect to the quality of reporting on management ("Comply or Explain") and the AFRAC opinion on the preparation and audit of a corporate governance report in accordance with § 243 of the Austrian Commercial Code. This corporate governance report is based on the July 2012 version of the code and also includes the main content of the 2015 revision. The latest version of the code is available for review on the following website: (www.corporate-governance.at).

Zumtobel Group 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. The Zumtobel Group 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 Group AG complied with nearly all provisions of the code in 2014/15. 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 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. This evaluation was carried out during the reporting year.

3.2.2 Other disclosure requirements

3.2.2.1 Auditor's fees

The annual general meeting on 25 July 2014 appointed KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to audit the consolidated and annual financial statements of Zumtobel Group AG for the 2014/15 financial year. KPMG also performs tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2014/15:

In TEUR	2014/15	2013/14
Total fees	283	192
thereof audit and related activities	198	180
thereof other services	85	12

The fees for other services involve audit-related consulting, the evaluation of risk management and the audit of the Zumtobel Group by the Austrian Financial Reporting Enforcement Agency. The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including external costs, totalled TEUR 1,482 for the reporting year (2013/14: TEUR 1,556).

3.2.2.2 Measures to support the development of women in the Group

The code of conduct, which was first issued by the Zumtobel Group in 2004, has always prohibited 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.

Women represented approx. 34% of the workforce in the Zumtobel Group at the end of the reporting year (2013/14: 35%), while the comparable figure for management positions was 13.3% (2013/14: 11.2%). As in the previous year, the Supervisory Board included no female delegates in 2014/15. 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. Her appointment placed the share of women on the Management Board at 50% (2013/14: 0%).

3.3 Risk Management and the Internal Control System

The basis for the risk management and internal control systems used in the Zumtobel Group is formed by the internationally recognised standard guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 (Internal Control System) and 1.14 (Risk Management).

Internal audit

The corporate internal audit department of Zumtobel Group 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.

As defined in the internal audit charter that was approved by the Management Board during the reporting year, internal audit is an independent and objective review and consulting function. It is guided by an underlying principle, which is to create added value and improve the business processes of the Zumtobel Group. Internal audit supports the Zumtobel Group in attaining its goals by evaluating – and helping to improve – the effectiveness of risk management, controls and management and monitoring processes based on a systematic and goal-oriented approach.

The projects carried out by internal audit are defined in a schedule that is approved by the Management Board and coordinated with the Audit Committee as part of the annual, risk-based audit planning.

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.

The work of the internal audit department is based on the International Professional Practices Framework, and its internal quality assessment and improvement programme is evaluated every five years by an external specialist. The last external quality assessment took place in June 2011.

3.4 The Corporate Bodies and Committees of Zumtobel Group AG

In accordance with Austrian law, the organisation of Zumtobel Group AG is based on three independent corporate bodies: the annual general meeting, the supervisory board and the management board. The Management Board of Zumtobel Group 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 Group 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 Group 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 the Zumtobel Group collects information on these shareholdings. The available information on the shareholder structure is provided in section 1.3 of the management report (The Zumtobel Group Share).

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
Schumacher	CEO (Chief Executive Officer)	01.10.2013	30.04.2017	2 years
Karin Sonnenmoser	CFO (Chief Financial Officer)	01.05.2014	30.04.2017	1 year
Martin Brandt	COO (Chief Operating Officer)	01.09.2009	31.07.2014	5 years

Ulrich Schumacher – CEO

Ulrich Schumacher was appointed CEO of Zumtobel Group 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 Group 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 (up to 31 July 2014)

Martin Brandt submitted his resignation in July 2014 and formally left Zumtobel Group AG on 31 July 2014. He had served as a member of the Management Board and Chief Operating Officer (COO) of the Zumtobel Group since 1 September 2009.

Additional functions or inter-company relations outside the Zumtobel Group (up to 31 July 2014): 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
Operating segments	<ul style="list-style-type: none">- Business divisions (OEM & TPP, Thorn, Tridonic, Zumtobel)- Sales	<ul style="list-style-type: none">- Purchasing
Central functions	<ul style="list-style-type: none">- Strategy- Mergers and acquisitions- Business processes- Communications- Human resources- Investor relations- Plant network (incl. logistics)- Technology	<ul style="list-style-type: none">- Treasury- Controlling- Accounting and tax (incl. customs)- Compliance- Internal audit- Legal- IT- Risk management and insurance

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).

3.5.1 The Supervisory Board

The members of the Supervisory Board of Zumtobel Group 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	12 years
Hero Brahms	First Vice Chairman	2008	2015	7 years
Johannes Burtscher	Second Vice Chairman	2010	2015	5 years
Fritz Zumtobel	Member	1996	2015	19 years
Stephan Hutter	Member	2010	2015	5 years
Hans-Peter Metzler	Member	2010	2015	5 years
Mario Wintschnig	Delegated by the Employees' Council	2007		8 years
Richard Apnar	Delegated by the Employees' Council	2012		3 years
Erich Zucalli	Delegated by the Employees' Council	2012		3 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 Group 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 Group 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 with an investment of more than 10%. 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.

3.5.1.1 The Supervisory Board | committees

The Supervisory Board of Zumtobel Group 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 2014/15 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.

3.5.1.2 The Supervisory Board | shareholder representatives

Jürg Zumtobel

Jürg Zumtobel has been chairman of the Supervisory Board of Zumtobel Group 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 Group AG.

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

Hero Brahms

Mr. Brahms has been a member of the Supervisory Board of Zumtobel Group 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 Munster/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) (up to 26 May 2014), vice-chairman of the supervisory board of Georgsmarienhütte Holding GmbH, Georgsmarienhütte (Germany), vice-chairman of the supervisory board of Krauss-Maffei-Wegmann GmbH & Co. KG, Munich (Germany).

Hans-Peter Metzler

Hans-Peter Metzler has been a member of the Supervisory Board of Zumtobel Group 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), member of the supervisory board of Dornbirner Sparkasse Bank AG, Dornbirn (Austria), member of the administrative board of Dacuda AG, Zurich (Switzerland), 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 Group 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 Group 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 Österreich AG, Salzburg (Austria), member of the management board of Städelsche Museumsverein, Frankfurt (Germany), honorary consul of the Republic of Austria in Hesse und Rheinland-Palatinate (Germany), member of the board of trustees of the Kronberg Academy (Germany).

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel Group 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 Group AG from 1974 to 1996.

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

3.6.1.1 The Supervisory Board | employee representatives

Mario Wintschnig

Mr. Wintschnig was delegated to the Supervisory Board of Zumtobel Group 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 Group 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 Group 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 Group 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.

3.8 Remuneration Report

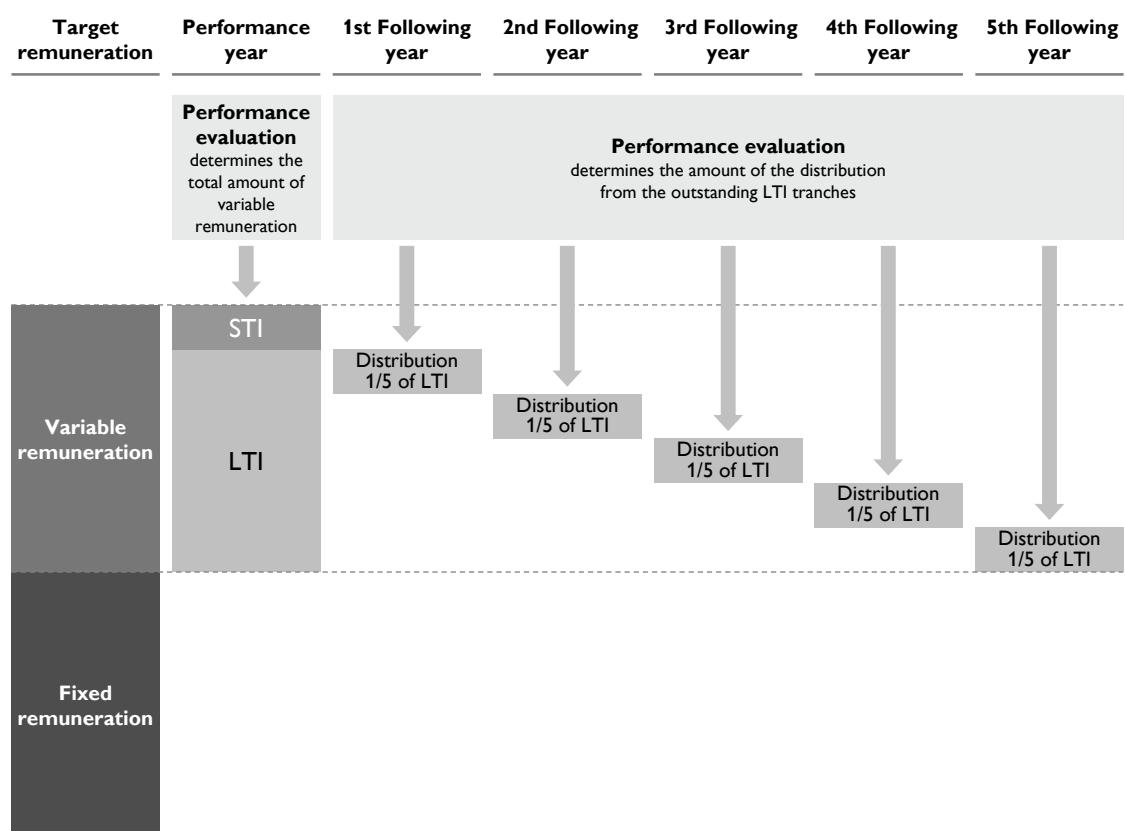
3.8.1 Management Board remuneration

The remuneration system for the Management Board and key management of Zumtobel Group 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. This upper limit was discontinued for the following years.

Structure of the remuneration system for the Management Board:



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 years¹, whereby the amount of the individual payments is based on a performance evaluation at the time of distribution. The valuation of the individual LTI segments ensures that not only the short-term effects of management decisions, but also their long-term impact on the development of the company are reflected in remuneration.

The performance evaluation assesses the achievements of the Management Board based on a relative performance indicator at the time the variable remuneration is distributed and at the time the LTI segments are paid. The relative performance indicator for the 2014/15² financial year is based on the total shareholder return of Zumtobel Group AG, which is compared with the total shareholder return of selected, comparable companies (peer group). This peer group has a broad distribution, both from a geographical and industrial perspective.

¹The 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.

²The relative performance indicator for the 2013/14 financial year was based on the operating results of Zumtobel Group AG, which were compared with the operating selected comparable companies (peer group).

Composition of the peer group³ of Zumtobel Group AG:

Geographic distribution	Share	Distribution by industrial sector	Share
D/A/CH	41.5%	Lighting	53.5%
Northern Europe	19.9%	Construction, same level of supply	23.5%
Benelux & Eastern Europe	2.8%	Construction, upstream level of supply	16.1%
Southern Europe & Latin America	4.1%	Manufacturing and Electrics	6.9%
Asia & Pacific	9.7%		
Middle East & Africa	4.6%		
North America	17.4%		

The variable remuneration for the members of the Management Board is generally determined solely on the basis of goal attainment in relation to the relative performance indicator. However, variable remuneration determined on the basis of this goal attainment can vary by up to 20% above or below the respective target in justified cases.

Each year the compensation committee reviews and approves the composition of the peer group, the targets and their attainment in relation to the relative performance indicator as well as the individual bonus/reduction of up to 20% in the variable remuneration based on the development of business. This committee is responsible for decisions on the remuneration system and includes representatives from the Management Board, Supervisory Board and human resources department. The compensation committee is supported by an independent consulting firm⁴.

³The introduction of the relative performance indicator based on total shareholder return was accompanied by an extensive revision and adjustment of the peer group in 2014/15.

⁴FehrAdvice & Partners AG

The performance evaluation resulted in the following remuneration for the Management Board in 2014/15:

Remuneration recognised for the Management Board⁵

Disclosures in accordance with Rules 29, 30 and 31:

In EUR	Target remuneration ⁶	Remuneration ⁷	Total		Fixed	Variable	LTI payments from prior periods	Severance compensation ⁹
			Basic salary	STI	LTI ⁸			
Total Management Board remuneration								
2014/15	3,141	3,845	1,700	528	1,617	421	0	
2013/14	2,320	2,164	1,368	181	615	37	4,675	
Ulrich Schumacher, CEO (since 1 October 2013)								
2014/15 ¹⁰	1,500	1,905	750	231	924	143	0	
2013/14 ¹¹	960	960	379	116	465	0	0	
Karin Sonnemoser, CFO (since 1 May 2014)								
2014/15 ¹²	721	894	400	148	346	103	0	
2013/14	0	0	0	0	0	0	0	
Martin Brandt, COO (up to 31 July 2014)								
2014/15 ¹³	920	1,046	550	149	347	175	0	
2013/14	920	765	550	64	150	37	0	
Harald Sommerer, CEO (up to 30 September 2013)								
2014/15	0	0	0	0	0	0	0	
2013/14	273	273	273	0	0	0	3,850	
Mathias Dähn, CFO (up to 30 September 2013)								
2014/15	0	0	0	0	0	0	0	
2013/14	167	167	167	0	0	0	825	

⁵ Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2014/15 irrespective of the payment date.

⁶ The column "target remuneration" covers all contractually defined remuneration components, excluding contractually defined severance compensation.

⁷ The column "remuneration" shows the remuneration components earned during the reporting year, excluding LTI payments from earlier years and severance compensation.

⁸ 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.

⁹ Severance compensation for Harald Sommerer and Mathias Dähn in connection with the termination of their contracts as of 30 September 2013.

¹⁰ The target remuneration and actual remuneration for Ulrich Schumacher in 2014/15 include the contractually agreed compensation for the functions of CEO as well as additional compensation for his interim activities as COO (1 August 2014 – 30 April 2015).

¹¹ The target remuneration and actual remuneration for Ulrich Schumacher in 2013/14 include the contractually agreed compensation for the functions of CEO as well as additional compensation for his interim activities as CFO (1 October 2013 – 30 April 2014).

¹² In accordance with a contractual agreement, a signing bonus with four different segments was included in the LTI. The first segment is payable in 2014/15.

¹³ In accordance with the termination agreement, Mr. Brandt continued to receive his fixed and variable remuneration components up to 30 April 2015.

The allocated LTI segments remain within the distribution scheme up to the 2017/18 financial year.

Martin Brandt was released from his obligations as a member of the Management Board as of 31 July 2014 at his own request. In accordance with the termination agreement, Mr. Brandt continued to receive his fixed and variable remuneration components up to 30 April 2015. The allocated LTI segments remain within the distribution scheme up to the 2017/18 financial year. The allocated LTI segments will also be paid out according to the regular scheme over three, respectively five years if a member of the Management Board should resign in the future. 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.

Zumtobel Group 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.

3.8.2 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:¹⁴

In TEUR	2014/15	2013/14
Total remuneration of the Supervisory Board	313	319
thereof remuneration	180	180
thereof attendance fees	129	135
thereof reimbursement of expenses	4	4

Remuneration of the individual Supervisory Board members

Disclosure in accordance with Rule 51:

In TEUR	2014/15	2013/14
Jürg Zumtobel	55	55
Hero Brahms	55	55
Johannes Burtscher	55	55
Fritz Zumtobel	35	35
Stephan Hutter	29	35
Hans-Peter Metzler	35	35

Dornbirn, 12 June 2015

The Management Board

Ulrich Schumacher
 Chief Executive Officer (CEO)

Karin Sonnenmoser
 Chief Financial Officer (CFO)

¹⁴ 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.

3.9 Report by the Supervisory Board

Dear Shareholders,

The 2014/15 financial year was characterised by the strategic reorientation of the Zumtobel Group. Following the appointment of Ulrich Schumacher as Chief Executive Officer in 2013/14, this reorientation also included the selection of Karin Sonnenmoser as Chief Financial Officer at the beginning of the reporting year. On 25 July 2014 we accepted the resignation of Martin Brandt, Chief Operating Officer, who left the company on 31 July 2014. We now have an excellent Management Board team with Ulrich Schumacher and Karin Sonnenmoser who have already produced visible results in support of future profitable and dynamic growth with the measures implemented to date.

We performed the duties required by law and the articles of association during the 2014/15 financial year by regularly monitoring the direction of the company by the Management Board and the management of Zumtobel Group 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 Group 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.

The Supervisory Board of Zumtobel Group AG included the following six shareholder representatives as of 30 April 2015: Jürg Zumtobel, Hero Brahms, Fritz Zumtobel, Hans-Peter Metzler, Johannes Burtscher and Stephan Hutter

Meetings of the Supervisory Board

The Supervisory Board met five times during the 2014/15 financial year: four times at scheduled meetings and once in a strategy meeting. One member of the Supervisory Board were excused at each of two meetings, and there was full attendance at all other meetings.

The Supervisory Board meeting on 24 June 2014 focused, above all, on the 2013/14 annual financial statements and consolidated financial statements of Zumtobel Group 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 2013/14 financial year, we agreed with the Audit Committee's recommendations to approve the audited annual financial statements and the management report and to accept the consolidated financial statements, including the group management report. In this connection, the Management Board's recommendation to distribute a dividend of EUR 0.18 per share was approved. We also approved the report by the insider 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 of the individual and consolidated financial statements for the 2014/15 financial year. The Supervisory Board's report to the annual general meeting was discussed and approved. Based on the results of a self-evaluation questionnaire, opportunities for improving the organisation and work processes of the Supervisory Board were considered. In conclusion, organisational appointments were discussed and approved.

A contract for the provision of services by KPMG AG Wirtschaftsprüfungsgesellschaft, Dortmund, was approved by the Supervisory Board through a circular resolution on 22 July 2014. This contract covers the implementation of the "Zumtobel Synergy" cost reduction project.

The Supervisory Board meeting on 26 September 2014 dealt with the management report and key financial data on the first quarter of 2014/15. Transactions requiring the consent of the Supervisory Board involved refinancing measures, which were discussed and approved.

The Supervisory Board met in a closed conference on 5 November 2014 to discuss strategic issues related to the individual areas of business of the Zumtobel Group.

The main topics of the Supervisory Board meeting on 23 January 2015 included the management report on the first six months of 2014/15 and the outlook for the full financial year as well as status reports on the development of critical sales regions. Transactions requiring the consent of the Supervisory Board involved a refinancing measure, the amendment of the rules of procedure for the Management Board and organizational appointments, which were discussed and approved.

The central topics of the Supervisory Board meeting on 24 April 2015 were the management report on the third quarter of 2014/15, the budget for 2015/16 and the related medium-term planning for the financial years up to 2018/19. The Supervisory Board approved the budget and accepted the medium-term planning. Transactions that required and received the consent of the Supervisory Board included, among others, the discussion and approval of the rules of procedure for the Management Board.

Audit Committee

The Audit Committee met twice during 2014/15, whereby all members were present at both meetings.

The meeting on 24 June 2014 concentrated on the annual financial statements for 2013/14. The auditor of the consolidated and individual financial statements and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and individual financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. The system for and presentation of special effects was discussed and approved, and new development in the compliance organisation were explained. Other reports (risk management system, internal control system, internal audit, corporate governance and insider compliance) were also 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 2014/15 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 23 January 2014 dealt with the six-month financial statements as of 31 October 2014, whereby the related reports by the auditor and corporate staff were accepted. The accounting process, the focus of the review and related issues were examined in detail. The current status and focal points of the audit by the Austrian Financial Reporting Agency were discussed. Other reports were presented and accepted on the status of the internal control system, the risk management system, internal audit, corporate compliance management and anti-corruption measures and corporate governance in the Zumtobel Group. In conclusion the recent corporate law changes in Group structure and their accounting and tax effects were reviewed.

Committee for Management Board Matters

The Committee for Management Board Matters met seven times during the reporting year, with full attendance at all meetings. Numerous preparatory telephone conferences were held in advance of these meetings.

One of the committee's most important responsibilities in 2014/15 was its work on the Compensation Committee, which takes decisions on the remuneration system. The Compensation Committee includes representatives of the Management Board, Supervisory Board and human resources department and is supported by FehrAdvice & Partner AG, an independent consulting firm located in Zurich. As announced in the corporate governance report for 2013/14 and approved in the meeting on 24 April 2014, a new scheme was introduced for the calculation of variable remuneration for the Management Board and key managers of Zumtobel Group AG during the reporting year. Experience from the variable remuneration scheme used in 2012/13 and 2013/14 showed that performance evaluation requires substantial discussions and coordination when adjusted operating earnings are to be compared with the adjusted operating earnings of key competitors of the Zumtobel Group and their brands. The Management Board's goals with respect to the new strategy are to promote cooperation within the Group, to leverage synergy effects and, in this way, to optimise the Group as a whole so ("one firm"). These goals were reflected in the changeover to a capital market-based performance indicator (total shareholder return) for the entire Group. Under the new system, performance evaluation is based on a comparison of the total shareholder return of Zumtobel Group AG with the total shareholder return of a specifically selected group of comparable companies. The new remuneration scheme was discussed in detail during numerous meetings and telephone conferences in 2014/15. In the meeting on 22 April 2015, the decision was taken to also use total shareholder return as the performance indicator in 2015/16. Additional information is provided in the section on "Remuneration".

The meeting on 23 June 2014 dealt with alternatives in connection with the voluntary resignation of Martin Brandt, Chief Operating Officer (COO), as of 31 July 2014. The committee members and Management Board held a number of preparatory telephone conferences prior to this meeting.

Activities in 2014/15 also focused on the development of a new scheme for the Supervisory Board remuneration together with FehrAdvice & Partner AG. The duties of and demands on the Supervisory Board as the senior controlling body have grown significantly in recent years due to the greater complexity of business models, increasing internationalisation and rising liability risks. The current remuneration does not reflect these increased responsibilities or liability risks for the Supervisory Board members. In order to guarantee a high degree of professionalism and ensure that the work of the Supervisory Board remains attractive over the long-term, recommendations were made to expand the committees' activities and adjust the Supervisory Board remuneration to an appropriate level in European comparison. These recommended adjustments were discussed in the meeting on 22 April 2015 and will be passed on to the full Supervisory Board and, subsequently, presented to the annual general meeting of Zumtobel Group AG on 24 July 2015 for a final decision.

Annual Financial Statements

The annual financial statements and the management report as well as the consolidated financial statements and the group management report of Zumtobel Group AG for the 2014/15 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and given unqualified opinions. After an extensive review and discussion of the annual financial statements of Zumtobel Group 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 Group 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 0.22 dividend per share from annual profit for the 2014/15 financial year and the carryforward of the remaining amount.

The Supervisory Board would like to thank the Management Board and the employees of Zumtobel Group AG and its member companies for their strong personal commitment during the past financial year.

We would also like to thank the shareholders of Zumtobel Group AG for the confidence they have placed in us.

For the Supervisory Board

Jürg Zumtobel
Chairman of the Supervisory Board

Dornbirn, 23 June 2015

4. Service

Service

Zumtobel Group AG
1 May 2014 bis 30 April 2015

Contents

4. Service	
Financial Terms	157
Abbreviations and Technical Terms	158
Financial Calendar	160
Contact Information	160
Financial Reports	160
More Information	160
Imprint	160
Disclaimer	161

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 device (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, in some cases, 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. 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 foil, glass plate or metal surface.

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. In this process the LED chip is first mounted in a casing, then assembled on a circuit board and contacted in the soldering bath.

Service

Zumtobel Group AG
1 May 2014 bis 30 April 2015

Financial Calendar

39 th Annual General Meeting	24 July 2015
Ex-Dividend Day	28 July 2015
Dividend Payout Day	31 July 2015
Report on the First Quarter 2015/16 (1 May 2015 – 31 July 2015)	8 September 2015
Report on the First Half-year 2015/16 (1 May 2015 – 31 October 2015)	9 December 2015
Report on the First Three Quarters 2015/16 (1 May 2015 – 31 January 2016)	2 March 2016

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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 2014/15 will be available at our 39th Annual General Meeting. You can also order a copy by calling +43 (0)5572 509-1125.

More Information

on Zumtobel Group AG and our brands can be found in the Internet under:

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
www.tridonic.com

Imprint

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Disclaimer

This annual financial report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. These statements on future developments are not to be understood as guarantees. On the contrary, future developments and results are dependent on a wide range of factors and connected with various risks and incalculable events. Moreover, they are based on assumptions that may prove to be incorrect. Included here, for example, are unforeseeable changes in the political, economic and business environment, especially in the regions where the Zumtobel Group operates, as well as the competitive situation, interest rates and foreign exchange rates, technological developments and other risks and incalculable events. Other risks may arise as a result of price developments, unforeseeable events in the operating environments of acquired companies or Group companies as well as ongoing cost optimisation programmes. The Zumtobel Group does not plan to update these forward-looking statements. This annual financial report is also presented in English, but only the German text is binding.

Service

Zumtobel Group AG
1 May 2014 bis 30 April 2015

zumtobel group