2018/19 Zumtobel Group Annual Financial Report

2018
2019

Annual Financial Report 2018/19 Zumtobel Group AG

1 May 2018 to 30 April 2019

Five-Year Overview

in EUR million	2018/19	2017/18	2016/17	2015/16	2014/15
Revenues	1,162.0	1,196.5	1,303.9	1,356.5	1,312.6
Adjusted EBIT	27.6	19.7	72.4	58.7	66.5
as a % of revenues	*2.4*	*1.6*	*5.6*	*4.3*	*5.1*
Net profit/loss for the year	(15.2)	(46.7)	25.2	11.9	11.9
as a % of revenues	*(1.3)*	*(3.9)*	*1.9*	*0.9*	*0.9*
Total assets	920.9	986.1	1,019.6	1,068.6	1,086.3
Equity	262.8	268.3	334.0	333.2	322.6
Equity ratio in %	*28.5*	*27.2*	*32.8*	*31.2*	*29.7*
Net debt	148.7	146.3	91.0	134.8	148.2
Cash flow from operating results	56.8	53.5	114.1	84.8	103.1
Investments	66.2	69.0	45.2	58.4	76.6
as a % of revenues	*5.7*	*5.8*	*3.5*	*4.3*	*5.8*
R&D total	66.2	73.4	82.4	87.9	79.0
as a % of revenues	*5.7*	*6.1*	*6.3*	*6.5*	*6.0*
Headcount incl. contract worker (full-time equivalent)	5,878	6,224	6,562	6,761	7,234

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

Contents

Chief Executive's Review

Dear Shareholders,

Alfred Felder

The 2018/19 financial year was a year of transition for the Zumtobel Group. We did our homework and, through the implementation of a restructuring course, improved profitability – which also means we met the target announced for this financial year. Now we are looking towards the future. The 2019/20 financial year will be a period of transformation for the Zumtobel Group. We have put the past behind us and are returning to our old strengths. Our goal is to restart our growth course and further improve profitability.

Decline in revenues due to weaker market environment, price pressure, political uncertainty and negative foreign exchange effects

Group revenues totalled EUR 1,162.0 million in 2018/19 (minus 2.9% year-on-year). The reasons for the decline included the aggressive price competition in the lighting industry and substantially lower revenues in Great Britain (roughly minus 11%), the Zumtobel Group's most important single market. In Great Britain, revenue development has been negatively influenced by the BREXIT and the related reduction in orders for non-residential construction in that market. After an adjustment for foreign exchange effects – which resulted from the increase in the euro versus the Turkish lira, Australian dollar and Swedish krona – the year-on-year decline in revenues equalled 2.3%.

Year-on-year improvement in profitability: Outlook for FY 2018/19 delivered

Group EBIT adjusted for special effects rose by EUR 8.0 million to EUR 27.6 million in 2018/19, and the return on sales improved from 1.6% to 2.4%. We therefore met our goal for the 2018/19 financial year – which was to record a slight year-on-year improvement in Group EBIT (FY 2017/18: EUR 19.7 million). This improvement in the Group's profitability resulted, above all, from the efficiency and cost savings measures introduced by the Management Board. Selling and administrative costs fell by a substantial EUR 30.1 million (minus 8.3%) in 2018/19.

Earnings negatively influenced by one-off costs for restructuring measures

The negative special effects of EUR 25.0 million which resulted from restructuring measures led to a loss of EUR 15.2 million for the 2018/19 financial year. However, the net loss was substantially reduced in comparison with FY 2017/18 (minus EUR 46.7 million). Restructuring costs were related primarily to the streamlining of the administrative and sales areas as well as the gradual shutdown of production at the components plant in Jennersdorf by November 2019. In view of the earnings development, the distribution of a dividend for the 2018/19 financial year is not planned.

Positive free cash flow and improvement in balance sheet structure

The growth in cash flow from operating activities and a lower level of investments supported an increase in free cash flow to EUR 3.4 million in 2018/19 (2017/18: minus EUR 23.9 million). The balance sheet structure was improved by a reduction in the balance sheet total to EUR 920.9 million during the past year (2017/18: EUR 986.1 million), which led to an increase in the equity ratio from 27.2% as of 30 April 2018 to 28.5% as of 30 April 2019. Net liabilities totalled EUR 148.7 million at the end of the 2018/19 financial year (2017/18: EUR 146.3 million), for an increase of EUR 2.4 million over the previous year.

Increase in revenues during Q4 2018/19 – new orientation shows positive results

Our fourth quarter results provide grounds for optimism over the 2019/20 financial year. For the first time in 13 quarters, the Zumtobel Group recorded an increase in revenues – this time with a plus of 3.4% to EUR 298.2 million. The last period of year-on-year revenue growth for the Zumtobel Group was the third quarter of 2015/16.

Outlook for FY 2019/20 – medium-term goal confirmed

The Management Board of the Zumtobel Group sees 2019/20 as a year of transformation, in which the focus of activities will return to the continuous improvement of the operating business and growth – in spite of the weakening market environment. For the 2019/20 financial year, the Management Board expects a slight increase in revenues as well as an improvement in the adjusted EBIT margin to 3-5% (FY 2018/19: 2.4%). The medium-term goal to generate an EBIT margin of roughly 6% by the 2020/21 financial year remains intact.

FOCUS as the answer to revenue growth – consistent pursuit of strategy

In order to drive revenue growth, the Zumtobel Group intends to strengthen its positioning in the global lighting industry as part of its current reorientation. The strategy approved in September 2018 will be consistently pursued. Its goal for the Lighting Segment – with the core Zumtobel and Thorn brands – is to become the market leader in Europe with a focus on applications in industry, office & education, shop & retail and art & culture. Outdoor applications will concentrate on lighting for urban areas and roads. The Components Segment with its technology brand Tridonic will expand globally based on innovative hardware (drivers, LED modules) and software solutions for smart and integrated lighting and lighting systems. The Zumtobel Group will also increase its focus on the future field of digital lighting as well as services and turnkey solutions.

Dear Ladies and Gentlemen, I look forward to the challenges which the new financial year will bring. We can rely on our dedicated and excellently qualified employees – who I would expressly like to thank on behalf of the entire Management Board for their commitment and performance. My colleagues and I would also like to thank our customers, partners, suppliers and shareholders for their confidence, support and open dialogue.

Alfred Felder
Chief Executive Officer (CEO)

Chief Executive's Review
Zumtobel Group AG
1 May 2018 to 30 April 2019

1. Group Management Report

Contents

1. Group Management Report

1.1 The Zumtobel Group – An Overview

1.1.1 The Company

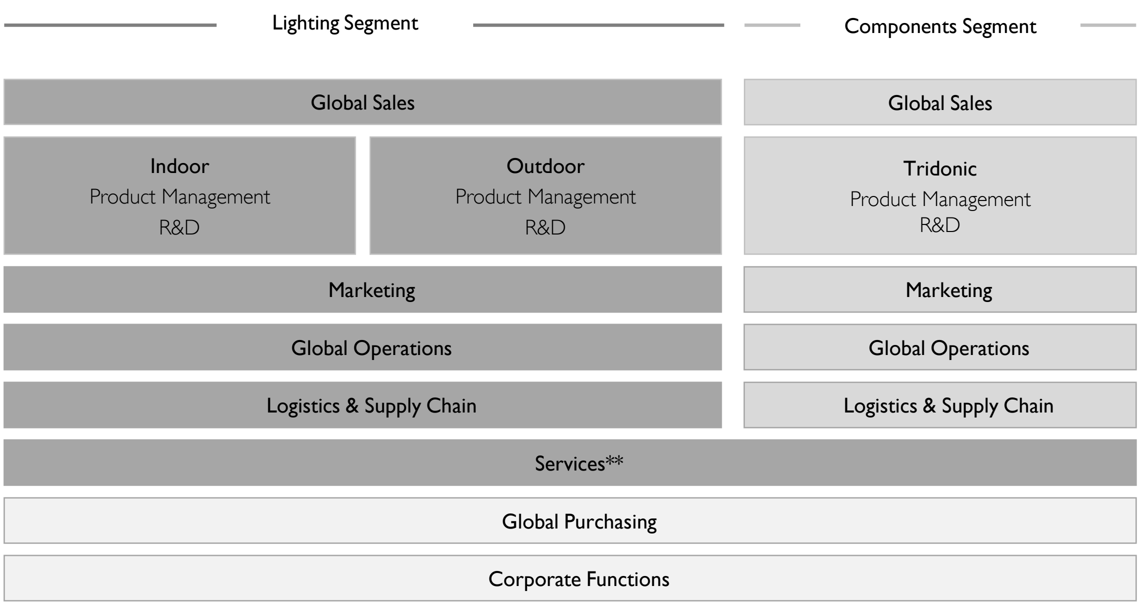
Leading company in the lighting industry

The Zumtobel Group is an international lighting corporation and a leading supplier of innovative lighting solutions, lighting components and related services. 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 5,878 as of 30 April 2019 and generated revenues of EUR 1,162.0 million in the 2018/19 financial year. The founding Zumtobel family has held roughly 36.1% of share capital since the IPO in 2006 and therefore serves as a stable core shareholder. The Zumtobel Group is based in Dornbirn, Vorarlberg (Austria).

Wide-ranging product and service portfolio

Customers throughout the world can rely on a wide-ranging portfolio of products and services provided by the Group's core brands – Thorn, Tridonic and Zumtobel. The Zumtobel Group consists of two operating segments which form the basis for corporate management: the Lighting Segment and the Components Segment. Each segment has its own global product portfolio, sales and production organisation. In the Lighting Segment, the company is one of the European market leaders with its Thorn and Zumtobel brands. The components brand Tridonic forms the basis for the Group's leading role in the production of hardware and software for lighting systems (LED light sources, LED drivers, sensors and lighting systems management). The service offering of the Zumtobel Group is one of the most extensive in the entire lighting industry: examples include consulting on intelligent lighting management and emergency lighting, light contracting, design, project management for turnkey lighting solutions and new data-based services with a focus on the integration of buildings and cities by way of the lighting infrastructure.

Zumtobel Group*



* Simplified illustration as of 30 April 2019
** part of Lighting Segment, also supports Tridonic and their customers

Focus on applications

The focus of both segments, the Lighting Segment and the Components Segment, is clearly based on applications. Indoor includes applications for industry (incl. logistics, halls and car parks), offices, education and health (incl. hospitals, schools and universities) as well as the retail trade, supermarkets, art & culture and exhibition areas (incl. gastronomy). Outdoor addresses applications for roads, tunnels, sport facilities and exterior lighting for public areas, including facade lighting which is covered by the ACDC brand. Services bundles all project and software-oriented services under a single roof. This application-based orientation determines the form of the product portfolio and extends into the sales organisation.

Sales structure based on target groups and types of business

The sales organisation, which is clearly separated between the two segments, reflects market-based, business models with regional specifics. Its responsibilities in the Lighting Segment include project sales for individual construction projects and the related target groups (e.g. architects, lighting and electrical planners, electricians, contractors and developers), sales through retail channels and direct sales to large customers. Sales in the Components Segment involve OEM sales (Original Equipment Manufacturer) for luminaire producers as well as advance sales of intelligent solutions to planners.

Management and service functions for the entire Group

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, IT, corporate communications, investor relations, strategy and transformation as well as procurement. These central functions support the implementation of the corporate strategy through standardised processes and instruments and ensure transparency and efficiency throughout the Group.

1.1.2 Products and production locations

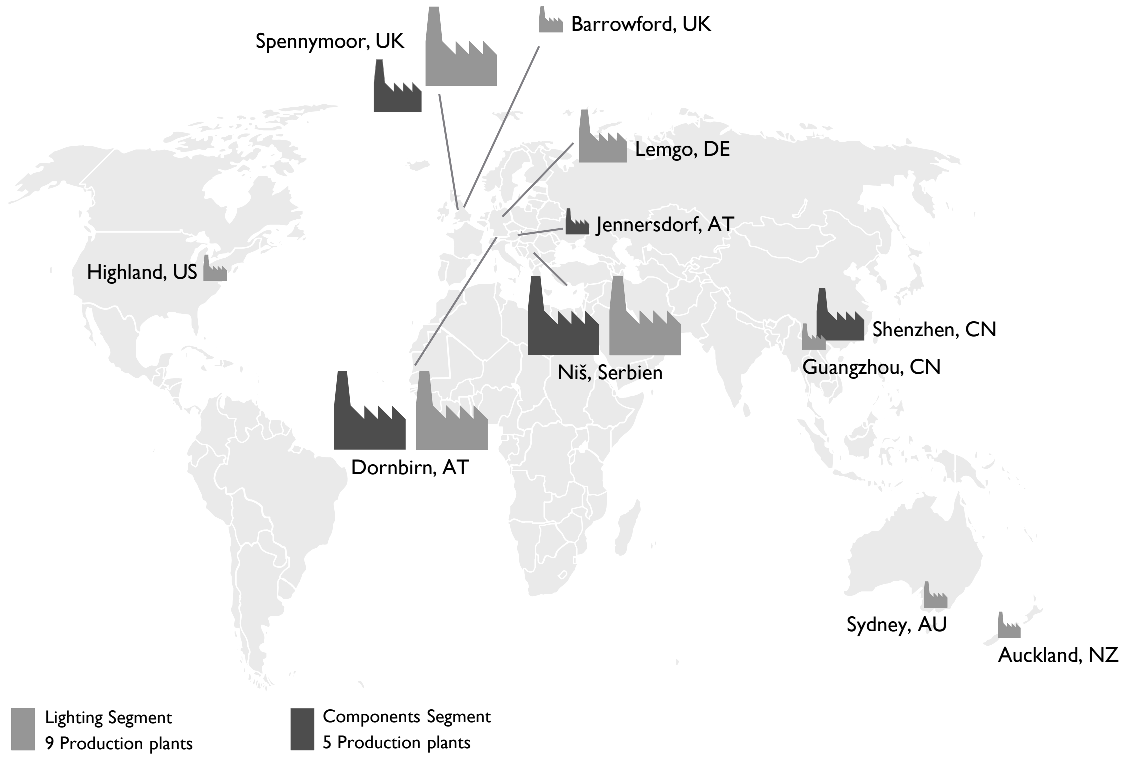
Full coverage of the value chain

The Zumtobel Group covers the entire value chain in professional lighting. With its main brands – Thorn, Tridonic and Zumtobel – the Group offers its customers an extensive range of products and services for all applications in professional indoor and outdoor lighting, including light management components and systems.

Global production network

The Zumtobel Group's lighting and components plants are organised in a global production network. The individual plants are linked in a way that best utilises their regional and technological strengths for the benefit of the entire Group. In addition, the new production facility in Niš, Serbia, was officially opened in September 2018. Lighting and components production will now be established in physically separate areas at this location. This new plant started operations during the 2018/19 financial year and is currently in the start-up and ramp-up phase.The Zumtobel Group had 13 plants on four continents as of 30 April 2019.

Production network of Zumtobel Group as of 30 April 2019



1.1.3 Market and brand positioning

Leading position in a highly fragmented lighting market

The Zumtobel Group is active worldwide, but Europe remains the most important market with approximately 80% of Group revenues. The professional lighting industry in Europe is still highly fragmented, but is currently going through an accelerated concentration process. In this fragmented market, the Zumtobel Group with its internationally established lighting brands holds a strong position with a market share of roughly 9% in Europe. The worldwide conventional components industry, in contrast, is characterised by greater consolidation. The market for LED modules and LED drivers has seen the entry of numerous competitors in recent years, above all from Asia. With Tridonic, the Zumtobel Group also holds a leading global position in the areas of lighting management and control gears.

Zumtobel – the premium brand for architectural lighting

Zumtobel, as an innovation leader, develops sustainable lighting solutions which are tailored to the needs of people in the respective area of application. With a comprehensive portfolio of high-end luminaires and intelligent lighting management systems, Zumtobel offers the right lighting for every activity and time of the day, for working and living spaces, and for every interior area. The most important applications are industry, offices, education, healthcare, retail and presentation, hotel and wellness, as well as art and culture. Valuable impulses for the further development of the portfolio are created not only through state-of-the-art research and technology, but also by long-standing cooperation with leading international architects, lighting planners, designers and artists.

Thorn – the performance brand for the international volume business

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. THORNeco products are characterised by excellent value for money and are marketed exclusively by wholesalers. In the outdoor lighting business, Thorn products are supplemented by the acdc brand. acdc offers an extensive product portfolio of exterior lighting solutions for architecture and building environments.

Tridonic – the specialist for the development of new LED systems and technologies for connected light

Tridonic, the technology company in the Zumtobel Group, supports its customers with intelligent hardware and software. As a global innovation driver for light-based network technology, Tridonic develops future-safe and scalable solutions that make it possible for lighting producers, building managers, system integrators, planners and many other customer groups to develop new business models. Tridonic is not only active in the production of components and system solutions for the Group's lighting brands, it 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. More than 2,500 patents document Tridonic's innovation strength. Tridonic continued its concentration on the megatrends digitalisation and connectivity in 2018/19 to develop technologies for smart and integrated lighting systems, new services and business models. Other activities included the expansion of the outdoor lighting portfolio, market entry in the USA and the founding of a software development centre in Portugal.

1.1.4 Key success factors for the Zumtobel Group

The outstanding competitive position of the Zumtobel Group is based, above all, on the three strong core brands with broadly diversified market access, extensive know-how in lighting applications and a strong technology position.

Multi-brand strategy for customer-specific target groups

The sales function plays a key role in the Zumtobel Group's business model. The Group had more than 1,800 employees working in this area during the reporting year. The systematic alignment of sales on the three strong brands allows the Zumtobel Group to meet and optimally cover the diverse needs of its customers.

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 – and be able to convey – 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.

Strong technology position

In 2018/19 the Zumtobel Group spent EUR 66.2 million on research and development (R&D) to further strengthen the Group's outstanding technology position. The further development of LED technology, increasing digitalisation and the complexity of intelligent lighting systems represent a continuous challenge for R&D. The digital light source LED has made luminaires and, consequently, also their components, an integral part of the Internet of Things (IoT). 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, combined with wide-ranging cooperation with light design partners and architects, underscores the company's innovative power and also protects growth, competitive advantages and access to strategic cooperation with other industrial companies.

1.1.5 Structural revenue drivers for professional lighting

The most important structural revenue driver for the professional lighting industry in recent years was the issue of energy efficiency, which has become increasingly important since the turn of the century with the steady advancement of LED as a new light source. However, the technological maturity of LEDs will lead to a greater focus on the continuous improvement of lighting quality in the future in order to meet the individual needs of users and applications. The opportunities provided by digitalisation – through the use of integrated intelligent lighting solutions – have become another focal point, and the use of the lighting infrastructure to support applications outside the scope of actual lighting is growing. This development has been reflected in a range of new applications and business models, e.g. digital services.

Energy efficiency remains a central growth driver

The subject of energy efficiency is, nevertheless, still relevant due to the efforts required to reduce CO_2 emissions, but has been supplemented by additional sustainability factors (e.g. the circular economy). Intelligently managed lighting solutions can reduce electricity consumption by up to 80% compared with conventional lighting solutions. Marketing activities for energy-efficient products are concentrated increasingly on the comparison of energy consumption and investment costs over the lifecycle of various lighting solutions (total cost of ownership). In addition to a significant cost savings potential, 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.

Increased demand for innovative business models and services

The transformation from conventional lighting sources to LED has been largely completed, in both the industry and the Zumtobel Group's portfolio, but the market is still dominated by conventional equipment which must be replaced over the coming years. The LED share of Group revenues rose to 81.7% in 2018/19, and all of the new products introduced during the reporting year are equipped with energy-efficient LEDs. The lighting industry's changeover to LED has been followed by a further major shift that is focused on "connectivity", meaning intelligent and Internet-linked lighting, as well as the growing demand for comprehensive, integrated service offers which represent the next phase in the lighting industry's transformation. Light is predestined to become a cornerstone for the infrastructure of the Internet of Things (IoT) – lighting is everywhere, connected and digital. The Internet of Things will create new and better experiences and services for the retail trade, buildings and cities and therefore opens up a wide range of opportunities for the development of innovative business models. The Zumtobel Group has one of the most comprehensive integrated service offerings in the entire lighting industry.

Growing importance of light as a marketing tool

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 minimising the impact on the environment. Good lighting is also becoming increasingly important as an effective marketing and sales tool because human emotions and, in turn, consumers' readiness to buy and purchasing decisions can be positively influenced by lighting concepts that focus on various personality types.

1.1.6 Corporate strategy

Challenging market environment

The latest Euroconstruct data continue to confirm a slight improvement in the market environment for the European construction industry over the coming years, but these estimates are based on lower growth rates for a number of reasons. As a result, predatory competition and the related pressure on prices is expected to increase.

Adjustment of strategy to reflect the changing market environment

The new Management Board of the Zumtobel Group, which was installed in spring 2018, implemented a number of urgently required operating measures to stabilise the business and – with a substantially leaner management team – developed and approved FOCUS, the new Zumtobel Group strategy. This strategy is designed to improve the focus on customers and, at the same time, reduce complexity and lower costs.

F	O	C	U	S
Focus Markets & Applications	Operational & Process Excellence	Components	Unique Brands	Services & Turnkey Solutions
– Lighting: European Market – Components: Global Market – Sustainable and profitable applications	– Lean organisation for competitive cost base in operations, administration & sales – Digitalisation of business processes	– Integral part of Zumtobel Group – IoT as driver for business – Innovation driver for components & sensors	– 3 strong brands: Zumtobel, Thorn, Tridonic – Lighting: dual brand strategy with differentiated portfolio – Special focus on specification business	– Differentiator & enabler for growth – Services as integral part of lighting solutions – Innovative turnkey solutions for products, systems & services

- Focus Markets & Applications: We will concentrate on our target markets and on sustainable, profitable applications. Our activities will focus on Europe in the Lighting Segment and on the global market in the Components Segment.

- Operational & Process Excellence: In line with our lean management approach, we will continue to concentrate on the improvement of our cost basis in all areas (production, administration and sales). This also includes the progressive implementation of digitalisation in all our business processes.

- Components: We believe in the seamless interaction of components and lighting as the drivers for digitalisation. Tridonic therefore represents an integral part of the Zumtobel Group.

- Unique Brands: Our Group has three strong core brands – Zumtobel, Thorn and Tridonic. In the Lighting Segment, we will achieve and maintain a successful market position with a dual brand strategy (Zumtobel and Thorn) and a clearly differentiated portfolio.

- Services & Turnkey Solutions: Services & Turnkey Solutions play an integral role in the lighting and components segments and represent a key driver for future growth. Innovation is an essential part of all our products, technologies, services and business processes.

Consistent implementation of new strategy

The new strategy was rolled out and implemented in 2018/19. The market-based segments were upgraded, the three core brands were strengthened, and the sales function was reoriented and positioned even closer to customers. At the same time, corporate functions were cut back and administrative costs were substantially reduced. The product portfolio was also streamlined, and operating processes were adjusted to lower production costs. All these steps combined to improve the Zumtobel Group's competitive position and create the basis for additional market and cost savings opportunities. This new strategy reflects the Zumtobel Group's clear goal to generate added value for all stakeholders (shareholders, customers and employees). The Group has set a medium-term target to generate an EBIT margin of 6% by the 2020/21 financial year.

1.2 General Economic Environment

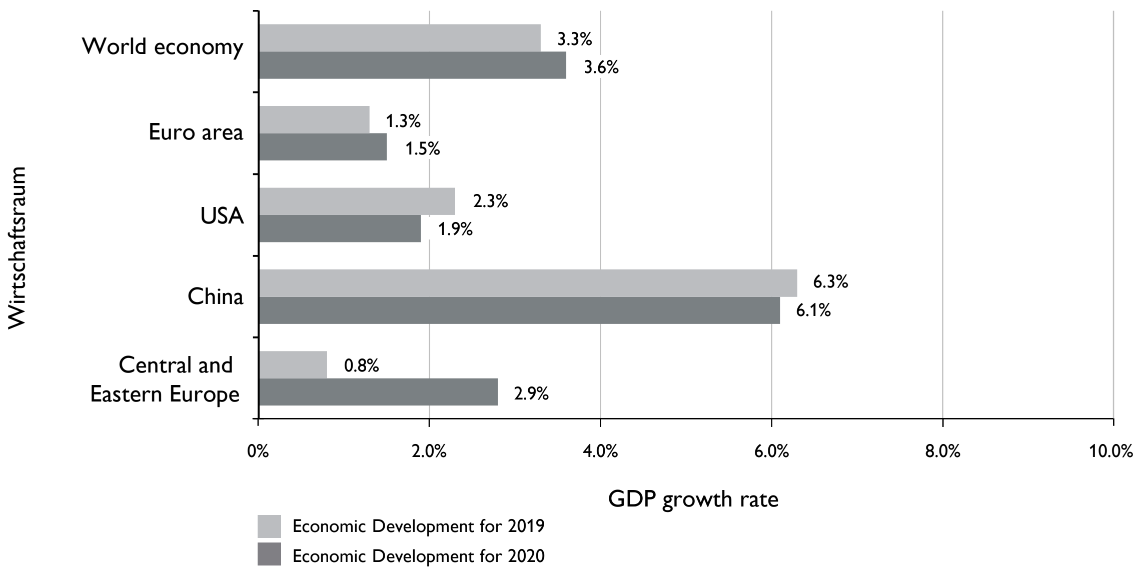
Weaker momentum in Europe

Global economic activity slowed during the 2018/19 financial year. The strong growth in 2017 and the first half of 2018 has been followed by a decline as the result of political and economic uncertainties (trade conflict between the USA and China, budget dispute between the EU and Italy, BREXIT). The International Monetary Fund (IMF) estimated global growth in 2018 at 3.6%[1] (2017/18: 3.8%), in particular due to a substantial reduction during the second half-year (3.2%). Europe, in particular, was faced with growing economic weakness. The euro zone generated GDP growth of 1.8% in 2018, compared with 2.4% in the previous year. Economic growth in the D/A/CH region (Germany, Austria, Switzerland), an important market for the Zumtobel Group, was weaker, especially in Germany. The German economy grew by 1.5% (2017: 2.5%), while higher rates were recorded in Austria (2.7%) and Switzerland (2.5%). Economic momentum in Great Britain declined further to 1.4% (2017/18: 1.8%) as a result of the political uncertainty. Other major European economies – France (1.5%) and Italy (0.9%) – were faced with only moderate growth. The USA, in contrast to Europe, recorded stronger growth of 2.9% due to rising consumer spending (2017/18: 2.2%). Economic growth in China reached 6.6% in 2018, but weakened during the second half-year as a consequence of the trade dispute (6.0%).

Moderate growth expected in 2019

The IMF reduced its forecast for the global economy in its April 2019 report and now anticipates an increase of only 3.3% in 2019, compared with an estimate of 3.9% in the previous year's report. Projections for both the USA and the euro zone point to a year-on-year decline. For Great Britain, a further reduction of 0.2 percentage points to 1.2% is expected. The IMF sees growth in the global economy reaching 3.6% in 2020, but is also warning against potential risks: any further intensification of trade conflicts, a no-deal BREXIT or ongoing fiscal uncertainties, as in Italy, could lead to substantially slower development.

Economic Development Outlook for 2019 and 2020



[1] Source: IMF forecast, World Economic Outlook, April 2019

1.3 The Zumtobel Group Share

A mixed year for the global stock markets

All in all, a disappointing year especially for the European stock markets

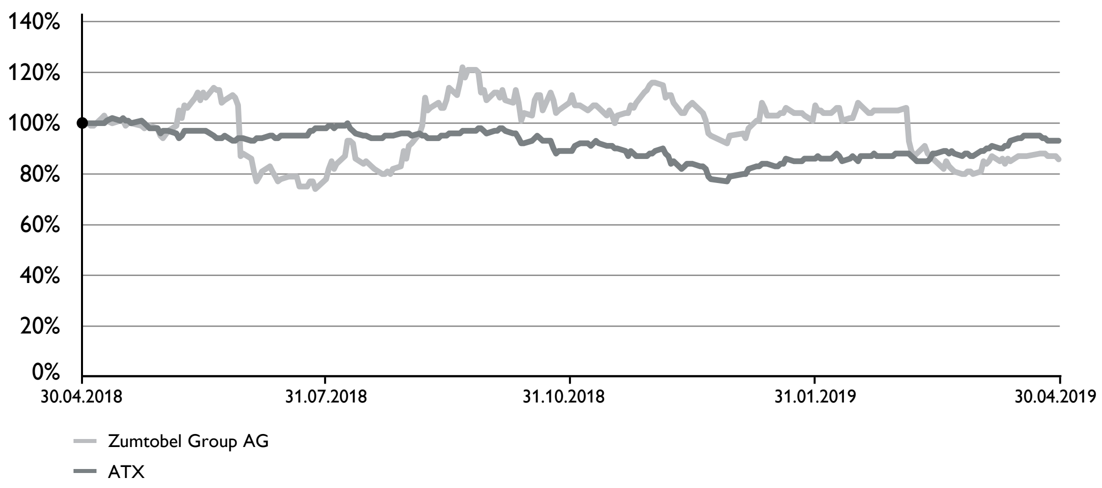
Developments on the global stock markets during the 2018/19 financial year were influenced by political uncertainty and fears of an economic slowdown. The trade dispute between the USA and China, the BREXIT and the budget dispute between the EU and Italy had a demoralising effect on the market sentiment, in particular through the end of the calendar year 2018. The stock markets rebounded at the beginning of 2019 – supported by expectations of ongoing favourable monetary policies and an easing of political tensions – and recovered part of the previous losses. The Austrian ATX (Austrian Traded Index) fell from 3,469 to 3,215 points in 2018/19, for a decline of 7.3%. Slightly negative performance was also recorded during the period by the German DAX (minus 2.1%) and the European Euro Stoxx 50 (minus 0.6%). The US Dow Jones Index countered interim losses with a strong recovery up through December 2018 and closed with a year-on-year plus of 10.1% on 30 April 2019.

Zumtobel Group share with weak performance

Negative development for the Zumtobel Group share

The 2018/19 financial year was generally discouraging for Zumtobel Group shareholders. The share price fell by 14.3% during the reporting year from 1 May 2018 to 30 April 2019, with performance that was slightly weaker than the Austrian ATX. This decline reflected the Group's disappointing operating development as well as a difficult industrial environment. The Zumtobel Group share closed the 2018/19 financial year on 30 April 2019 at EUR 6.43.

Development of the Zumtobel Group Share



Market capitalisation of EUR 280 million

The market capitalisation of Zumtobel Group AG reflected the development of the share price in 2018/19. Based on an unchanged number of 43.5 million common shares outstanding in year-on-year comparison, the company was valued at EUR 280 million on 30 April 2019 (2017/18: EUR 326 million). The average daily turnover on the Vienna Stock Exchange equalled 230,307 shares in 2018/19, compared with 280,373 shares in the previous year (double-count, as published by the Vienna Stock Exchange). The Zumtobel Group share is listed in the ATX Prime.

Key Data on the Zumtobel Group Share FY 2018/19

Closing price at 30.04.2018	EUR 7,500	Currency	EUR
Closing price at 30.04.2019	EUR 6,430	ISIN	AT0000837307
Performance FY 2018/19	(14.3)%	Ticker symbol Vienna Stock Exchange (XETRA)	ZAG
Market capitalisation at 30.04.2019	EUR 280 mill.	Market segment	ATX Prime
Share price - high at 19.09.2018	EUR 9,170	Reuters symbol	ZUMV.VI
Share price - low at 26.07.2018	EUR 5,550	Bloomberg symbol	ZAG AV
Ø Turnover per day (shares)	230,307	Number of issued shares	43,500,000

Shareholder structure

Zumtobel family holds 36.1%

The shareholder structure of Zumtobel Group AG changed slightly since the end of the 2017/18 financial year. The Zumtobel family increased its holding from 35.5% to 36.1% of the voting rights and, consequently, has remained the stable core shareholder of Zumtobel Group AG since the initial public offering. In addition, the following institutional investors held reportable investments as of 30 April 2019: Lazard Frères Gestion SAS with an investment of over 5% and Wellington Management Group LLP with an investment of over 4%. The remainder of the shares is held predominately by institutional investors, according to the information available to the company. The company held an unchanged number of 353,343 treasury shares at the end of the 2018/19 financial year.

Dividend policy

No dividend planned for FY 2018/19

Zumtobel Group AG follows a continuous dividend policy, which calls for a distribution of approximately 30% to 50% of consolidated net profit after the deduction of possible special effects. In view of the weak earnings development, a distribution of dividends is not planned for the 2018/19 financial year.

Investor relations activities focused on transparency and dialogue

Intensive contact with investors and analysts

Transparent, continuous and open communications with all capital market participants have top priority for the management of the Zumtobel Group. The Management Board and 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. In 2018/19 nine well-known Austrian and international analysts issued regular reports on the Zumtobel Group share together with their evaluation of the corporate strategy and estimates for the valuation of the company (in alphabetical order): Baader Bank (Munich), Berenberg (London), Erste Bank (Vienna), J.P. Morgan (London), Kepler Cheuvreux (London), Landesbank Baden-Württemberg (Stuttgart), Morgan Stanley (London), Raiffeisen Centrobank (Vienna) and 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. The Internet represents an important medium to ensure that investors and other interested stakeholders receive information at the same time. All corporate publications, contact data, the financial calendar 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*.

1.4 Significant Events since 30 April 2018

No dividend for FY 2017/18

A resolution was passed by 42nd annual general meeting on 27 July 2018 to waive the payment of a dividend for the 2017/18 financial year.

Management Board presents new FOCUS strategy

The new strategy for the Zumtobel Group was presented in connection with the publication of the first quarter report on 4 September 2018. It comprises five key elements which are derived from FOCUS, the core of the new strategy. The clearly defined goal of this strategy is to create sustainable added value for all stakeholders (shareholders, customers, employees). The company has set a goal to generate an EBIT margin of approximately 6% by the 2020/21 financial year.

Zumtobel Group opens new plant in Serbia

The new production plant in Niš, Serbia, was officially opened on 28 September 2018. The plant houses two main areas: Production area 1 for components (Tridonic) started series production at the end of July 2018, and Production area 2 for lighting started operations at the beginning of September. With a total investment volume of over EUR 30 million and 40,000 square metres, this plant represents an important addition to the Zumtobel Group's international production network.

Gradual shutdown of production at the components plant in Jennersdorf

In November 2018, the Zumtobel Group approved the gradual shutdown of production in the components plant (Tridonic) in Jennersdorf, Austria, by November 2019. This economically necessary reorganisation will primarily affect approximately 90 employees in the production area. The research and development location in Jennersdorf with roughly 30 jobs will remain the LED competence centre for the Zumtobel Group. The production of the LED modules in Jennersdorf will, for the most part, be transferred to Niš.

Contract with CEO Alfred Felder extended to 2022

On 4 December 2018, the Supervisory Board of the Zumtobel Group announced that the expiring contract with CEO Alfred Felder would be extended beyond 30 April 2019 by three years to 30 April 2022.

Settlement of legal dispute with Ulrich Schumacher

A settlement was reached in January 2019 in the legal dispute with former CEO Ulrich Schumacher. The Zumtobel Group made a gross payment of EUR 1.5 million to Mr. Schumacher, which represents roughly one-third of the original claim of EUR 4.4 million. Most of this amount represented claims for compensation from previous financial years and had already been reflected in appropriate provisions.

Signing for second EIB tranche of EUR 40 million

The European Investment Bank (EIB) has released the second credit tranche of EUR 40 million in connection with a financing programme of EUR 80 million which was granted to the Zumtobel Group to strengthen research and development activities. The contract was signed in January and payment was made in February 2019.

No other significant events occurred during the reporting year.

1.5 Review of Business Performance

1.5.1 Revenues

- Group revenues decline by 2.9% (FX-adjusted: minus 2.3%)
- LED share of Group revenues rises to 81.7% (2017/18: 79.7%)
- Lighting Segment revenues, FX-adjusted: 3.6% lower than previous year
- Components Segment revenues reach prior year (FX-adjusted: plus 0.2%)

Group revenues (FX-adjusted) decline by 2.3%

Revenues recorded by the Zumtobel Group declined by 2.9% year-on-year to EUR 1,162.0 million in the 2018/19 financial year (1 May 2018 to 30 April 2019) in a lighting industry environment that remained challenging. Revenue development was influenced by negative currency translation effects of EUR 7.1 million, which resulted primarily from the increase in the euro versus the Turkish lira, Australian dollar and Swedish krona. After an adjustment for these foreign exchange effects, the decline in revenues amounted to 2.3%. The LED share of Group revenues increased from 79.7% to 81.7% within 12 months.

Segment development in EUR million	2018/19	2017/18	Change in %	FX adjusted in %
Lighting Segment	873.7	908.3	(3.8)	(3.6)
Components Segment	348.3	352.7	(1.3)	0.2
Reconciliation	(60.0)	(64.5)	(7.1)	
Zumtobel Group	1,162.0	1,196.5	(2.9)	(2.3)

Lighting Segment- FX-adjusted revenues 3.6% below previous year

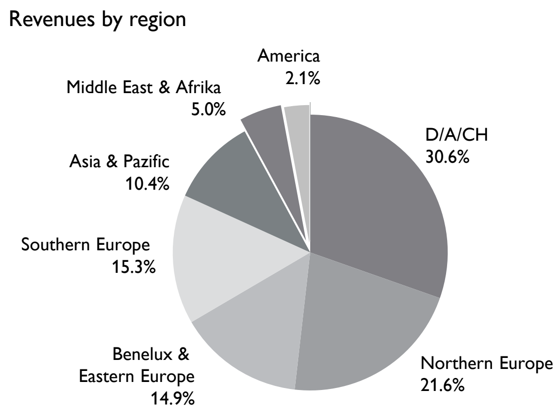
The Lighting Segment is still challenged by a difficult industry environment. Revenue development in 2018/19 was slowed, above all, by a substantial decline in Great Britain, the most important market for the Zumtobel Group, and by very aggressive price competition. The reorientation of the sales organisation which began during the 2018/19 financial year has not yet produced its full results. In this environment, revenues in the Lighting Segment fell by 3.8% to EUR 873.7 million (2017/18: EUR 908.3 million). After an adjustment for negative foreign exchange effects, revenues were 3.6% lower than the previous year. In contrast, the Lighting Segments recorded an increase in revenues for the fourth quarter of 2018/19, with a plus of EUR 4.2 million to EUR 223.8 million (FX-adjusted: 3.1%).

FX-adjusted revenues in Components Segment at prior year level

Revenues in the Components Segment fell by 1.3% (FX-adjusted: plus 0.2%) in 2018/19. Two factors were responsible for this decline: the devaluation of the Turkish lira versus the reporting currency (euro) and a decrease in the demand for components from the Lighting Segment. It is also clearly apparent that a focus on margins in an increasingly competitive environment leads to satisfactory earnings, but also to slower revenue growth.

Distribution of regional revenues

Revenues in EUR million	2018/19	Change in %
D/A/CH	355.9	(0.5)
Northern Europe	250.7	(7.8)
Benelux & Eastern Europe	173.6	(5.0)
Southern Europe	178.2	(0.4)
Asia & Pacific	120.9	0.4
Middle East & Africa	58.5	5.8
Americas	24.3	(18.2)
Total	1,162.0	(2.9)



The 2018/19 financial year was characterised by widely different regional developments in a generally difficult industry environment. However, the fourth quarter saw revenue growth in all regions – with the exception of Benelux und Eastern Europe.

Substantial declines in Great Britain, Germany and USA

The D/A/CH region, the largest market in the Zumtobel Group, recorded a 0.5% decline in revenues (FX-adjusted: minus 0.6%) to EUR 355.9 million in 2018/19. Revenues exceeded the previous year in Switzerland (FX-adjusted), but were slightly lower in Austria and Germany. An analysis of the fourth quarter shows substantial revenue growth, in total, for this region. Revenues in Northern Europe fell by 7.8% to EUR 250.7 million. The Lighting Segment, in particular, recorded substantially lower revenues in Great Britain (ca. minus 15%). However, this region also generated moderate revenue growth in the final quarter of the year due to positive momentum, above all in the Scandinavian countries. The development of revenues in the Benelux & Eastern Europe region was disappointing and failed to match the growth recorded in earlier years. Revenues fell by 5.0% (FX-adjusted: minus 1.7%) to EUR 173.6 million in 2018/19. The Southern European region consists primarily of Italy, Spain and France. Italy reported further revenue growth, but developments in France and Spain remained below expectations. Revenues in this region fell by 0.4% to EUR 178.2 million but increased, in total, during the fourth quarter. The Asia & Pacific region generated an increase of 0.4% (FX-adjusted: plus 1.5%) in revenues to EUR 120.9 million in 2018/19, supported by sound fourth quarter growth in Asia. Business development in the Middle East & Africa region benefited from higher project activity, which was reflected in revenue growth of 5.8% (FX-adjusted: plus 4.3%). Revenues in the America region fell by 18.2% (FX-adjusted: minus 20.0%) to EUR 24.3 million, but also increased in this region during the final quarter of the reporting year.

1.5.2 Earnings

- >> Earnings negatively affected by revenue declines and ongoing intensive price competition
- >> Efficiency and cost savings measures with a significant impact on fixed costs
- >> Adjusted Group EBIT rises to EUR 27.6 million
- >> High one-off costs for restructuring measures lead to loss for the reporting year: minus EUR 15.2 million

Income statement in EUR million	2018/19	2017/18	Change in %
Revenues	1,162.0	1,196.5	(2.9)
Cost of goods sold	(810.2)	(822.7)	(1.5)
Gross profit	351.8	373.8	(5.9)
as a % of revenues	*30.3*	*31.2*	
SG&A expenses adjusted for special effects	(324.2)	(354.2)	(8.5)
Adjusted EBIT	27.6	19.7	40.6
as a % of revenues	*2.4*	*1.6*	
Special effects	(25.0)	(27.0)	7.4
EBIT	2.7	(7.3)	>100
as a % of revenues	*0.2*	*(0.6)*	
Financial results	(12.8)	(16.4)	22.1
Profit/loss before tax	(10.1)	(23.7)	57.4
Income taxes	(5.2)	(23.0)	(77.6)
Net profit/loss for the period	(15.2)	(46.7)	67.4
Earnings per share (in EUR)	(0.35)	(1.08)	67.4

Note: EBITDA in 2018/19 totalled EUR 55.8 million (2017/18: EUR 54.2 million).

Adjusted Group EBIT rises to EUR 27.6 million

Group EBIT adjusted for special effects rose to EUR 27.6 million in 2018/19 (2017/18: EUR 19.7 million), and the return on sales increased from 1.6% to 2.4%. The improvement in Group profitability during the reporting period was supported primarily by the Lighting Segment, where adjusted EBIT increased from EUR 9.4 million to EUR 21.1 million. Adjusted EBIT in the Components Segment equalled EUR 25.4 million (2017/18: EUR 31.4 million). The results of the cost reduction measures are now visible, especially in the Lighting Segment, and earnings improved during the reporting year despite the ongoing aggressive price competition. Moreover, adjusted EBIT in the previous year were negatively influenced by higher warranty provisions related primarily to long-term road lighting projects.

Decline in development costs

The gross profit margin (after development costs) for the Zumtobel Group fell to 30.3% in 2018/19 (2017/18: 31.2%). Development costs included in the cost of goods sold were EUR 7.9 million lower at EUR 61.6 million (2017/18: EUR 69.5 million).

Reduction in selling and administrative expenses

The efficiency and cost reduction measures implemented in spring 2018 led to a significant reduction in selling and administrative costs. Selling expenses (incl. research) fell by 5.4% to EUR 297.0 million in 2018/19 (2017/18: EUR 313.9 million), and administrative expenses were EUR 13.2 million lower at EUR 36.2 million (2017/18: EUR 49.4 million). Other operating income, excluding special effects, reflected the previous year at EUR 9.0 million (2017/18: EUR 9.1 million).

Negative special effects from transformation process

Negative special effects of EUR 25.0 million were recorded in 2018/19 (2017/18: EUR 27.0 million). They resulted from restructuring measures involving management, costs for the shutdown of production in Jennersdorf (Austria) and the write-off of capitalised development projects in connection with the adjustment of the product portfolio. Also included here are expenses related to further changes in the global production network and adjustments to pension obligations in Great Britain. The following table shows EBIT after the exclusion of the above-mentioned special effects:

Adjusted EBIT in EUR million	2018/19	2017/18	Change in %
Reported EBIT	2.7	(7.3)	>100
thereof special effects	(25.0)	(27.0)	7.4
Adjusted EBIT	27.6	19.7	40.6
as a % of revenues	*2.4*	*1.6*	

Financial results above prior year

Financial results improved by EUR 3.6 million year-on-year to minus EUR 12.8 million (2017/18: minus EUR 16.4 million). Interest expense is attributable primarily to the current credit agreements and to finance leases. Other financial income and expenses totalled minus EUR 6.3 million (2017/18: minus EUR 9.7 million) and include the interest expense on pension obligations as well as the income and expenses from exchange rate fluctuations which resulted from the high volatility on the foreign currency market.

Financial result in EUR million	2018/19	2017/18	Change in %
Interest expense	(6.9)	(6.9)	0.4
Interest income	0.4	0.4	(5.8)
Net financing costs	(6.5)	(6.4)	(0.7)
Other financial income and expenses	(6.3)	(9.7)	(34.5)
Result from companies accounted for at-equity	0.1	(0.3)	>100
Financial results	(12.8)	(16.4)	22.1

Net profit totals minus EUR 15.2 million

Profit before tax amounted to minus EUR 10.1 million in 2018/19 (2017/18: minus EUR 23.7 million), and income taxes totalled EUR 5.2 million (2017/18: EUR 23.0 million). Income taxes include current tax expense of EUR 4.9 million and deferred taxes of EUR 0.3 million. Additional information is provided in note 2.6.4.6 of the consolidated financial statements. Net profit for the reporting year therefore totalled minus EUR 15.2 million (2017/18: minus EUR 46.7 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled minus EUR 0.35 (2017/18: minus EUR 1.08).

1.5.3 Cash flow, financial and asset position

- >> Continued positive development of working capital
- >> Capital expenditure slightly lower year-on-year at EUR 66.2 million (2017/18: EUR 69.0 million)
- >> Free cash flow rises to plus EUR 3.4 million (2017/18: minus EUR 23.9 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.

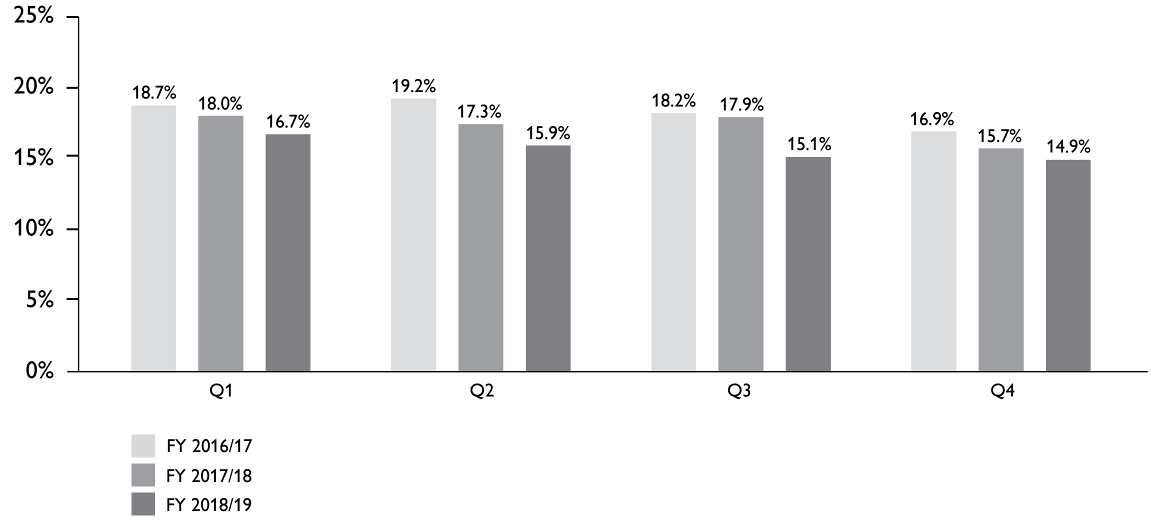
Cash flow is calculated on a monthly basis using the indirect method. The resulting monthly cash flows are translated at the average monthly exchange rate and then aggregated, while balance sheet positions are translated at the exchange rate in effect on the balance sheet date. This procedure leads to 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.

Cash flow from operating results rose from EUR 53.5 million in the previous year to EUR 56.8 million due to the improvement in profitability.

Positive development of working capital

Working capital was further optimised during the reporting year due to strict inventory management and an increase in advance payments received. Trade receivables were broadly stable at the prior year level due to consistent receivables management, compared with a reduction in 2017/18 that resulted from the decline in revenues and the expansion of factoring. The receivables sold through factoring agreements totalled EUR 72.9 million as of 30 April 2019 (2017/18: EUR 57.9 million). Working capital amounted to EUR 172.8 million as of 30 April 2019, which represents a reduction of EUR 15.3 million compared with the balance on 30 April 2018. As a per cent of rolling 12-month revenues, working capital fell from 15.7% in the previous year to 14.9%. The change in other operating positions equalled EUR 6.7 million (2017/18: minus EUR 16.8 million). The high cash outflows reported under this position in the previous year resulted, above all, from the use of provisions for restructuring and bonuses. Similarly high payments were not made in 2018/19. Cash flow from operating activities increased from EUR 49.7 million to EUR 72.7 million during the reporting year.

Working Capital as % of rolling 12-month revenues



Capital expenditure at prior year level

Investments in non-current assets were slightly lower year-on-year at EUR 66.2 million in 2018/19 (2017/18: EUR 69.0 million). These expenditures consisted mainly of tools and equipment for new products, expansion and maintenance investments as well as capitalised research and development costs of EUR 18.2 million (2017/18: EUR 11.1 million). The investments in 2018/19 included EUR 21.7 million for the new plant in Serbia and EUR 26.9 million for the facilities in Dornbirn (including capitalised research and development costs). Cash flow effects reported under the "changes in non-current and current financial assets" resulted chiefly from gains and losses realised on interest rate hedges. The increase in cash flow from operating activities and the reduction in investment activity were reflected in an improvement in free cash flow to EUR 3.4 million (2017/18: minus EUR 23.9 million).

Cash flow from financing activities consists primarily of the replacement and refinancing of a EUR 40.0 million fixed-interest loan with a term ending in 2024 as well as a reduction in the draw-down from the consortium credit agreement. In view of the net loss recorded in 2017/18, no dividends were distributed to shareholders during the reporting year.

Secure liquidity

In order to protect 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. In addition to the consortium credit agreement and three other credit agreements, the Zumtobel Group had short-term, unsecured credit lines totalling EUR 61.4 million at its disposal as of 30 April 2019 (2017/18: EUR 84.5 million).

The consortium credit agreement concluded on 1 December 2015 with seven banks represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. The consortium credit agreement also contains a clause for an increase in the volume by up to EUR 200 million, which can be drawn under certain circumstances. As of the balance sheet date on 30 April 2019, the amount drawn under this credit agreement totalled EUR 25 million (2017/18: EUR 115 million). In addition to the consortium credit agreement, the Zumtobel Group concluded a short-term bilateral credit agreement with a volume of EUR 40 million (bullet repayment in January 2020) as well as two other long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB) (bullet repayment in September 2024, respectively February 2025); all three credits were fully drawn as of 30 April 2019. These major financing agreements include change of control clauses that would take effect if there were a change in the absolute majority of voting rights and require compliance with 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 2019 with a debt coverage ratio of 2.66 (2017/18: 2.70) and an equity ratio of 28.5% (2017/18: 27.2%).

Balance sheet data in EUR million	30 April 2019	30 April 2018
Total assets	920.9	986.1
Net debt	148.7	146.3
Debt coverage ratio	*2.66*	*2.70*
Equity	262.8	268.3
Equity ratio in %	*28.5*	*27.2*
Gearing in %	*56.6*	*54.5*
Investments	66.2	69.0
Working capital	172.8	188.1
as a % of rolling 12 month revenues	14.9	15.7

Improvement in balance sheet structure

The balance sheet structure was improved by a reduction in the balance sheet total to EUR 920.9 million during the past year (2017/18: EUR 986.1 million), which led to an increase in the equity ratio from 27.2% as of 30 April 2018 to 28.5% as of 30 April 2019. Net liabilities totalled EUR 148.7 million at the end of 2018/19 (2017/18: EUR 146.3 million), for an increase of EUR 2.4 million over the previous year. Gearing – the ratio of net debt to equity – rose from 54.5% to 56.6%.

1.6 Non-financial Statement for the Group

The Zumtobel Group is an international lighting corporation and a leading supplier of innovative lighting solutions, lighting components and related services. A detailed description of the business model is provided in this management report under "The Zumtobel Group – an Overview".

NFI statement is based on GRI standards

Sustainable and responsible actions are firmly anchored in the Zumtobel Group. The Group acknowledges its responsibility for society and is committed to the principle of sustainable development. This includes a contribution to providing coming generations with a stable economic, social and ecological environment. In pursuing its economic interests in daily business activities, the Zumtobel Group therefore also takes ecological, social and ethical factors into consideration.

This year's consolidated management report includes the summarised non-financial statement for the Group (NFI statement) required by § 267a of the Austrian Commercial Code. The Zumtobel Group meets its reporting requirements under the Austrian Sustainability and Diversity Improvement Act ("Nachhaltigkeits- und Diversitätsverbesserungsgesetz") on environmental, social and employee issues, the respect for human rights and the fight against corruption and bribery. All of the information in this report refers equally to Zumtobel Group AG and the Group, including its subsidiaries, unless indicated otherwise. This NFI statement applies to the 2018/19 financial year and is based on the GRI standards issued by the Global Reporting Initiative (GRI). The reporting was expanded to place greater focus on the issues important to the Zumtobel Group and its stakeholders. In addition to the NFI statement, part of the required content is included in the 2018/19 group management report, the corporate governance report and the consolidated financial statements. The major risks were identified and concepts with measures and clear targets were developed for all relevant issues in agreement with top management.

NFI statement was reviewed by the Supervisory Board

The summarised non-financial statement of the Zumtobel Group in this management report was reviewed by the Supervisory Board for agreement with legal requirements, correctness and appropriateness.

1.6.1 Strategy and management

Materiality analysis forms the basis for the NFI statement

The materiality analysis carried out together with an external consulting firm in 2017/18 was retained for this reporting year because neither the Group's business activities nor the resulting effects on the non-financial aspects had changed substantially.

The starting point for the materiality analysis was formed by a catalogue of roughly 150 subject areas. In addition to the sustainability issues from the 2014/15 materiality analysis, peer group concerns, current reporting standards (ISO 26000, GRI) and relevant industry topics and trends were also included. Six specialist areas in the Zumtobel Group then carried out an internal assessment based on a structured written questionnaire, which was used to determine the issues necessary for an understanding of the business, operating results or positioning as well as an understanding of the effects of business activities on the non-financial issues. This assessment led to the definition of nine issues through which the Zumtobel Group has a significant impact on the economy, environment and society and are therefore considered particularly relevant for the future of the Zumtobel Group. The results were then validated by the Management Board.

The following nine issues are material for the Zumtobel Group in the sense of the Austrian Sustainability and Diversity Improvement Act:

- Sustainable and profitable growth
- Innovation
- Sustainable products and services
- Corporate governance and compliance
- Training and continuing education
- Health protection and occupational safety
- Work-life balance
- Sustainable procurement
- In-process environmental protection

Reference table for the NFI statement:

Non-financial aspect	Major issues	Page reference
Fight against corruption and bribery	● Corporate governance and compliance	34
Environmental concerns	● Sustainable products and services ● Sustainable procurement ● In-process environmental protection	33 40 41
Employee concerns	● Training and continuing education ● Work-life balance ● Health protection and occupational safety	33 37 37
Social concerns	● Sustainable and profitable growth ● Sustainable products and services	32 33
Respect for human rights	● Corporate governance and compliance ● Sustainable procurement	34 40

No risks that could result in severe negative effects

The Zumtobel Group has installed a group-wide internal risk management and control system. This non-financial group statement pursuant to § 267a of the Austrian Commercial Code takes a net view of risks, meaning the evaluation also includes risk-minimising measures. In connection with the non-financial aspects, the Zumtobel Group was unable to identify any material risks arising from its business activities or business relationships, products or services which could have a material negative effect. Additional information can be found in the management report under "Internal control system" and "Risk management".

Sustainable corporate culture

The sustainable corporate culture with its focus on integrity and responsibility is based on the trust of customers, shareholders and business partners in the Zumtobel Group. Responsible management also includes supporting the guiding principle of sustainable development, integrating this principle in decision processes and following this principle in daily business life. The Zumtobel Group operates in a business environment that includes a wide range of economic, ecological and social opportunities and challenges. Consequently, the Zumtobel Group has set a goal to ensure that its business partners and suppliers also follow the same high ethical principles and standards.

Corporate governance in the Zumtobel Group stands for responsible and transparent management and control that is oriented towards achieving and maintaining long-term success. The Management Board, as the executive body, is responsible for directing and managing the company. It acts in the company's interests and is committed to increasing the company's value. The Management Board of the Zumtobel Group operates the business under its own responsibility. It develops the corporate strategy, coordinates this strategy with the Supervisory Board and ensures the subsequent implementation. The Group's sustainability programmes and the related targets and measures are reviewed and approved by the Management Board, while the individual specialist departments are responsible for the expansion, operational implementation and monitoring of sustainability activities.

Concrete concepts for the major issues

The Zumtobel Group has taken a strategic approach in dealing with the nine identified major issues. In particular, this includes the definition of qualitative goals, the development of concrete measures and the determination of performance indicators. These goals, measures and performance indicators are listed in the following concept table.

Major issue	Goals	Measures	Performance indicator
1. Sustainable management			
Sustainable and profitable growth	Sustainable increase in the value of the company, taking economic, social and ecological factors into account	• Consistent implementation of FOCUS strategy • Concentration on profitable core markets and applications	• Revenues from core markets
	Expansion of the service business	• Significant increase in service revenues	• Revenues from services
2. Corporate governance and compliance			
Corporate governance	Further development of the compliance management-system	• Revision, expansion and communication of the code of conduct of Zumtobel Group AG • Revision of target group-oriented content for compliance training and continuation of e-learning-based compliance training and on-site training • Preparation and communication of specific compliance guidelines on anti-corruption, competition and anti-trust law and money laundering (based on risk assessment) • Mapping of responsibilities for compliance issues	• Per cent of employees trained, number and per cent of successfully completed compliance training certificates
	Global responsibility for data protection issues	• Revision of data protection guideline • Roll-out of e-learning programme on data protection issues for salaried employees • Implementation of data protection software	• Number of inquiries answered on time
3. Responsible employer			
Training and continuing education	Increase in employee-specific and job-related training	• Expansion of the training offering in the Zumtobel Group, focus on further increase in e-learning programmes	• Training and education hours
	Increase in individual personal development appraisals	• Conducting of annual employee appraisals • Identification of individual development potential and necessary personnel development measures	• Number of employees who receive regular performance evaluations and continuous training
Health protection and occupational safety	Continuous improvement of health programme	• Implementation of planned measures in the health project for women in production with a special focus on prevention through exercise, regeneration and age-appropriate working conditions	• Development of sick leave in the Group and ratio of long-term to short-term sick leave • Number of age-appropriate jobs
	Prevention of work accidents	• Continuous improvement in TRI rate in the lighting and components plants • Implementation of pro-active training courses to prevent work accidents	• TRI rate (Total Recordable Injuries)
Work-life balance	Support for employees' work-life balance	• Increase in offering of flexible working time models to reflect the expectations of different generations • Retention of free-time option	• Number of part-time employees • Number of employees with a free-time option
4. Product responsibility and innovation			
Innovation	Expansion of competitive product portfolio	• Continuous product development • Increase in technology partnerships	• Ratio of new products to revenues (in %) • R&D ratio • Number of registered patents

Major issue	Goals	Measures	Performance indicator
	Increase in brand reputation through research projects	● Participation in national and international research projects ● Continuation of long-term, internal research and pre-development projects	
Sustainable products and services (incl. product safety and quality)	Compliance with high safety standards through use of legal and voluntary test marks	● Internal measurements and tests ● Cooperation with external testing institutes and commissioning of external audits	
	Inclusion of sustainability aspects throughout the entire product lifecycle	● Use of energy-efficient, intelligently managed lighting technology ● Reduction of product-related resource consumption ● Continuous improvement in product efficiency	● Energy savings through energy-efficient Zumtobel Group products in MWh ● Reduction in CO_2 emissions through energy-efficient Zumtobel Group products in tonnes
	Expansion of innovative product and service offering	● Increase in share of revenues from LED products ● Significant increase in service revenues ● Development of innovative business models	● Share of revenues from LED products ● Revenues from services
Sustainable procurement	Compliance with high environmental and social standards in the supply chain	● Regular, annual sustainability audits for new and existing suppliers ● Commitment of suppliers to compliance with RoHS/REACh ● Requirement for all suppliers to maintain an environmental management system ● Bundling of suppliers to utilise synergies	● Number of sustainability audits ● Number of suppliers with an environmental management system
	Further development of supplier code of conduct (SCOC)	● Requirement for all new suppliers to sign and comply with SCOC ● Requirement for existing major suppliers to comply with SCOC	● Signing of revised SCOC by 100% of new suppliers ● Signing of revised SCOC by 95% of existing suppliers (based on procurement volume)
5. Environmental protection			
In-process environmental protection	Careful and efficient use of resources	● Certification under the expanded requirements of ISO 14001:2015 at the major locations ● Expansion of environmental certifications in the service & solution business ● Performance of energy audits at the 6 locations certified under ISO 50001 ● Implementation of energy efficiency measures on a local basis ● Further development of environmental data recording, integration of the lighting plant in Barrowford (UK)	● Number of certified locations
	Inclusion of ecological aspects throughout the entire product lifecycle	● Evaluation and monitoring of environmental data and identification of need for action ● Support for holistic approach to include ecological aspects throughout the entire product lifecycle ● Compliance with internal and external environmental protection guidelines	

Continuous stakeholder dialogue

A continuous and open exchange with its stakeholders has high priority for the Zumtobel Group. This dialogue creates trust and provides valuable impulses for evaluating ways in which the Group can strengthen its positioning in the future. The Zumtobel Group's stakeholder universe includes customers and business partners, investors and analysts, the media, employees, suppliers, researchers and scientists, artists, designers and architects, politics, national and local authorities as well as NGOs. Various dialogue forms are used to contact stakeholders, including newsletters, events, conferences, meetings with the press and roadshows as well as the Internet, Intranet and social media.

Membership in professional associations

The Zumtobel Group is active in industrial associations, standardisation committees, lighting societies and individual consortia on behalf of the lighting industry, its customers and users in order to develop the best framework conditions for optimal energy efficiency and lighting quality. In connection with the certification of energy-efficient buildings, the company is a member of various sustainable construction initiatives. The most important memberships at the present time are as follows: ZVEI ("Zentralverband Elektrotechnik- und Elektroindustrie e. V.", Germany), Lighting Industry Association (LIA, Great Britain), Association for the Electrical and Electronics Industries (FEEI, Austria), European Committee for Standardisation (CEN), International Standards Organisation (ISO), International Electronical Committee (IEC), International Commission on Illumination (CIE), Lux Europe, various national lighting societies, German Sustainable Building Council (DGNE), Green Building Council, Consortium for international specifications of LED light sources interfaces (ZHAGA) and The Connected Lighting Alliance (TCLA).

1.6.2 Sustainable and profitable growth

FOCUS on core markets and applications

The Management Board developed, approved and presented the new FOCUS strategy together with the management team in 2018/19. The central elements of this strategy include a concentration on profitable core markets and applications combined with a leaner organisation, the digitalisation of processes, a renewed emphasis on the three core brands and the expansion of the service business.

Financial flows to stakeholders

The Zumtobel Group generated EUR 1,173.2 million of economic value in the 2018/19 financial year. After the deduction of costs incurred, payments to equity and debt providers and public authorities, the remaining economic value equals EUR 35.1 million. This presentation reflects the definition under GRI and represents the financial flows derived from the income statement and cash flow statement.

Financial flows to stakeholders in EUR million	2018/19	2017/18
Corporate revenues[1]	1,173.2	1,210.5
Operating expenses[2]	(723.1)	(752.4)
Personnel expenses	(399.2)	(413.6)
Payments to shareholders	0.0	(9.9)
Payments to provider of borrowed capital	(6.7)	(6.7)
Payments to public bodies[3]	(9.0)	(10.1)
Residual economic value	**35.1**	**17.8**

[1] Revenues and other operating income, interest income and payments received for the sale of assets. [2] Cost of goods sold, selling expenses, administrative expenses and other operating expenses (excl. personnel expenses, depreciation and amortisation). [3] Excluding deferred taxes.

1.6.3 Sustainable products and services

Sustainability is closely related to the core business

The Zumtobel Group‘s commitment to sustainability is closely related to the core business because of the important role played by energy-efficient, intelligently managed lighting technology in conserving resources. This trend has been accelerated by the continuous increase in the efficiency (lumes/watt) of LED luminaires and a parallel decline in the cost of LED chips. However, the steady increase in efficiency will slow when the physical limits are reached in the coming years. Artificial lighting is responsible for roughly 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. Most of the energy consumption in the lifecycle of lights still occurs during the use of the light, but other issues like resource consumption and the circular economy are also becoming more important because of the slower increase in efficiency. The Zumtobel Group has been working for many years to steadily improve the energy efficiency of its products while, at the same time, integrating sustainability aspects along the product life cycle.

High contribution to reducing electricity consumption

In order to demonstrate the Zumtobel Group's contribution to energy efficiency, an estimate was developed for the savings potential of the energy-efficient products it marketed during the reporting year. Conventional systems were used as the reference for these calculations, whereby the energy savings potential was based on the following main criteria: efficient LED lighting systems, dimmability and the use of electronic control devices.

In 2018/19 the Zumtobel Group helped to realise energy savings 4,640,736 megawatt hours (2017/18: 3,857,801 MWh). That represents the annual electricity requirements of 1,546,912 two-person households (2017/18: 1,285,934). Based on CO_2 emissions converted at an average global factor of 0.475 kg/KWh (2017/18: 0.519 kg/KWh), the energy savings contribution of the Zumtobel Group amounted to approximately 2,204,350 tonnes of CO_2 in 2018/19 (2017/18: 2,002,199).

Change in calculation method

The Zumtobel Group plans to change the method for calculating its contribution to energy efficiency to reflect the continuing renovation of older buildings and the related steady decline in conventional systems. Future calculations will no longer be based on an increasingly less relevant component of older buildings, but on the total market capacity (connected load) in relation to the number of lights. This represents a benchmark similar to the "standard consumption" used in other areas. The new benchmark will be calculated retroactively for each business year and show the progress towards the improvement in energy efficiency.

High innovative power is the key to a successful corporate future. Accordingly, the Zumtobel Group's central research and development department systematically includes sustainability in the innovation process. Additional information on the key issue of innovation can be found in the management report under "Research and Development".

Further development of innovative product and service offering

The transformation of the lighting industry has increased the importance of the LED business and led to a stronger focus on intelligent and Internet-linked lighting. The result has been a growing demand for innovative LED-based lighting solutions and comprehensive, integrated service offers. The development, production and sale of innovative, sustainable products and services therefore represent elementary cornerstones for the medium- and long-term economic sustainability of the Zumtobel Group. Clear goals have been defined to safeguard the development of an innovative product and service portfolio. The share of revenues from LED products stagnated at a very high level in 2018/19, but substantial growth was recorded in the revenues from project and software-oriented services. This will also protect the Zumtobel Group‘s high contribution to energy savings in the future.

Compliance with high quality and safety standards

Sustainable products also connected with the highest demands on safety and quality. All production facilities in the Zumtobel Group's worldwide network, with the exception of the two plants in the USA and New Zealand, have been certified according to the ISO 9001 international standard for quality management systems. The Group's standardised, centrally defined selling processes are also certified. The primary goal is to continuously improve the quality of production and selling processes and, in this way, increase customer satisfaction. In this connection, certification was changed in 2018/19 to meet the expanded and revised requirements of ISO 9001:2015. The Zumtobel Group guarantees, based on internal audits and measurements, that its entire product portfolio meets all applicable standards and regulations in the respective regions and countries. This applies, in particular, to directives concerning light quality and energy efficiency as well as labelling requirements and health and safety aspects. The Zumtobel Group has also certified many of its products under the voluntary European ENEC scheme (European Norms Electrical Certification), which includes verification by independent testing institutes of compliance with the relevant European safety norms and performance requirements.

1.6.4 Corporate governance and compliance

For the Zumtobel Group, corporate governance represents a comprehensive model for the management and monitoring of the company. The general framework for the corporate governance system in the Zumtobel Group is formed by the Austrian Corporate Governance Code, whereby the corporate values, the code of conduct and Group policies are the major elements.

Binding code of conduct for all employees

Compliance with legal requirements represent the basic values for entrepreneurial actions. In order to ensure the necessary compliance, the Zumtobel Group has developed a binding code of conduct for all employees. The code was originally scheduled to be updated in 2018/19, but this project was postponed to the next financial year due to the reorganisation and reprioritisation of activities which are described below. Independent of the delayed update, the salaried employees in all member companies of the Zumtobel Group were requested, at the end of the reporting year, to complete mandatory training on the code of conduct over the internal e-learning platform. The progress of training is monitored centrally and reported to the Management Board and the Audit Committee. Beginning with the 2019/2020 financial year, this module will become part of the mandatory training process for all new employees.

Data protection is an important focal point

The corporate reorganisation included the combination of the corporate audit and corporate integrity departments in autumn 2018. This step was connected with a change in the weighting of the existing areas of responsibility. An important new focal point is the responsibility for transferring the global data protection project into a governance structure with guidelines that ensure continued compliance in this extremely important area for the Zumtobel Group. The most important measures implemented in the area of data protection include the following:

- Governance structure established
- Global guideline issued
- Tools to consolidate data files developed

At the same time and based on the same procedure used for training on the code of conduct, an e-learning module on the Austrian Data Protection Act ("Datenschutz-Grundverordnung") was rolled out. Plans for the coming financial year include the continuation of training activities and the standardisation and consolidation of Group-wide data files.

Continuous improvement of the compliance management system

The compliance management system is the focus of continuous improvement in order to optimally prepare the Zumtobel Group to deal with current and future issues. The further development of this system in 2018/19 included the installation of a professional whistleblowing system that will allow employees and third parties to anonymously report possible compliance violations over the company's website. The whistleblowing system is available for reporting through existing channels (supervisors/managers and specialist departments, above all the HR and legal departments) as well as through direct contact with the director of corporate audit and compliance.

In addition to the previously mentioned training modules for data protection and the code of conduct, further training models are planned for the coming year on the prevention of money laundering, corruption and violations of antitrust law. These training units were originally scheduled for 2018/19, but were postponed to the next financial year due to the change in the responsibilities of corporate audit and compliance. The individual compliance areas in the Zumtobel Group will be reviewed to ensure complete coverage after the reorganisation is completed.

No violations of legal requirements were reported or identified during the 2018/19 financial year. This also applies to incidents or proceedings related to violations of human rights, discrimination, competitive or antitrust behaviour, corruption or environmental regulations.

Full commitment to respect for human rights and compliance with high social standards

As an international company, the Zumtobel Group is fully committed to the protection of human rights and compliance with high social standards and the legal regulations applicable in Austria and other countries. The Group believes in the respect for and promotion of human rights and compliance with the principles and norms of the International Labour Organisation (ILO). The ILO core labour norms are based on four fundamental principles: the freedom of association and collective bargaining, the elimination of forced labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation. Human rights aspects have been included in the Zumtobel Group's code of conduct to increase employees' awareness and are also addressed in the compliance training courses.

1.6.5 Responsible employer

The success of the Zumtobel Group is based on qualified, committed and motivated employees. With its wide-ranging product portfolio and open, growth-oriented corporate culture, the Group offers attractive career opportunities for internal development and advancement. Corporate human resources, a headquarters department, defines the strategic focal points for personnel policies based on the corporate strategy and in close cooperation with the Management Board. The most important sustainability issues in the personnel area at the Group level are training and continuing education, the work-life balance and health protection and occupational safety.

Training and continuing education

Annual employee review forms the basis for training measures

The limited number of competent specialists also creates major challenges for the international Zumtobel Group to attract qualified applicants and recruit the right people for the right jobs. Systematic professional advancement and development therefore represent a key element for sustainable business success. The annual employee review is an important building block in the interaction between employees and their supervisors and forms the basis for the identification of targeted, individualised training and continuing education measures. In this structured discussion, managers and their staff define goals and 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 reviews were held with 4,597 employees in 2018/19 (78.2%; 2017/18: approx. 4,700 or 75.5%).

Extensive training offering

In addition to external training opportunities, the Zumtobel Group offers an extensive range of internal training programmes for specialised and personal development in line with the skills, know-how and needs of the respective persons. The range of programmes was further expanded in 2018/19. This was reflected in an increase in the training hours per employee to 13 in the reporting year (2017/18: 12 hours), above all due to the addition of new online options. The online offering was expanded through the introduction of a new learning management system ("myCAMPUS") which focused on training for product know-how, applications and sales skills in 2018/19.

Average trainings hours per employee	2018/19	2017/18
Salaried employees	16	15
Wage employees	8	8
Total employees	**13**	**12**

Targeted talent management

The Zumtobel Group has established a talent programme to focus and support the internal recruitment of men and women for key positions. Special development centres identify the individual potential of these internal talents with regard to future responsibilities and prepare personal development plans. This creates the basis for concrete succession and career planning and continuous management development.

Continuation and further development of apprenticeship training

The Zumtobel Group views training for young people as part of its social responsibility. As of 30 April 2019, 129 (2017/18: 106) young men and women were in apprenticeship programmes with the Zumtobel Group. This company-based professional education is an important instrument to actively deal with the growing shortage of skilled workers that has resulted from demographic shifts. Apprentices are currently training in the following fields: electrical engineering (incl. automation and process control engineering), electronics, plastics engineering, mechatronics (incl. a special robotics module) and IT engineering. Of the apprentices trained in the Zumtobel Group, 77% remain with the corporation after completing their education.

Work-life balance

Support for employees' work-life balance

An effective work-life balance for employees is an important factor for strengthening the Zumtobel Group's position as an attractive employer. The key points in this context are the fundamentally changing demands of new generations on the labour market and measures to support the reconciliation of career and family life for working parents. The Zumtobel Group helps to improve the work-life balance by continually increasing the offering of flexible working time models. Part-time employment, educational leave, sabbaticals, parental leave for fathers, home office options or other models are arranged where needed and permitted by the respective position. The number of part-time employees rose from 6.9% of the total full-time equivalent workforce in the previous year to 8.5% in 2018/19. A works agreement also provides for a free-time option under which employees can reduce their working hours – for personal reasons and without changing to part-time status – in exchange for waiving part or the entire amount of their salary or wage increase and arrange for paid time-off (for example, for age-based work, educational programmes or to accumulate longer free-time periods over several years). This free-time option has since been elected by more than 430 employees. At the end of 2018/19, 80 employees in Austria were on parental leave (2017/18: 89). Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Health protection and occupational safety

Prevention of work accidents

Accident prevention and health protection for employees have high priority for the member companies of the Zumtobel Group and are the subject of regularly discussions in employer-employee committees. 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 and include employee training, improvements to protective clothing and the replacement of machinery. The TRI rate (Total Recorded Injuries: number of work accidents / total number of hours worked × 1,000,000) is monitored monthly at all plants. Accident prevention efforts led to a slight year-on-year reduction in the Group's overall TRI rate from 8.0 to 7.1 in 2018/19. The TRI rate in the lighting plants declined to 10.1 (2017/18: 11.9), while the TRI rate in the components plants rose to 2.7 (2017/18: 1.2). There were no fatal accidents in 2018/19 or in earlier years. The company's goal is to further reduce the TRI rate over the coming years and to develop a pronounced safety culture, for example through an increase in training on the prevention of work accidents.

Occupational safety	2018/19	2017/18
Total recorded injuries Lighting Plants (TRI rate)	10.1	11.9
Total recorded injuries Components Plants (TRI rate)	2.7	1.2
Number of fatal accidents	0	0

Continuous improvement of health programme

An annual evaluation of the age structure and age trends in the Zumtobel Group and a statistical comparison of the generations in different areas of the business confirm the demographic development in our society. Healthcare and prevention measures, combined with the maintenance and promotion of employees' fitness for work, have high priority and are the responsibility of "Health & Age", a special unit in the human resources department. Worker protection legislation, presence management, workplace health promotion, leadership and management behaviour, integration management and generation management are the primary elements of the Zumtobel Group's health management programme. Various programmes in these areas have been implemented by the local Group companies in line with the specific needs of their employees. The Zumtobel Group's efforts to protect and promote health, to support age-appropriate workplaces and the maintenance of work fitness were again recognised in March 2019 with the "Salvus" quality seal from the province of Vorarlberg (Austria) for the third year in succession.

Health prevention to support the ability to work

The focus on health prevention in 2018/19 was derived from the annual evaluation of employee absences in the "presence management" area of activity and involved the implementation of specific improvement measures from the project "women in production" (a pilot project by Zumtobel Lighting GmbH). Workshops moderated by employees on nutrition, exercise, regeneration and age-appropriate work led to the integration of the first concrete measures in the production area at the Dornbirn plant. After a successful test and evaluation phase, these health supporting measures will be rolled out to the production areas at other locations.

Employee rights and remuneration

High labour standards & open dialogue with employees and Employees' Council

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 Zumtobel Group believes in and promotes the open and regular exchange of information between the Management Board, employees and their representatives. Compliance with the legal participation rights of employees and the principles and standards defined by the International Labour Organisation (ILO) represent an integral part of the code of conduct, which is mandatory for all companies in the Zumtobel Group. Collective agreements cover 54% of the worldwide workforce.

Equal opportunity & diversity

Diversity among the workforce is an important factor for protecting the Group's competitive ability and creating an innovative working climate. The men and women employed by the Zumtobel Group come from nearly 80 different nations, whereby the staff at the corporate headquarters in Dornbirn, Austria, represent roughly 50 nations. The Zumtobel Group believes in equal opportunity regardless of gender and ethnic origin. This policy is also part of the Group's code of conduct, which prohibits all forms of discrimination. Accordingly, the personnel decisions in all corporate areas and at all management levels are based on experience, qualifications and performance. The share of women in the Zumtobel Group's workforce currently equals 35.7% (2017/18: 35.8%). There is no specific target for the appointment of women to management positions, but internal and external recruiting and personnel development measures are increasingly aimed in this direction.

Employee awards

The Dr Walter Zumtobel Value Award, which carries the name of the Group's founder, was also presented in 2018/19. It is given to persons who demonstrate the corporate values in their everyday actions and, in this way, keep the founder's values alive. The Zumtobel Group values personal initiative, commitment, entrepreneurship and an interest in making new discoveries. Reliability, team spirit, solidarity, and honesty, as well as a positive approach to change are also key elements of the corporate culture.

Performance-based remuneration schemes

The Zumtobel Group follows a uniform remuneration scheme that promotes high transparency and ensures performance-based compensation. Remuneration normally exceeds the level required by legal regulations or collective bargaining agreements. Internal and external comparisons are used to confirm that wages and salaries reflect the market level wherever possible. In countries with low-wage standards, the Zumtobel Group also pays compensation that generally exceeds the legal minimum. 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.

Long-term salary component to strengthen sustainability

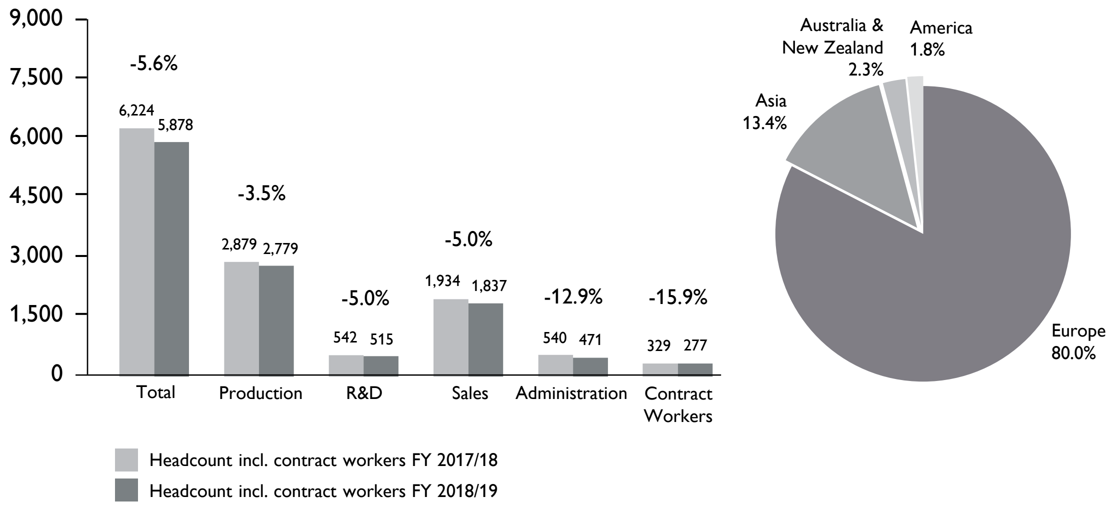
The performance benchmark for all employees eligible for bonuses – excluding the employees who participate directly in a sales bonus scheme – is dependent on the individual area of responsibility and influence and based on two financial indicators (adjusted EBIT and free cash flow) with different weightings. The variable remuneration for upper management 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 total shareholder return of Zumtobel Group AG in comparison with a defined peer group as the performance indicator. This structure is intended to support sustainable decisions by management.

Workforce development

Restructuring measures lead to personnel adjustments

The adjustment of personnel capacity to reflect the difficult market environment and the related necessary restructuring measures led to a decline in the workforce in earlier years and again in 2018/19. The Zumtobel Group had 5,878 full-time employees (including contract workers) as of 30 April 2019. The following graph shows the distribution and development of the workforce by activity and region:

Breakdown by activity and region



Labour productivity – calculated as adjusted EBIT in relation to personnel expenses – improved from 4.8% in 2017/18 to 6.9% in 2018/19 due to the increase in operating results and the reduction in personnel expenses. Average revenues per employee (including contract workers) was slightly higher than the previous year at EUR 197,699 (2017/18: EUR 192,200). The average length of service with the Zumtobel Group equalled 10.6 years in 2018/19. The classification of employees by gender, age group, type of employment and employment relationship is shown in the following table (excluding contract workers):

	Percentage in FY 2018/19	Percentage in FY 2017/18
Men	64.3	64.2
Women	35.7	35.8
Total	**100.0**	**100.0**
< 30 years old	16.5	16.2
30-45 years	45.4	45.8
45-55 years	25.0	25.9
> 55 years old	13.1	12.1
Total	**100.0**	**100.0**
Salaried employees	62.5	60.6
Wage employees	33.1	34.2
Contract workers	4.4	5.2
Total	**100.0**	**100.0**
Full-time	91.5	93.1
Part-time	8.5	6.9
Total	**100.0**	**100.0**

1.6.6 Sustainable procurement

Procurement concept includes economic, ecological and social aspects

Procurement is a central factor for producing companies. The Zumtobel Group focuses not only on economic aspects, but also on compliance with high environmental and social standards along the entire supply chain. Cooperation between the member companies of the Zumtobel Group and their suppliers has been based for many years on long-term mutual trust and fairness. That provides economical, ecological and socially responsible protection for all key raw materials and input products over the long-term. The basis is formed by the central bundling of procurement activities with the increased consolidation of suppliers and a systematic supplier evaluation process. It begins with strict approval procedures for new suppliers and continues with annual evaluations of all existing suppliers as well as focal point audits of selected suppliers.

Central bundling of procurement activities

The Zumtobel Group's procurement organisation is globally positioned, and the procurement volumes from all plants are bundled under designated commodity managers. External procurement volumes for direct materials totalled approximately EUR 390 million in 2018/19 (2017/18: EUR 400 million). The Zumtobel Group works with over 700 suppliers from roughly 30 countries and attempts to purchase most of the raw materials, merchandise and services in the regions where its plants are located. Key raw materials like steel, copper, aluminium and plastic granulate are purchased in Central Europe. Electronic and LED components are sourced primarily in Asia, where the most competitive suppliers are located. The share of the procurement volume from Asia amounted to over 65% (2017/18: 68%) in the Components Segment and nearly 11% (2017/18: 10%) in the Lighting Segment. The consolidation of suppliers and components for direct material deliveries continued during the reporting year and led to a reduction of nearly 4.8% in this network (2017/18: 5.5%). The goal is to reduce the total number of suppliers by 5% annually over the medium-term through increased standardisation. At least two suppliers are always approved and available for high-revenue procurement articles (multi-sourcing strategy). This approach protects supply security and strengthens the Group's negotiating position towards suppliers which, in turn, creates greater synergy effects (bundling of volumes, standardisation and expansion of supplier relationships). However, it also creates the basis for helping preferred suppliers strengthen their focus on sustainability and continuity.

Further development of code of conduct for suppliers

The Zumtobel Group also works to implement its high ecological, social and ethical standards in its business relations with suppliers. The most important instrument in this respect is the code of conduct for suppliers, which was revised and improved in 2017. It formed an integral part of the contracts with all new suppliers during the reporting year. This code combines major international standards and conventions, like compliance with the core norms of the International Labour Organisation (ILO), and addresses important issues like compliance, the environment, health protection and human rights. All key suppliers with which the Zumtobel Group operates are required to observe the revised code of conduct. That covers 95.4% of the current suppliers based on procurement volumes.

Systematic supplier approval process

All new suppliers undergo a Group-wide qualification process and, among others, must confirm compliance with the Zumtobel Group's code of conduct in writing. A release audit is also carried out to review and document the availability of a verifiable quality management system, compliance with environmental and energy management standards and the fulfilment of legal requirements that include RoHS (Restriction of hazardous substances) and REACh (EU directive on chemicals). The supplier approval process was expanded in 2015/16 to also include explicit questions on the avoidance of conflict materials. In order to reduce transport costs and the related environmental pollution, an increased number of local suppliers for the new plant in Serbia were audited and approved. This helps to avoid longer supply routes from other EU states and Asia.

Regular evaluation and audits of existing suppliers

An important instrument for the joint development of suppliers is the standardised process for the regular, annual evaluation of all existing suppliers. In addition to the recognised success factors of supplier reliability, quality, costs and service, ecological and social responsibility aspects are also evaluated. In order to strengthen the partnerships with regional and global suppliers, the Zumtobel Group held an "International Supplier Day" in 2018 under the motto "Partners 4 Excellence", which also included the presentation of awards in various categories to suppliers from the global network. Sustainability audits with various focal points are also scheduled for selected suppliers each year. In 2018/19 103 audits (2017/18: 76 audits) were carried out – including 44 audits with a special focus on sustainability in the areas of occupational safety and environmental management. Any violations of the code of conduct or environmental standards by business partners are documented and corrective measures are implemented where necessary. If these measures are not implemented within an appropriate period of time, legal steps are taken and the business relationship is terminated. Recommendations are also made, which allow the Zumtobel Group to encourage all its suppliers to implement an environmental management system.

1.6.7 In-house environmental protection

Environmental management concept based on three supporting elements

Environmental protection is of great importance for the Zumtobel Group, not only with respect to the development of energy-efficient, environmentally friendly products but also in connection with efforts to make procurement, production and logistics 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 in the Zumtobel Group is based on three supporting elements: environmental management systems that are certified according to international standards (ISO 14001 and ISO 50001), strict compliance with internal and external environmental protection guidelines and efforts on behalf of continuous improvement. In 2018/19 the goal was met to complete the certification of all environmentally certified locations under the expanded requirements of ISO 14001:2015. The new production facility in Niš, Serbia, was also successfully certified under ISO 14001:2015 and integrated in the Group's environmental data recording system during the reporting year – in both the components area and the lighting area.

Environmental management certified under ISO 14001

Under ISO 14001 certification, an external organisation confirms the application and continuous improvement of an effective environmental management system. The most important goals of the environmental management system are to prevent negative effects on the environment and to ensure compliance with legal and government requirements. Clearly defined operations and processes as well as established methods help to ensure that the best available materials and techniques are used where appropriate and economically feasible. The development of products and services covers the entire lifecycle from the selection of materials and suppliers to design, production, transportation, use and recycling. The following production plants in the Zumtobel Group are currently certified under ISO 14001:2015:

	ISO 14001:2015	ISO 50001:2011	ISO 9000:2015	ISO 18001:2007
Headquarters in Dornbirn, AT	×	×	×	
Service & Solutions Dornbirn, AT			×	
Lighting plant in Dornbirn, AT	×	×	×	
Lighting plant in Lemgo, DE	×		×	
Lighting plant in Spennymoor, UK	×	× (50001:2018)	×	
Lighting plant in Niš, RS	×		×	
Lighting plant in Guangzhou, CN	×		×	×
Lighting plant in Sydney, AU			×	
Lighting plant in Barrowford, UK			×	
Lighting plant in Highland, US				
Lighting plant in Auckland, NZ				
Development location in Les Andelys, FR	×		×	
Components plant in Dornbirn, AT	×	×	×	
Components plant in Jennersdorf, AT	×	×	×	
Components plant in Niš, RS	×		×	
Components plant in Spennymoor, UK	×	×	×	
Components plant in Shenzhen, CN	×		×	
Total	**12**	**6**	**15**	**1**

Energy management certified under ISO 50001

Production is, naturally, the source of the highest energy consumption in the Zumtobel Group. The goal of an energy management systems under ISO 50001 is to continuously improve a company's energetic performance. Energy-related performance is defined as the result of efficient energy use, appropriate energy use and energy consumption. In this connection, regular energy audits are carried out at selected locations to identify opportunities for savings and to develop measures for improvement. The continuous implementation of these energy efficiency measures is intended to ensure the efficient use of energy. The lighting plant in Spennymoor was certified for the first time during the reporting year, which increases the number of Zumtobel Group locations certified under ISO 50001 to six.

Training on environmental protection

The awareness of employees for environmental protection is supported by numerous communication channels. A wide range of information is provided in introductory folders and multiple-day training courses for new staff as well as Intranet websites that are available to all employees. Supervisors and environmental protection officers regularly train and instruct employees on the environmental aspects relevant for their specific responsibilities. In addition, employees receive transparent information on planned and implemented environmental protection projects and are encouraged to actively participate.

Waste management

Activities in support of environmental protection also cover the economical use of resources and the recycling of materials. Key factors include the efficient use of materials, the minimisation of production scrap and waste as well as the recycling of valuable materials. The Zumtobel Group recorded roughly 6,879 tonnes of waste from the production process in 2018/19 (2017/18: 7,625 tonnes), including 381 tonnes (2017/18: 411 tonnes) which were classified as hazardous waste. The production process results, above all, in the following hazardous waste: waste oil, cooling materials and lubricants from metal processing, residual adhesives and waste from the lacquering processes. Over 81% of the waste resulting from production was recycled during the reporting year. In addition to the many improvement measures already implemented, the volume of production is also a factor for the positive change in these indicators.

Waste Disposal in Production in tonnes	2018/19	2017/18
Recyclable waste	5,614	6,171
Residual waste	884	1,043
Hazardous waste	381	411
Total	**6,879**	**7,625**

Water consumption

Water is required in only limited volumes and hardly polluted in the production processes used by the Zumtobel Group. However, the responsible and economical use of water is a primary concern. Procedures ensure that wastewater meets municipal requirements before it is transferred to local treatment plants and hold the related indicators clearly below the permissible limits wherever possible. In 2018/19 the Zumtobel Group used approximately 89,239 cubic metres of water in production, compared with 104,026 cubic metres in the previous year. This water was drawn primarily from municipal supplies.

Energy consumption

The Zumtobel Group is working to minimise energy consumption in production. An analysis by process shows the highest energy consumption in the Lighting Segment's plastic injection moulding and lacquering process and in the Components Segment's soldering and hardening process. Most of the energy in production is used in Europe (88%). The share of renewable energy in Europe equals 53%. The various energy sources and consumption in production are shown in the following table:

Production Process Energy Consumption in MWh	2018/19	2017/18
Process energy		
Electricity	48,340	48,792
Gas	15,153	15,378
Local heating/district heating	673	293
Oil	116	0
Heating energy		
Gas	7,658	7,496
Local heating/district heating	3,985	3,458
Total	**75,925**	**75,417**

The changes in energy consumption resulted primarily from the conversion of heat supplies in the Dornbirn lighting plant from natural gas to district heating and the start-up of production in Niš (Serbia). Diesel oil was used for a limited period of only 10 days to cover peak electricity requirements.

Greenhouse gas emissions

The development of greenhouse gas emissions from production generally reflects the changes identified for energy consumption. CO_2-equivalent energy consumption is calculated on the basis of international standards.

CO_2-Emissions in Production in tonnes	2018/19	2017/18
Oil CO_2-equivalent	32	0
Gas CO_2-equivalent	6,185	7,297
Electricity CO_2-equivalent	16,339	12,946
District heating CO_2-equivalent	583	590
Total	**23,139**	**20,833**

Optimisation of resource use through global production system

In addition to quality and lean management, environmental, energy and safety management also represent important elements of our global production system. The global production system defines standards and tools and provides support for the effective and efficient use of resources to meet the expectations and demand of the Zumtobel Group's customers. This involves the optimisation of labour-intensive production and support processes as well as the use of commodities (including energy) and the protection of human health and the prevention of negative effects of processes on the environment. The Zumtobel Group is committed to the continuous improvement of its business processes, products and services. Processes have been implemented to identify and assess opportunities for improvement, which are then combined into action programmes and implemented in structured form.

Sustainable energy use in Dornbirn

The connection to a local district heating network allowed for the partial substitution of natural gas with biogenic-generated heat and led to a reduction in CO_2. The additional optimisation of the heat distribution network resulted in savings of 750 tonnes of gas CO_2-equivalent in 2018/19 after only several months. The goal is to realise annual savings of 1,700 tonnes of CO_2 at the lighting plant in Dornbirn. Furthermore, photovoltaic equipment with more than 4,300 solar panels and an energy output of 1,280 kWp was installed over an area of roughly 7,300 m^2 on the building. Full operations are scheduled to begin in summer 2019; this will generate 1,155 MWh of electricity for production and reduce annual CO_2 emissions by a further 125 tonnes.

1.7 Research and Development

Competitive product through research and development

Research and development (R&D) remains a decisive factor for the success and economic sustainability of the Zumtobel Group through its role in the development of new products and systems and the application of new technologies. The goal of R&D is to protect and expand the competitive product portfolio by further strengthening the Zumtobel Group's outstanding technology position and innovative power with research and development investments that reflect industry levels as well as an extensive portfolio of patents, consistent product and system development and extensive cooperation with external research partners. The increased use of product configuration and variant management, efficiency improvements in the product development process, the reduction of R&D locations and the increased capitalisation of development expenses led to the realisation of additional synergy effects in 20178/19 as well as a reduction of 9.8% in R&D costs to EUR 66.2 million.

Research and Development in EUR million	2018/19	2017/18	Change in %
Development costs	61.6	69.5	(11.4)
Research costs	4.7	3.9	18.7
R&D total	66.2	73.4	(9.8)
as a % of revenues	5.7	6.1	
Headcount (full-time equivalent) R&D	515	542	(5.0)

Strong patent portfolio and technology partnerships

The Zumtobel Group's innovative strength is closely linked to research and development. An extensive patent portfolio, also in the area of new technologies, gives the Zumtobel Group a competitive advantage as well as access to strategic cooperation with other companies and the opportunity to conclude cross-licensing agreements with key market players. In 2018/19 the Lighting Segment registered 40 patents (2017/18: 33) and the Components Segment 59 patents (2017/18: 95), which underscore the growing importance of intelligent components. The number of active commercial property rights – currently 8,430, including 5,001 patents – speak for the company's innovative strength. Statistics on the share of revenues generated with new products (products not older than three years) are compiled each year: in 2018/19 the Lighting Segment recorded 45.2% (2017/18: 40.4%) and the Components Segment 57.1% (2017/18: 69.5%) of their revenues with new products. The Zumtobel Group is also placing a greater focus on the expansion of technology partnerships as a means of protecting its competitive product portfolio. Participation in national and international research projects allows the Zumtobel Group to continuously demonstrate its innovative strength and increase its brand reputation.

Demands on luminaires exceed pure lighting

The focal points for R&D activities are derived from the "functional chain" of lighting: light sources, optics, control gears, interfaces, sensor technology and connectivity, luminaires, light management and comprehensive lighting solutions. Accordingly, the most important issues include new optical concepts for the direction of light, new control gears and concepts for the operation of LEDs, new wire-guided and wireless information transfer with new data formats, sensors to compile relevant data and new approaches for the management of lighting systems. The levelling-out of the efficiency increase in LEDs and the increased processor and storage performance of control gears is shifting the focus of development from the lighting function and the luminaire to intelligent components, communication and services.

Luminaires as part of the Internet of Things

R&D is still significantly influenced by the further development of LED technology. The Zumtobel Group plays an active role in these changes and the development of standards through its participation in numerous established national and international committees (International Electrotechnical Commission, Commission internationale de l'éclairage). However, R&D is also influenced by the increasing intelligence of systems and the need for higher performance interfaces. In addition, the importance of software as a differentiation element is growing. Luminaires and, consequently, their components are becoming part of the

Internet of Things (IoT). However, the required interfaces have not yet been defined or are still incomplete, and competing interfaces have already entered the market. Through its participation in numerous committees, the Zumtobel Group is contributing to the development of industry standards for these interfaces. OpenAIS (open architecture for future intelligent lighting systems), an EU research project, was successfully completed in mid-2018. The Group is also a member of the Zhaga Alliance and the DiiA (Digital Illumination Interface Alliance), which are addressing the standardisation of lighting components and digital interfaces for lighting equipment. Active participation in the design of standards for Internet-ready lighting solutions based on IP is another focus of activities, whereby the Thread, Fairhair and Bluetooth alliances are important players in this area with their work on IoT solutions.

Cooperation with universities and industry

In addition to established cooperation with universities such as Illmenau, Berlin, Hamburg and Darmstadt (all in Germany), Graz (Austria) and Zurich (Switzerland) in the areas of lighting and lighting technology as well as architecture, the Zumtobel Group is also increasing its interaction with universities in hardware and software development and communication technology. Examples, among others, are the Technical University in Eindhoven (Netherlands), NTB Interstate University of Applied Sciences of Technology Buchs (Switzerland), the Materials Center Leoben (Austria), FH JOANNEUM Research (Austria), Graz University of Technology (Austria), Cambridge University (Great Britain) and the Instituto de Telecomunicacoes Aveiro (Portugal). The Group also maintains development partnerships with industrial firms like ARM, Bosch, Cisco, Dialog, IBM, Johnson Controls, NXP, NO-ESI, Fraunhofer, VTT and others.

1.8 Internal Control System

ICS structure and focus

The internal control system in the Zumtobel Group (abbreviated in the following as "ICS") supports the attainment of corporate goals. The ICS is defined as the total of all process-based monitoring and management measures to safeguard Group assets, to ensure the completeness and reliability of information and systems, to support the efficiency and effectiveness of processes and to guarantee compliance with legal, contractual and internal rules and regulations.

The structure and design of the Zumtobel Group's ICS are based on recognised international governance guidelines such as the framework issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) and the IT framework (COBIT) published by the Information Systems Audit and Control Association (ISACA), which are adapted where necessary to reflect the Group's business model. The scope of the design and formalisation of the ICS follows a strict risk orientation (benefits), which is critically compared with the expected added expense (costs).

ICS responsibility

Designated business process managers are responsible for the implementation and updating of the ICS in the individual functional areas, regions and/or business divisions. The ICS is closely linked with the organisationally separate enterprise risk management process, which systematically records and aggregates risks for the process managers on a regular basis and, together with the related measures, issues reports for various levels up to the Supervisory Board (see section 1.9 for additional information).

ICS monitoring

Monitoring activities are carried out by the quality assurance units in the specialist departments together with the organisationally separate corporate audit and compliance department which has a dual reporting line to the Management Board and Audit Committee. The monitoring process covers the design of controls as well as their operational effectiveness. A strictly organised follow-up process ensures that any identified weak points are eliminated as quickly as possible. The designated monitoring functions are based on strict professional standards and subject to regular external review.

ICS elements

The central elements of the ICS in the Zumtobel Group are:

- The code of conduct, which is supplemented by specific rules (e.g. for invitations)
- The recently created anonymous whistle blower system
- Corporate policies and procedures
- Clearly defined organisational structures, job specifications and the formal delegation of duties and responsibilities according to the individual functional requirements
- Regular comparison of the actual situation (e.g. cost centre reports) with expected results (e.g. budget)
- Training programmes for employees

ICS in financial reporting

The ICS for financial reporting is based on these general ICS elements and contains specific, very detailed rules which are available to employees in the Zumtobel Group's Intranet. Examples of the ICS for financial reporting include the following:

- Written definition of processes and documentation
- Approval and release rules which are integrated in the respective processes
- Accounting and valuation principles (Finance Group Manual)
- Uniform closing checklists (applicable throughout the Group)

The ICS elements are updated and further developed as required based on a risk-oriented approach.

1.9 Risk Management

Risk policy approach

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 risks 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 as well as an integral part of operational management. The basic instruments for the monitoring and management of risks are the risk management software which was installed in all Group companies as well as standardised planning and controlling processes, Group guidelines, regular reporting and the internal control system (see section 1.8).

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. Guidelines and process descriptions for risk management are available to all companies in the Zumtobel Group.

Central role of reporting

Reporting plays a central role in the monitoring and management of economic risks. The operating units provide the Management Board with regular information on the current and expected development of business as well as the existing risks and available opportunities. In addition, the Audit Committee of the Supervisory Board receives semi-annual reports on the Group's major risks and opportunities. The tools and processes used by the Group to identify and evaluate risks 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 each year and reports to the Supervisory and Management Boards on the results of this review.

The opportunities for the Zumtobel Group are described in detail under "The Zumtobel Group – An Overview". The major risks and countermeasures are discussed in the following sections:

Market and competitive risks in the lighting industry

Macroeconomic risks

Uncertainty over the future development of the relevant market and industry environments for indoor and outdoor lighting represents a major risk factor. It is still uncertain whether the generally solid to good growth recorded by the European lighting industry in recent years will continue over the near term. Despite a stable level of incoming orders in the components business, the outlook for the next financial year is still unclear. The increasing competition over prices and conditions carries the risk of a negative effect on margins. Further uncertainty is connected, above all, with political and macroeconomic developments (e.g. European elections, tariff, customs and trade conflicts, an economic slowdown, the BREXIT) which can have a negative influence on the status of projects in key sales regions and lead to postponements or cancellations. The outcome of the BREXIT (follow-up) negotiations is also still uncertain. Consequently, only potential scenarios and the resulting economic and legal consequences can be estimated and corresponding measures can be prepared. The extension of the deadline has increased the chance for an orderly BREXIT, but negative effects from additional expenses are expected over the short-term.

Restructuring risks

Necessary measures to bring structural costs and capacity in line with a more difficult market environment or the strategic reorientation of the Zumtobel Group can lead to additional restructuring costs and thereby have a negative effect on earnings. The new production plant for lighting and components which opened in Niš (Serbia) during September 2018 opens new opportunities, but also involves short-term risks. The adjustment of plant capacity and the shift of products could also lead to temporary inefficiencies in production and logistics as well as subsequent delivery problems.

The plant in Les Andelys, France, was sold on 30 September 2017 to Europhane SAS, in which ZG Lighting France S.A. still holds an investment of 10%. This plant supplies the Zumtobel Group with outdoor lighting. On 2 May 2019 back-up proceedings were opened at the responsible commercial court (Court Evreux). This represents a special procedure in France, which allows companies in difficulty to secure court protection without being insolvent or over-indebted. A possible actual insolvency of Europhane could have a negative effect on the Zumtobel Group's outdoor lighting business.

Technology risks

In addition to the larger variety of products and shorter innovation and product lifecycles, the increasing complexity of lighting systems – and here especially the growing role of software – represents a major challenge for manufacturers as well as customers. The integration of light in the Internet of Things (IoT) is leading to new system interfaces and data formats that have not yet been sufficiently standardised or tested. It is also connected with a risk that the Zumtobel Group could pursue and develop technologies that are not successful on the market. This, in turn, could lead to the premature write-off of previously capitalised R&D expenses. Problems could also arise on the customer side if systems are not compatible. Additional costs could also arise from customer satisfaction and complaints.

Business risks

Access to global decision-making networks

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

Market acceptance of new products

Differentiation from the competition can strengthen a company's market position and 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. This challenge is met with a steady focus on innovation and close cooperation between development and sales.

Political risks

The Zumtobel Group operates in a global business environment, whereby Europe is the most important market with 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 and war are considered to be low. The upcoming exit of Great Britain from the European Union (BREXIT) could lead to a deterioration of the market environment in this key selling region for the Zumtobel Group.

Risks in human resources management

A lack of specialised personnel, for example 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 for employees 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.

Procurement risks

Uninterrupted supply capability is generally protected by efficient disposition and the timely involvement of suppliers as well as dual and multi-sourcing. The Zumtobel Group is well known as a manufacturer of quality products and sets the same high standards for its suppliers. Regular supplier audits and improvements help to identify quality risks at an early point in time and allow the Group to implement appropriate measures. In addition, professional communications and cooperation with suppliers support the identification and elimination of possible risks. Additional details can be found in section 1.6.6 under "Sustainable procurement". The prices for steel, copper, aluminium and plastic granulate remained constant at a high level in the first half of 2018/19, but a trend reversal with falling prices has taken hold since the beginning of the year. Conditions on the market for multi-layer ceramic capacitors (MLCC) have, for the most part, also eased.

IT risks

The Group uses state-of-the-art hardware and software and has concluded appropriate maintenance contracts to minimise IT risks. Multistage firewalls and virus protection software have also been installed to prevent hacker attacks as best as possible. 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 archived on a regular basis.

Asset risks

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. 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 appropriate coverage.

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 stricter inventory management. This approach also reduces the risk of inventory write-offs.

Product liability risks

Product liability risks, meaning the risks of regress claims and subsequent damage to the Group's image as a result of quality defects, can be 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. The Zumtobel Group also carries product liability insurance. The lighting industry has seen a trend towards longer guarantee periods in recent years – especially in the area of road lighting projects – which leads to higher guarantee costs and warranty provisions.

Legal risks

Legal risks can arise, among others, from changes in laws or administrative practice, from political risks, legal disputes or changes in environmental regulations. The Zumtobel Group's legal department 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 systematically respected. In connection with its business activities, the Zumtobel Group is a party to numerous proceedings with administrative authorities, courts and arbitration bodies – which is typical for a company of this size and complexity. Appropriate provisions are recognised for specific cases as required. However, it cannot be excluded that these provisions are insufficient, e.g. when the outcome of proceedings is completely unexpected.

Financial risks

Global operations expose the Zumtobel Group to a variety of risks from changes in market prices, exchange rates and interest rates. A detailed description of credit, liquidity and market risks is provided under "Information on risk management" in the notes to the consolidated financial statements. Other risks are connected with financing and the balance sheet. The Group's financing is managed by the central corporate treasury department.

Financing risk

In order to protect its ability to meet financial obligations at all times, 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 liquidity fluctuations arising from business activities. Liquidity reserves as of 30 April 2019 included the consortium credit agreement with a current maximum line of EUR 200 million, a short-term bilateral credit agreement with a volume of EUR 40 million and two other long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB) as well as short-term, unsecured lines of credit totalling EUR 61.4 million (2017/18: EUR 84.5 million). The interest rates are dependent on local market circumstances and reflect ordinary conditions in the respective countries.

The consortium credit agreement and the bilateral credit agreements require 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 2019 with a debt coverage ratio of 2.66 (2017/18: 2.70) and an equity ratio of 28.5% (2017/18: 27.2%). 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.

Balance sheet risks

Balance sheet risks arise, above all, from the valuation of individual assets. The Group's asset and earnings positions 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, 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 acquisitions, 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 note 2.6.6.1 to the consolidated financial statements. 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.

Pension obligation 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 dependent primarily 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 note 2.6.6.13 to the consolidated financial statements.

Variable remuneration based on adjusted EBIT and free cash flow

The variable remuneration for the participants in the Global Reward Bonus Programme is no longer based, as in the past, on the total shareholder return of Zumtobel Group AG in comparison with a defined peer group. The addition to the bonus provision beginning with the 2018/19 financial year is based on adjusted EBIT and free cash flow. For the participants in the Long-Term Incentive Programme, the evaluation of the accrued LTI credits from earlier years will still be based on the total shareholder return of Zumtobel Group AG in comparison with a defined peer group. Additional information is provided in the remuneration report (section 3.5).

Other risks

The Zumtobel Group is faced with extensive and increasingly strict environmental, health and safety regulations in many countries. The Group makes regular investments to minimise these risks.

Overall risk evaluation of the Zumtobel Group

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

A general analysis of the above risks and opportunities shows a concentration on market risks, which reflects 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 rising product and system complexity, but also creates opportunities through the development of new market segments and applications. The technology shift to LED and system integration is shortening product 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. 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.

1.10 Significant Events after the Balance Sheet Date

No significant events occurred after the balance sheet date on 30 April 2019 which would have led to a change in the asset, financial or earnings position of Zumtobel Group AG.

1.11 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, which is 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 2019. As of 30 April 2019, the company held 353,343 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 (4,405,752 shares), ASTERIX private foundation (4,700,752 shares), Hektor private foundation (2,267,340 shares), ORION private foundation (3,090,752 shares), Ingrid Reder (64,088 shares), Caroline Reder (100,000 shares), Christine Reder (100,000 shares), Fritz Zumtobel (166,210 shares), Nicholas Zumtobel (5,760 shares), Caroline Zumtobel (5,450 shares), Isabel Zumtobel (6,048 shares), Karin Zumtobel-Chammah (13,398 shares) and Jürg Zumtobel (144,248 shares) (together: "the syndicate") are parties to a syndicate contract. GWZ private foundation left the syndicate and no longer holds any shares. The GENVALOR family foundation joined the syndicate and holds 633,750 shares.

The syndicate contract requires the parties to agree on a course of action for each point on the agenda prior to an 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. The Management Board is not familiar with any additional information on the syndicate contract.

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. The syndicate held 36,081% of the company's share capital as of 30 April 2019. Institutional investors held the following stakes as of that same date: Lazard Frères Gestion SAS held an investment of over 5% and Wellington Management Group LLP an investment of over 4%.

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

5. Employees who hold shares in the company exercise their voting rights directly at the annual general meeting.

6. A cash-based long-term incentive programme (LTI) was introduced for the Management Board and upper management of the Zumtobel Group during 2012/13. The distribution from the LTI is spread over the following three to five 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.

7. The Management Board was authorised in accordance with § 169 of the 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 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 – for 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.

8. 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.

9. 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 company's articles of association.

10. The consortium credit agreement concluded on 1 December 2015 with seven banks represents a major financing agreement for the Zumtobel Group. This agreement has a current term ending in November 2022 and a maximum line that currently equals EUR 200 million. As of the balance sheet date on 30 April 2019, the amount drawn by the Zumtobel Group under the credit agreement totalled EUR 25 million. The agreement includes a clause for an increase of up to EUR 200 million. The Zumtobel Group also concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB), which call for bullet repayment and have a term ending in September 2024, respectively February 2025; both credits were fully drawn as of 30 April 2019. The consortium credit agreement and the credit agreements with the European Investment Bank (EIB) include a change-of-control clause which is linked to a change in the absolute majority of voting rights. In addition, the Zumtobel Group concluded a further bilateral credit agreement with a bank over EUR 40 million; this credit has a term ending in January 2020 and was also fully drawn as of 30 April 2019.

11. 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 maximum payment covering a period of 24 months. The members of the Management Board have no other special claims or entitlements at the end of their function. The activities of Thomas Tschol on the Management Board are made available through a personnel leasing contract concluded with Management Factory Corporate Advisory GmbH. This contract can be terminated at the end of each month in keeping with a three-month notice period.

12. The most important elements of the risk management system and the internal control system are described in management report under "Internal Control System" and "Risk Management".

1.12 Outlook and Goals

Consistent pursuit of new strategy

The new Management Board which was installed in spring 2018 implemented a number of urgently required operating measures during the past financial year to stabilise the business and – with a significantly streamlined management team – developed and approved the Zumtobel Group's new FOCUS strategy. The key elements of this strategy include an even stronger customer orientation, combined with a reduction in complexity and lower costs.

The new strategy was rolled out and implemented in 2018/19. The market-based segments were upgraded, the three core brands were strengthened, and the sales function was reoriented and positioned even closer to customers. At the same time, corporate functions were cut back and administrative costs were substantially reduced. The product portfolio was also streamlined, and operating processes were adjusted to lower production costs. All these steps combined to improve the Zumtobel Group's competitive position and create the basis for additional market and cost savings opportunities. This new strategy reflects the Zumtobel Group's clear goal to generate added value for all stakeholders (shareholders, customers and employees).

In order to drive revenue growth, the Zumtobel Group intends to strengthen its positioning in the global lighting industry as part of its current reorientation. The goal for the Lighting Segment - with the core Zumtobel and Thorn brands – is to become the market leader in Europe with a focus on applications in industry, office & education, shop & retail and art & culture. Outdoor applications will concentrate on lighting for urban areas and roads. The Components Segment with its technology brand Tridonic will expand globally based on innovative hardware (drivers, LED modules) and software solutions for smart and integrated lighting and lighting systems. The Zumtobel Group will also increase its focus on the future field of digital lighting as well as services and turnkey solutions.

FY 2019/20 will be a transformation year

The Management Board of the Zumtobel Group sees the 2019/20 financial year as a year of transformation, in which the focus of activities will return to the continuous improvement of the operating business and growth – in spite of the weakening market environment. For the 2019/20 financial year, the Management Board expects a slight increase in revenues as well as an improvement in the adjusted EBIT margin to 3-5% (FY 2018/19: 2.4%). The medium-term goal to generate an EBIT margin of roughly 6% by the 2020/21 financial year remains intact.

Dornbirn, 14 June 2019

The Management Board

Alfred Felder	Thomas Tschol	Bernard Motzko
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

2. Consolidated Financial Statements

Contents

2. Consolidated Financial Statements

2.1 Consolidated Income Statement

in TEUR	Notes	2018/19	2017/18	Change in %
Revenues	2.6.4.1	1,162,017	1,196,516	(2.9)
Cost of goods sold	2.6.4.2	(810,196)	(822,673)	(1.5)
Gross profit		**351,821**	**373,843**	**(5.9)**
as a % of revenues		*30.3*	*31.2*	
Selling expenses	2.6.4.2	(296,989)	(313,852)	(5.4)
Administrative expenses	2.6.4.2	(36,217)	(49,432)	(26.7)
Other operating income	2.6.4.3	9,217	9,914	(7.0)
thereof special effects		*175*	*284*	*(38.3)*
Other operating expenses	2.6.4.3	*(25,162)*	*(27,769)*	*(9.4)*
thereof special effects		*(25,144)*	*(27,235)*	*(7.7)*
Operating profit/loss		**2,670**	**(7,296)**	**>100**
as a % of revenues		*0.2*	*(0.6)*	
Interest expense	2.6.4.4	(6,879)	(6,855)	0.4
Interest income	2.6.4.4	396	420	(5.7)
Other financial income and expenses	2.6.4.5	(6,331)	(9,666)	(34.5)
Result from companies accounted for at-equity	2.6.6.4	56	(273)	>100
Financial results		**(12,758)**	**(16,374)**	**22.1**
as a % of revenues		*(1.1)*	*(1.4)*	
Profit/loss before tax		**(10,088)**	**(23,670)**	**57.4**
Income taxes	2.6.4.6	(5,157)	(23,038)	(77.6)
Net profit/loss for the year		**(15,245)**	**(46,708)**	**67.4**
as a % of revenues		*(1.3)*	*(3.9)*	
thereof due to non-controlling interests	*2.6.6.5*	*22*	*(18)*	*>100*
thereof due to shareholders of the parent company		*(15,267)*	*(46,690)*	*67.3*
Average number of shares outstanding – basic (in 1,000 pcs.)		43,147	43,147	
Average number of shares outstanding – diluted (in 1,000 pcs.)		43,147	43,147	
Earnings per share (in EUR)	**2.6.4.7**			
Earnings per share (diluted and basic)		(0.35)	(1.08)	

2.2 Consolidated Statement of Comprehensive Income

in TEUR	Notes	2018/19	2017/18	Change in %
Net profit/loss for the year		**(15,245)**	**(46,708)**	**67.4**
Actuarial gain/loss	2.6.5.3	3,814	7,033	(45.8)
Deferred taxes due to actuarial gain/loss	2.6.5.5	859	(249)	>100
Total of items that will not be reclassified ("recycled") subsequently to the income statement		**4,673**	**6,784**	**(31.1)**
Currency differences	2.6.5.1	3,053	(12,372)	>100
Currency differences arising from loans	2.6.5.2	2,075	(3,478)	>100
Hedge accounting	2.6.5.4	370	753	(50.9)
Deferred taxes due to hedge accounting	2.6.5.5	(198)	(145)	(36.4)
Total of items that will be reclassified ("recycled") subsequently to the income statement		**5,300**	**(15,242)**	**>100**
Subtotal other comprehensive income		**9,973**	**(8,458)**	**>100**
thereof due to non-controlling interests	*2.6.6.5*	*161*	*(282)*	*>100*
thereof due to shareholders of the parent company		*9,812*	*(8,176)*	*>100*
Total comprehensive income		**(5,272)**	**(55,166)**	**(90.4)**
thereof due to non-controlling interests		*183*	*(300)*	*>100*
thereof due to shareholders of the parent company		*(5,455)*	*(54,866)*	*90.1*

2.3 Consolidated Balance Sheet

in TEUR	Notes	30 April 2019	in %	30 April 2018	in %
Goodwill	2.6.6.1	190,299	20.7	187,895	19.1
Other intangible assets	2.6.6.2	50,179	5.4	47,824	4.8
Property, plant and equipment	2.6.6.3	232,690	25.3	222,159	22.4
Financial assets accounted for at equity	2.6.6.4	3,863	0.4	3,807	0.4
Financial assets	2.6.6.6	993	0.1	1,012	0.1
Other assets	2.6.6.7	4,145	0.5	4,468	0.5
Deferred taxes	2.6.6.8	25,487	2.8	25,597	2.6
Non-current assets		**507,656**	**55.2**	**492,762**	**49.9**
Inventories	2.6.6.9	174,827	19.0	198,735	20.2
Trade receivables	2.6.6.10	162,829	17.7	157,694	16.0
Financial assets	2.6.6.6	700	0.1	1,664	0.2
Other assets	2.6.6.7	37,566	3.9	50,161	5.1
Liquid funds	2.6.6.11	37,332	4.1	85,090	8.6
Current assets		**413,254**	**44.8**	**493,344**	**50.1**
ASSETS		**920,910**	**100.0**	**986,106**	**100.0**
Share capital	2.6.8.1	108,750	11.8	108,750	11.0
Additional paid-in capital	2.6.8.2	335,316	36.4	335,316	34.0
reserves	2.6.8.3	(167,687)	(18.2)	(132,835)	(13.5)
Net profit/loss for the year		(15,267)	(1.7)	(46,690)	(4.7)
Capital attributed to shareholders of the parent company		261,112	28.3	264,541	26.8
Capital attributed to non-controlling interests	2.6.6.5	1,666	0.2	3,802	0.4
Equity	**2.6.8**	**262,778**	**28.5**	**268,343**	**27.2**
Provisions for pensions	2.6.6.13	81,752	8.9	83,313	8.4
Provisions for severance compensation	2.6.6.13	47,479	5.2	49,330	5.0
Provisions for other employee benefits	2.6.6.13	9,671	1.1	9,534	1.0
Other provisions	2.6.6.14	10,580	1.1	8,717	0.9
Borrowings	2.6.6.15	126,167	13.7	175,656	17.8
Other liabilities	2.6.6.18	634	0.1	2,544	0.3
Deferred taxes	2.6.6.8	2,583	0.3	3,087	0.3
Non-current liabilities		**278,866**	**30.4**	**332,181**	**33.7**
Provisions for taxes		23,421	2.5	22,096	2.2
Other provisions	2.6.6.14	41,839	4.5	39,996	4.1
Borrowings	2.6.6.15	59,877	6.5	55,763	5.7
Trade payables		137,397	14.9	153,758	15.6
Other liabilities	2.6.6.18	116,732	12.7	113,969	11.5
Current liabilities		**379,266**	**41.1**	**385,582**	**39.1**
EQUITY AND LIABILITIES		**920,910**	**100.0**	**986,106**	**100.0**

2.4 Consolidated Cash Flow Statement

in TEUR	Notes	2018/19	2017/18
Profit/loss before tax	2.1	(10,088)	(23,670)
Depreciation and amortisation	2.6.4.2	49,744	49,754
Impairment of property, plant and equipment and intangible assets	2.6.4.2	3,417	11,702
Gain/loss on the disposal of property, plant and equipment and intangible assets		810	(625)
Other non-cash financial results	**2.6.4.5**	6,331	9,666
Interest income/ Interest expense	2.6.4.4	6,483	6,435
Share of profit or loss in companies accounted for at equity	2.6.6.4	56	273
Cash flow from operating results		**56,753**	**53,535**
Inventories		24,744	1,998
Trade receivables		(5,277)	34,280
Trade payables		(18,167)	(15,727)
Prepayments received		12,192	(1,735)
Change in working capital		**13,492**	**18,816**
Non-current provisions		86	(2,257)
Current provisions		1,688	(587)
Other assets		13,690	(24,221)
Other liabilities		(8,794)	10,218
Change in other operating items		**6,670**	**(16,848)**
Income taxes paid		**(4,211)**	**(5,797)**
Cash flow from operating activities		**72,704**	**49,706**
Cash inflows from the disposal of property, plant and equipment and other intangible assets		1,558	4,164
Cash inflows from the sale of associates		0	500
Cash outflows for the purchase of property, plant and equipment and other intangible assets		(66,240)	(68,975)
Cash outflows for the acquisition of associates		0	(3,462)
Change in non-current and current financial assets		(4,608)	(2,651)
Change in liquid funds from changes in the consolidation range		0	(3,179)
Cash flow from investing activities		**(69,290)**	**(73,603)**
FREE CASH FLOW		**3,414**	**(23,897)**
Cash proceeds from non-current and current borrowings	2.6.7.2	81,525	56,262
Cash repayments of non-current and current borrowings	2.6.7.2	(132,147)	(16,002)
Dividend paid to shareholders of the parent	2.6.8.4	0	(9,924)
Dividend paid to non-controlling interests	2.6.6.5	(670)	(557)
Interest paid		(6,742)	(6,727)
Interest received		392	420
Cash flow from financing activities		**(57,642)**	**23,472**
CHANGE IN CASH AND CASH EQUIVALENTS		**(54,228)**	**(425)**
Cash and cash equivalents at the beginning of the year	2.6.7.1	72,446	77,205
Cash and cash equivalents at the end of the year	2.6.7.1	19,605	72,446
Effects of exchange rate changes on cash and cash equivalents		1,387	(4,334)
Change absolute		**(54,228)**	**(425)**

2.5 Consolidated Statement of Changes in Equity

2018/19 Financial Year

in TEUR	Notes	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity
		Attributed to shareholders of the parent company								
30 April 2018		**108,750**	**335,316**	**(10,900)**	**(42,987)**	**(432)**	**(125,206)**	**264,541**	**3,802**	**268,343**
Adjustment IFRS 9		0	0	377	0	0	0	377	0	377
1 May 2018		**108,750**	**335,316**	**(10,523)**	**(42,987)**	**(432)**	**(125,206)**	**264,918**	**3,802**	**268,720**
+/- Net profit/loss for the year	2.1	0	0	(15,267)	0	0	0	(15,267)	22	(15,245)
+/- Other comprehensive income	2.2	0	0	0	4,967	172	4,673	9,812	161	9,973
+/- Total comprehensive income		**0**	**0**	**(15,267)**	**4,967**	**172**	**4,673**	**(5,455)**	**183**	**(5,272)**
+/- Adjustments		0	0	1,649	0	0	0	1,649	(1,649)	0
+/- Dividends	2.6.8.4	0	0	0	0	0	0	0	(670)	(670)
30 April 2019		**108,750**	**335,316**	**(24,141)**	**(38,020)**	**(260)**	**(120,533)**	**261,112**	**1,666**	**262,778**

2017/18 Financial Year

in TEUR	Notes	Share capital	Additional paid-in capital	Other reserves	Currency reserve	Hedge accounting	Reserve IAS 19	Total	Non-controlling interests	Total equity
		Attributed to shareholders of the parent company								
30 April 2017		**108,750**	**335,316**	**45,714**	**(27,419)**	**(1,040)**	**(131,990)**	**329,331**	**4,659**	**333,990**
+/- Net profit/loss for the year	2.1	0	0	(46,690)	0	0	0	(46,690)	(18)	(46,708)
+/- Other comprehensive income	2.2	0	0	0	(15,568)	608	6,784	(8,176)	(282)	(8,458)
+/- Total comprehensive income		**0**	**0**	**(46,690)**	**(15,568)**	**608**	**6,784**	**(54,866)**	**(300)**	**(55,166)**
+/- Dividends	2.6.8.4	0	0	(9,924)	0	0	0	(9,924)	(557)	(10,481)
30 April 2018		**108,750**	**335,316**	**(10,900)**	**(42,987)**	**(432)**	**(125,206)**	**264,541**	**3,802**	**268,343**

2.6 Notes

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 Group AG comply with all International Financial Reporting Standards (IFRS) that are applicable in the European Union for the 2018/19 financial year.

The Management Board of Zumtobel Group AG released the consolidated financial statements for distribution to the Supervisory Board on 14 June 2019. 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 26 June 2019 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 2018 to 30 April 2019. The reporting currency is the euro. The business activities of the Group are carried out 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 Scope of Consolidation and Consolidation Methods

2.6.2.1 Scope of consolidation

The consolidated financial statements for 2018/19 include 94 (2017/18: 96) fully consolidated companies which are controlled by Zumtobel Group AG. In accordance with IFRS 10, control exists when Zumtobel has the power of disposition over the subsidiary and can therefore determine the subsidiary's financial and business policies. Two companies were included in the consolidation at equity (2017/18: three). Nine companies (2017/18: 9) 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 a list 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.

The scope of consolidation changed as follows during the reporting year:

	Consolidation Method		
	full	at equity	Total
30 April 2018	**96**	**3**	**99**
Included during reporting year for first time	2	0	2
thereof newly founded	*2*	*0*	*2*
Merged during reporting year	(2)	0	(2)
Liquidated during reporting year	(2)	0	(2)
Loss of significant influence	0	(1)	(1)
30 April 2019	**94**	**2**	**96**

Newly founded companies

Tridonic Portugal Unipessoal LDA was founded and initially consolidated in September 2018.

The newly founded Tridonic Korea LLC, South Korea, was initially consolidated in January 2019.

Merger

Two German companies, ZG Licht Nord-West GmbH and ZG Licht Süd GmbH, were merged into Zumtobel Group Deutschland GmbH in December 2018.

Liquidations

The US company ACDC Corp was liquidated in June 2018 and therefore deconsolidated in the first half of 2018/19.

Thorn Lighting Tianjin Ltd, China, was liquidated in November 2018 and subsequently deconsolidated.

At equity

The shares in Europhane SAS, France, in which an interest of 10% is held, were reclassified from "shares in associated companies" to "investments" following a change in the agreements under company law because significant influence as defined in IAS 28 no longer exists.

2.6.2.2 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, liabilities and contingent 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

Trade receivables are netted out with the corresponding liabilities during the consolidation of 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 listed in the following table:

	Average exchange rate: Income Statement		Closing rate: Balance Sheet	
1 EUR equals	30 April 2019	30 April 2018	30 April 2019	30 April 2018
AUD	1.5862	1.5263	1.5911	1.6013
CHF	1.1422	1.1450	1.1437	1.1968
USD	1.1497	1.1833	1.1218	1.2079
SEK	10.3775	9.8143	10.6350	10.4993
NOK	9.6245	9.5222	9.6678	9.6620
GBP	0.8813	0.8843	0.8625	0.8796

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 2018/19:

Standard/Interpretation		Mandatory application in financial years beginning on or after
IAS 40	Investment Property: Changes	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 2	Share-based Payment – Changes	1 January 2018
IFRS 4	Application of IFRS 9 together with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Various	Annual Improvements to IFRS-Cycle 2014–2016: Changes to IFRS 1 and IAS 28	1 January 2018

IFRS 9 – Financial Instruments

The IASB issued IFRS 9 "Financial Instruments" in July 2014 as a replacement for IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes, among others, a comprehensive model for classification and the determination of the valuation method (including impairment losses) applied to financial instruments. IFRS 9 also includes rules for general hedge accounting.

IFRS 9 "Financial Instruments" was initially applied as of 1 May 2018. The changes in classification and measurement resulted in only limited adjustments to presentation. Financial assets are carried at amortised cost or at fair value (through other comprehensive income or through profit or loss). Most of the financial assets meet the requirements for measurement at amortised cost.

The new impairment model, which is based on expected losses, has a fundamental effect on the measurement of the Group's financial assets – and especially on trade receivables. IFRS 9 replaces the incurred loss model defined by IAS 39 with the future-oriented expected loss model. The Group has implemented a system to develop a simplified expected credit loss for trade receivables. This system evaluates the default risks for each customer within the framework of a six-level risk classification model based on actual payment behaviour towards the Group, current external credit reports and credit loss insurance. Each risk class is assigned to a credit loss probability in an impairment matrix. The credit loss probability is based on external empirical analyses by recognised credit rating agencies. Information on the credit loss probability (in per cent) for each accounts receivable risk class is provided under "Financial Instruments" in note 2.6.3.2.

There is no material concentration of default risk due to the Group's broad and diversified customer structure and the existing credit insurance. Information on the development of the bad debt allowances for trade receivables, the age structure of trade receivables and the bad debt allowances recognised for each accounts receivable risk class is provided in note 2.6.11.1.

The Zumtobel Group applied the new requirements of IFRS 9 for the classification and measurement of financial instruments retrospectively in 2018/19 and utilised the exemption not to adjust the comparative information for previous periods. Consequently, only the opening balance as of 1 May 2018 was adjusted. The application of the new IFRS 9 impairment rules led to an adjustment of TEUR 377 to the opening balance sheet from the release of the provision for accounts receivable credit risks. The carrying amount of trade receivables therefore increased from TEUR 157,694 as of 30 April 2018 to TEUR 158,071 as of 1 May 2018.

There were no other valuation differences. The Group elected to use the option which permits the continued application of the IAS 39 rules for hedge accounting. For presentation, the valuation categories "classified at FV on initial recognition", "HFT" and "hedge accounting" are combined into a single category "accounting at fair value". The valuation categories "L&R" and "at amortised cost" are included in the category "accounting at amortised cost".

in TEUR	Classification IAS 39	Classification IFRS 9	Carrying amount As of 30.04.2018	IFRS 9 Adjustment	As of 01.05.2018
Securities and similar rights	classified at FV on initial recognition	Accounting at fair value (FVTPL)	577	0	577
Loans, originated loans and other receivables	L&R	Accounting at amortised cost	471	0	471
Positive market values of derivatives held for trading	HFT	Accounting at fair value (FVTPL)	1,628	0	1,628
Trade receivables	L&R	Accounting at amortised cost	157,694	377	158,071
Cash and cash equivalents	Cash	Accounting at amortised cost	85,090	0	85,090
Total			**245,460**	**377**	**245,837**

in TEUR	Classification IAS 39	Classification IFRS 9	Carrying amount As of 30.04.2018	IFRS 9 Adjustment	As of 01.05.2018
Loans and originated loans	at amortised cost	Accounting at amortised cost	213,737	0	213,737
Finance leases	at amortised cost	Accounting at amortised cost	17,682	0	17,682
Other non-current liabilities	classified at FV on initial recognition	Accounting at fair value (FVTPL)	355	0	355
Trade payables	at amortised cost	Accounting at amortised cost	153,758	0	153,758
Negative market values of derivatives held for trading	HFT	Accounting at fair value (FVTPL)	221	0	221
Negative market values of derivatives (hedge accounting)	classified at FV on initial recognition	Accounting at fair value (FVTOCI)	3,825	0	3,825
Other	at amortised cost	Accounting at amortised cost	97	0	97
Total			**389,675**	**0**	**389,675**

IFRS 15 – Revenue from Contracts with Customers

The IASB issued IFRS 15 "Revenue from Contracts with Customers" in May 2014. It replaces the existing guidelines for the recognition of revenue, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes". The new standard presents a comprehensive framework for determining whether, at what amount and at which time revenue should be recognised.

IFRS 15 defines a uniform, five-step model that is generally applicable to all contracts with customers. It also introduces new balance sheet positions for contract assets and contract liabilities which can arise through a performance surplus or performance obligation at the contract level. The disclosure requirements for the notes were also expanded (see note 2.6.4.1).

IFRS 15 was initially applied at the beginning of the 2018/19 financial year. The Zumtobel Group decided in favour of modified retrospective application, which means the comparable data for 2017/18 were not adjusted in connection with the initial application in 2018/19.

The Zumtobel Group carried out extensive analyses of the effects of IFRS 15 on sales of lighting and components during the past year, which included an evaluation of all material contract forms to determine their effects.

Revenues cover all income resulting from the typical business activities of the Zumtobel Group and, in accordance with IFRS 15, are generated from contracts with customers. Accordingly, the Zumtobel Group recognises revenue when control over the promised products or services is transferred to the customer. The rules defined by IFRS 15 are implemented within the framework of a five-step model: The first step involves the identification of the contract with the customer, followed by the identification of the separate performance obligations. Distinct services and bundles of goods and services must be separated. In the third step, the transaction price is determined: The transaction price represents the amount of the consideration to which the delivering company expects to be entitled in exchange for the delivered goods or services. The transaction price is then allocated to the identified performance obligations. The final step covers the recognition of revenue when the performance obligations are met. Revenue is recognised over time or at a specific point in time.

Revenue-based guarantee services are generally not purchased separately and, therefore, cannot be seen as separate performance obligations. They represent a promise that the sold products will meet the agreed specifications. Accordingly, guarantee services are recognised in agreement with IAS 37 "Provisions, Contingent Liabilities and Contingent Receivables".

Customer bonuses and discounts represent variable payments under IFRS 15, which reduce the transaction price. In accordance with IFRS 15 they must be accounted for as variable consideration and offset against the related customer receivables. This offset reflects the previous presentation in the Zumtobel Group (see note 2.6.6.10). Any surplus of the bonuses/discounts over the related receivable is recorded as a contract liability.

Most of the revenues in the Zumtobel Group are recognised at a point in time. If the criteria defined by IFRS 15 for recognition over time are not met, revenue is recognised at a point in time. In the Zumtobel Group, a customer obtains control over a promised product or service, above all, when the asset is accepted or when the risks and rewards of ownership are transferred. Revenue was recognised in the previous financial year when the significant risks and rewards connected with the ownership of the sold goods and products were transferred; when it was sufficiently certain that the company would receive an economic benefit from the sale; and when the amount of the related revenue could be reliably estimated.

The Zumtobel Group also provides a limited scope of services which are invoiced on a monthly basis. In these cases, the customer receives and uses the benefits simultaneously with the performance by the Zumtobel Group – and revenue is recognised over time. Revenue is also recognised over time in individual cases involving the production of customer-specific products when the related contracts create a legal entitlement to payment for previously provided services. Due to the short terms of these orders, the effects are considered immaterial.

Any surplus of advance payments or partial payments by customers over the progress of contract performance within the framework of revenue recognition over time results in the recognition of contract liabilities from revenue recognition over time; the opposite situation results in the recognition of contract assets. Advance payments received from customers on orders which are realised at a point in time are still reported on the balance sheet under "Other liabilities" (see note 2.6.6.18). Contract assets and contract liabilities are part of the normal business cycle of the Zumtobel Group and are reported as current assets or current liabilities. Amounts originally reported as contract assets are reclassified to trade receivables when the related invoice is issued to the customer. Contract assets or contract liabilities are presented as a net amount when multiple contracts with a single customer are combined into a package. Based on the Zumtobel Group's current business model, no contract assets are reported.

The conversion to IFRS 15 did not result in any adjustments to equity without recognition to profit or loss. Note 2.6.4.1 provides information on revenues in line with the internal reporting structure.

The other new and/or revised standards and interpretations 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 2018/19:

Standard/Interpretation		Mandatory application in financial years beginning on or after
Various	Annual Improvements to IFRS-Cycle 2015–2017	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 9	Changes to IFRS 9: Prepayment features with negative compensation	1 January 2019
IFRIC 23	Uncertainty over income tax treatment	1 January 2019
IAS 19	Changes to IAS 19: Plan amendments, curtailments or settlements	1 January 2019
IAS 28	Changes to IAS 28: Long-term interests in associates and joint ventures	1 January 2019
Various	Changes in the Framework Concept	1 January 2020
IFRS 3	Changes to IFRS 3 Definition of a business	1 January 2020
IAS 1 / IAS 8	Changes to IAS 1 / IAS 8 Definition of materiality	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022
Various	Changes to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Still open

IFRS 16 – Leases
The IASB issued IFRS 16 "Leases" in January 2016. It is intended, among others, to replace IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease". IFRS 16 changes the previous classification of leases for lessees and eliminates the designation as operating leases or finance leases. As a replacement, it introduces a standard accounting model which requires lessees to recognise usage rights and corresponding liabilities for leases.

The application of IFRS 16 will result in the recognition of leases that were previously not recognised – generally in line with the current accounting treatment applied to finance leases. The accounting rules for lessors were transferred nearly unchanged from IAS 17 to IFRS 16, which means the lessor can continue to classify leases as financing or operating leases.

Based on the analysis which began in the previous year, the Group carried out a more detailed evaluation of leases during 2018/19 in accordance with the rules defined by IFRS 16. A software solution was implemented to support lease accounting. Documentation to address the accounting rules and significant estimates required by IFRS 16, e.g. the determination of the lease terms, the incremental borrowing rate and the exercise/non-exercise of any extension or cancellation options was developed.

The Zumtobel Group waived the early application of this standard and decided in favour of the modified retrospective method. Since IFRS 16 will be initially applied as of 1 May 2019, the comparative prior year data will not be adjusted and a right of use will be recognised at an amount equal to the lease liability. The right of use will not be measured retrospectively. All adjustments will be recorded in the opening balance of equity in the year of initial application. Current information indicates that there will be no material change in retained earnings.

With regard to the options provided by IFRS 16, the Group has elected to use the practical expedients provided for low-value assets, short-term leases and intangible assets. The practical expedient which permits the definition of a lease to be retained at the time of conversion will also be applied. That means IFRS 16 will be applied to all contracts which were concluded before 1 May 2019 and extend after that date and which were identified as leases under IAS 17 and IFRIC 4. The Zumtobel Group has also decided to exclude initial costs from the measurement of the right of use on initial application.

The following effects were identified to date:

The Zumtobel Group will recognise new assets and liabilities for operating leases which cover land and buildings, motor vehicles and other tangible assets. The Group assumes current lease obligations will lead to an increase of approximately TEUR 52,889 in the balance sheet amounts of property, plant and equipment and liabilities. Most of the contracts, based on the number, involve motor vehicle leases. Most of the contracts, based on the value of the right of use, represent building leases (TEUR 46,294). Information on the obligations as of 30 April 2019 for future minimum lease payments on non-cancellable operating leases as defined IAS 17 (undiscounted basis) is provided in note 2.6.6.17. The increase in lease liabilities will also lead to an increase in net debt and gearing. The covenants arranged by the Zumtobel Group and its financial institutions will be adjusted to reflect IFRS 16.

Moreover, the type of expenses related to these leases will also change. Due to the capitalisation of rights of use under IFRS 16, the straight-line expenses recorded from operating leases under IAS 17 will be replaced by amortisation of the rights of use and interest expense from the lease liabilities. This is expected to result in an increase of approximately TEUR 14,564 in EBITDA.

The application of IFRS 16 will lead to the classification of the principal component and related interest expense as part of cash flow from financing activities. The Group expects this will lead to an increase in cash flow from operating activities and an equal reduction in cash flow from financing activities.

No major effects on finance leases are expected.

2.6.3.2 Major accounting and valuation methods

Goodwill

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

Other intangible assets

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

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

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

Internally generated intangible assets are amortised 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	6,7 - 25%
Other equipment, furniture, fixtures and office equipment	6,7 - 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

A financial instrument is a contract that gives rise to a financial asset in one company and, at the same time, a financial liability or equity instrument in another company. Financial instruments are recognised as of the trading date. The financial assets and financial liabilities reported on the balance sheet include cash and cash equivalents, investments and other financial assets, trade receivables and payables as well as part of other receivables and other liabilities, bank and other financial liabilities and issued bonds.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contract which regulates the financial instrument. These items are initially recognised at fair value plus transaction costs. An exception to this practice is formed by financial assets classified at fair value through profit or loss, which are initially recognised at fair value excluding transaction costs. Financial instruments are netted out when the Group has a legally enforceable right to offset these items and plans to settle either the balance or both the receivable and the liability at the same time.

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity depending on the economic content of the contractual agreement. An equity instrument is a contract that evidences a residual interest in the assets of a company after the deduction of all its liabilities. Equity instruments are recognised at the amount of the issue proceeds less direct issue costs.

Categories and subsequent measurement of financial assets

The subsequent measurement of all recognised financial assets is dependent on the classification at amortised cost or at fair value. The classification and measurement approach for financial assets reflects the business model within which the asset is held as well as the characteristics of the related cash flows. A differentiation is made between the following three classification categories for financial assets:

- at amortised cost
- at fair value with changes recorded in profit or loss for the period (FVTPL)
- at fair value with changes recorded in other comprehensive income (FVTOCI)

The selection of the classification category is based on the type of instrument: derivative financial instrument, equity instrument or debt instrument.

The subsequent measurement of **derivative financial instruments as FVTPL** involves the carry forward of these derivatives at fair value as of every balance sheet date. Any gain or loss resulting from measurement is recognised to profit or loss. The derivatives are recorded under other assets or other liabilities depending on the fair value

The subsequent measurement of **derivative financial instruments as FVOCI** involves the carry forward of these derivatives at fair value as of every balance sheet date. Any gain or loss resulting from measurement of derivatives which are designated as hedges and are effective is recorded under other comprehensive income without recognition to profit or loss. Depending on the fair value, the derivative is recorded under other assets or other liabilities.

A **debt instrument is measured at amortised cost** when it meets the following two conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- Its contractual terms lead, on specified dates, to cash flows that consist solely of principal payments and interest on the principal amount outstanding.

This category covers the following assets for the Zumtobel Group: trade receivables, loans and other receivables with fixed or determinable payments which are not quoted in a market. These assets are measured at amortised cost based on the effective interest method, whereby amortised is reduced to reflect any applicable impairment losses. Interest income, foreign exchange gains and losses, derecognition results and impairment losses are recognised to profit or loss.

A **debt instrument is classified as FVTOCI** when it meets the following two conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows and to sell financial assets; and
- It contractual terms lead, on specified dates, to cash flows that consist solely of principal payments and interest on the principal amount outstanding.

No financial instruments were assigned to this category during the reporting year.

All **debt instruments** which are not measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. The Group can also irrevocably designate, on initial recognition, a financial asset which meets the requirements for amortised cost or FVTOCI as FVTPL when this eliminates or significantly reduces a measurement or recognition inconsistency. This option is not exercised in the Zumtobel Group. Financial instruments which are acquired by a company with the intention of selling or repurchasing them in the near term fall under this category. The Group holds no debt instruments for the purpose of realising gains from short-term fluctuations in market prices or from trading margins. Any gains, including interest, or losses from measurement are recognised to profit or loss.

An **equity investment** is generally measured as **FVTPL** because it is held for trading purposes or based on a decision at the time of initial recognition to irrevocably present subsequent changes in the fair value of the investment not in OCI but on the income statement. This election is made on a case-by-case basis. The Zumtobel Group holds no equity instruments for the purpose of realising gains from short-term fluctuations in market prices or from trading margins. Any gains resulting from measurement, including dividend income, or losses are recognised to profit or loss.

Categories and subsequent measurement of financial liabilities
The measurement of financial liabilities is based on the assignment to certain categories, which are differentiated and described below:

- At fair value through profit or loss
- At amortised cost

The Group classifies a financial liability at fair value through profit or loss when the financial liability is held for trading or when a derivative financial instrument is involved which was not designated as a hedge and is not effective as such. The fair value option is not exercised in the Zumtobel Group. The Group uses derivative financial instruments to hedge interest rate and foreign exchange risks and to hedge the price risks associated with raw materials. Derivative financial instruments are assigned to this category when they do not meet the criteria for hedge accounting under IAS 39. Any gains or losses from measurement are recognised to profit or loss. Depending on the fair value, a derivative financial instrument is recorded under other assets or other liabilities. The Group holds no financial liabilities for the purpose of realising gains from short-term fluctuations in market prices or from trading margins.

Other financial liabilities, including borrowings, are initially recognised at fair value less transaction costs. They are subsequently measured at amortised cost in accordance with the effective interest method, whereby interest expense is recognised to profit or loss based on the effective interest rate.

Impairment
The impairment model is applied to the following assets:

- Financial assets measured at amortised cost
- Debt instruments measured at FVTOCI
- Contract assets

The impairment model of "expected credit losses" (ECL) is used. It requires significant discretionary decisions concerning the influence of economic factors on expected credit defaults. These estimates are based on weighted probabilities, ECLs, in line with one of the following factors:

- 12-month credit loss: This represents the expected credit losses resulting from possible default incidents within 12 months after the balance sheet date.
- Lifetime credit loss: This represents the expected credit losses resulting from all possible default incidents during the lifetime of a financial instrument.

If an asset shows no signs of impairment at initial recognition, the first assessment is based on the concept of expected 12-month credit losses. This assessment is generally retained for subsequent reporting dates. If the credit risk of a financial asset on the reporting date has increased significantly since initial recognition, measurement is based on the concept of lifetime expected credit losses. The Group uses appropriate and supportable information that is relevant and available without unnecessary excess costs to determine whether the credit risk of a financial asset has increased significantly since initial recognition and to estimate the ECL. This includes both quantitative and qualitative information and analyses based on the Group's historical experience and forward-looking information as well as a well-founded credit assessment.

The Group assumes a significant change in the credit risk of a financial asset has occurred when:

- a financial asset is more than 30 days overdue, unless there are reasonable grounds or
- an instrument must be renegotiated and stricter requirements (e.g. increase in collateral, etc.) are applied or
- there has been a substantial change in the credit spread or the credit default swap prices for borrowers etc. for a specific or similar instrument.

The Group assesses at every reporting date whether the respective assets are credit-impaired. This is the case when one or more events have occurred which have a negative effect on the estimated future cash flows. A write-down is then recorded to reduce the gross value of the asset.

Measurement in accordance with the concept of lifetime credit losses is always used for trade receivables and for contractual assets without a material financing component. In addition to the deduction of individual valuation allowances, the estimated expected credit losses are evaluated in a six-step risk class model based on the customer's actual payment behaviour towards the Group, current external credit reports and credit loss insurance. Each risk class is assigned to an empirically determined credit loss probability in an impairment matrix.

Probability of default per risk class in %	
Debtor risk class 1	0.12%
Debtor risk class 2	0.33%
Debtor risk class 3	0.73%
Debtor risk class 4	1.67%
Debtor risk class 5	7.31%
Debtor risk class 6	15.00%
Public authority	0.00%

Cash and cash equivalents are principally deposited with system-relevant banks or financial institutions. The Group monitors changes in the default risk continuously through the observation of published external credit ratings. The Zumtobel Group assumes that its cash and cash equivalents have an immaterial risk of default based on the external ratings.

Specific presentation requirements must be observed when impairment losses are recognised. A differentiation is made depending on the type of financial instrument and the step in the impairment model to which a financial instrument is assigned:

- Impairment losses to financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.
- If, for example, there are objective indications of impairment at the time of initial recognition, the expected credit loss is reflected in the interest rate. Separate disclosure of the impairment is not required on initial recognition, but a separate risk allowance is required for changes after that time.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The measurement of financial instruments at fair value follows a three-step hierarchy which is based on the proximity of the input factors to an active market.

- Level 1: This level covers financial instruments which are listed on an active market for identical assets or liabilities to which the company has access. The prices quoted on these markets represent fair value.
- Level 2: When Level 1 measurement is not possible, fair value is determined under Level 2 based on directly or indirectly observable input factors.
- Level 3: If the input factors required for measurement cannot be observed, the financial instrument is measured under Level 3 based on these non-observable input factors.

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

The fair value of derivative financial instruments can be reliably determined as of each balance sheet date because measurement is based on observable market input factors – i.e. all measurements are classified under Level 2 (also see notes 2.6.10)

The consolidated financial statements also include financial instruments whose measurement is not based on quoted prices or observable market input factors (Level 3). These financial statements represent securities and similar rights as well as a non-current liability in the form of a call/put option related to an acquisition.

Hedge accounting

Derivatives which are designated as hedges because they meet the requirements for accounting as such are recognised and measured in accordance with the rules for hedge accounting defined by IAS 39. The Zumtobel Group exercised the option not to apply the new requirements of IFRS 9. In connection with the hedging of the fair value of a recognised asset or recognised liability (fair value hedge), changes in the fair value of the hedging instrument and the underlying transaction are recorded on the income statement. The Group documents, at the beginning of the hedge, the relationship between the underlying transaction and the hedge, including the risk management objectives, as well as the corporate strategy on which the hedge relationship is based. Regular documentation is also recorded at the time the hedge is concluded and during its term to demonstrate that the interest rate swap is highly effective in relation to the hedged risk for changes in fair value.

In connection with the hedging of future cash flows (cash flow hedge) from a recognised receivable or liability or a highly probable future transaction, the effective part of the change in fair value is recorded under other comprehensive income and the ineffective portion is recorded immediately to the income statement. The amounts recorded under other comprehensive income are transferred to the income statement during the period in which the hedged obligation or expected transaction influences profit or loss. At the beginning of the hedge, the Group documented the relationship between the underlying transaction and the hedge, including the risk management objectives, as well as the corporate strategy on which the hedge relationship is based. The documentation recorded at the time the hedge was concluded and during its term demonstrated that the interest rate swap is highly effective in relation to the hedged risk for changes in future cash flows.

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.

Provisions

Other provisions are created to reflect current legal or constructive obligations to third parties as a result of 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 and warranties 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 partial retirement in 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 are offset against the present value of the pension obligation. The pension obligations 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. 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 the 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 pension benefit 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 for current tax expense are calculated on the basis of currently applicable tax rates.

The calculation of deferred taxes is based on the balance sheet-oriented liability method. 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

Revenues cover all income resulting from the typical business activities of the Zumtobel Group and, in accordance with IFRS 15, are generated from contracts with customers. Accordingly, the Zumtobel Group recognises revenue when control over the promised products or services is transferred to the customer. The rules defined by IFRS 15 are implemented within the framework of a five-step model: The first step involves the identification of the contract with the customer, followed by the identification of the separate performance obligations. Distinct services and any bundle of goods and services must be separated. In the third step, the transaction price must be determined: The transaction price represents the amount of the consideration to which the delivering company expects to be entitled in exchange for the delivered goods or services. The transaction price is then allocated to the identified performance obligations. The final step covers the recognition of revenue when the performance obligations are met. Revenue is recognised over time or at a specific point in time.

Revenue-based guarantee services are generally not purchased separately and, therefore, cannot be seen as separate performance obligations. They represent the assurance that the sold products will meet the agreed specifications. Accordingly, guarantee services are recognised in agreement with IAS 37 "Provisions, Contingent Liabilities and Contingent Receivables".

Customer bonuses and discounts represent variable payments under IFRS 15, which reduce the transaction price. In accordance with IFRS 15 they must be accounted for as variable consideration and offset against the related customer receivables. Any surplus of the bonuses/discounts over the related receivable is recorded as a contract liability.

Most of the revenues in the Zumtobel Group are recognised at a point in time. If the criteria defined by IFRS 15 for recognition over time are not met, revenue is recognised at a point in time. In the Zumtobel Group, a customer obtains control over a promised product or service, above all, when the asset is accepted or when the risks and rewards of ownership are transferred. Revenue was recognised in the previous financial year when the significant risks and rewards connected with the ownership of the sold goods and products were transferred; when it was sufficiently certain that the company would receive an economic benefit from the sale; and when the amount of the related revenue could be reliably estimated.

The Zumtobel Group also provides a limited scope of services which are invoiced on a monthly basis. In these cases, the customer receives and uses the benefits simultaneously with the performance by the Zumtobel Group – and revenue is recognised over time. Revenue is also recognised over time in individual cases involving the production of customer-specific products when the contracts create a legal entitlement to payment for previously provided services. Due to the short terms of these orders, the effects are considered immaterial.

Any surplus of advance payments or partial payments by customers over the progress of contract performance within the framework of revenue recognition over time results in the recognition of contract liabilities from revenue recognition over time; the opposite situation results in the recognition of contract assets. Advance payments received from customers on orders which are realised at a point in time are reported on the balance sheet under "Other liabilities" (see note 2.6.6.18). Contract assets and contract liabilities are part of the Zumtobel Group's normal business cycle and are reported as current assets or current liabilities. Amounts originally reported as contract assets are reclassified to trade receivables when the related invoice is issued to the customer. Contract assets or contract liabilities are presented as a net amount when multiple contracts with a single customer are combined into a package. Based on the Zumtobel Group's current business model, no contract assets are reported.

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 in progress) and goodwill are tested each year for impairment – even when there are no such indications.

In 2018/19, impairment tests were carried out on development projects in progress and the goodwill allocated to the cash-generating unit "Lighting" (CGU Lighting).

The recoverable amount of the development projects in progress was determined on the basis of the value in use. The expected future cash flows from the development projects were discounted for this calculation at country-specific discount rates (Austria 7.05%, Germany 6.59% and Great Britain 8.48%).

The recoverable amount of the CGU Lighting is based on fair value less selling costs and was estimated by discounting future cash flows. The estimate was developed with a valuation method that includes Level 2 and 3 input factors.

The most important assumptions for the impairment testing of goodwill are the forecasted cash flows, which are determined primarily by the EBIT margin, as well as the long-term growth rate and the discount rate (weighted average cost of capital, WACC).

The valuation period is based on a detailed forecast period of four years plus a transition year and a perpetual annuity. The forecasts are based on external projections, past experience and estimates by the Management Board for the development of the market environment and earnings. The assumptions correspond to the assumptions which would be made by a market participant. The average EBIT margin for the planning period equals 5.5%.

A long-term growth rate of 1.5% for the lighting industry was applied to the years after the detailed forecast period (2017/18: 1.6%).

The discount rate represents an after-tax rate which was estimated on the basis of the historical weighted average cost of capital for the industry. The after-tax WACC applied to the CGU Lighting in 2018/19 equalled 7.40% (2017/18: 7.47%).

The estimated recoverable amount of the CGU Lighting exceeds the carrying amount by nearly EUR 204 million. The recoverable amount of the CGU Lighting would equal the carrying amount if the discount rate (WACC) increased from 7.40% to 9.67% or if the forecasted cash flows declined by approx. 28%.

>> 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 provisions for guarantees and warranties include the estimated future costs for repairs and replacements and are calculated on the basis of past experience. The determination of provisions for restructuring involves 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. 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.

>> Uncertainties connected with the Brexit
The ongoing uncertainty over the Brexit led to a decision by the Zumtobel Group to install an internal task force to address the current situation. A variety of measures have been implemented in preparation for a "no deal scenario" – examples include the reduction of logistics and customs-processing capacity, the adjustment of business structures and protection for the continued operation of accounting and controlling systems.

As of the balance sheet date, 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 designated as "thereof" on the income statement.

Government grants
Government grants related to income, which are provided as compensation for expenses, are recognised as income of the period in which they are granted; they are recorded at the gross amount under other operating income on the income statement. Government grants provided for investments are recognised as liabilities and distributed over the useful life of the related items of property, plant or equipment.

2.6.4 Notes to the Income Statement

2.6.4.1 Revenues

Revenues include an adjustment of TEUR 44,074 (2017/18: TEUR 47,858) for sales deductions (primarily customer discounts). Gross revenues total TEUR 1,206,090 (2017/18: TEUR 1,244,375).

Revenues recorded by the Zumtobel Group in 2018/19 resulted from the sale of lighting (73%), components (25%) and services (2%). Sales of lighting and components are recognised at a point in time. In contrast, the sale of services is recognised over time – i.e. on a monthly basis.

in TEUR	2018/19		2017/18	
Indoor luminaires & components	986,231	85%	1,024,753	86%
Outdoor luminaires & components	175,786	15%	171,763	14%
Revenues	**1,162,017**		**1,196,516**	

Information on the distribution of revenues by segment and region is provided in note 2.6.12.

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:

2018/19 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(528,843)	(4,645)	(52)	(2)	(533,542)
Personnel expenses	(189,118)	(165,103)	(33,306)	(11,719)	(399,246)
Depreciation	(42,479)	(5,943)	(1,028)	(3,711)	(53,161)
Other expenses	(69,971)	(118,682)	(14,974)	(9,729)	(213,356)
Own work capitalised	19,554	347	32	0	19,933
Internal charges	(6,919)	(5,833)	12,752	0	0
Total expenses	**(817,776)**	**(299,859)**	**(36,576)**	**(25,161)**	**(1,179,372)**
Other income	**7,580**	**2,870**	**359**	**9,217**	**20,026**
Total	**(810,196)**	**(296,989)**	**(36,217)**	**(15,944)**	**(1,159,346)**

2017/18 Financial Year

in TEUR	Cost of goods sold	Selling expenses	Administrative expenses	Other operating results	Total
Cost of materials	(525,965)	(6,071)	(71)	(3)	(532,110)
Personnel expenses	(194,814)	(175,733)	(37,623)	(5,383)	(413,553)
Depreciation	(42,094)	(6,320)	(1,225)	(11,817)	(61,456)
Other expenses	(83,673)	(122,704)	(17,221)	(10,566)	(234,164)
Own work capitalised	13,076	453	36	0	13,565
Internal charges	484	(6,750)	6,266	0	0
Total expenses	**(832,986)**	**(317,125)**	**(49,838)**	**(27,769)**	**(1,227,718)**
Other income	**10,313**	**3,273**	**406**	**9,914**	**23,906**
Total	**(822,673)**	**(313,852)**	**(49,432)**	**(17,855)**	**(1,203,812)**

The cost of materials includes TEUR 23,461 (2017/18: TEUR 20,112) of third party services.

Other income includes government grants of TEUR 5,394 (2017/18: TEUR 5,588), which were provided primarily for research activities. Of this total, TEUR 5,171 (2017/18: TEUR 5,321) are reported under other operating results.

The cost of goods sold includes development costs of TEUR 61,568 (2017/18: TEUR 69,493). Development costs capitalised during the reporting year equalled TEUR 18,172 (2017/18: TEUR 11,136), and the related amortisation and impairment charges amounted to TEUR 14,038 (2017/18: TEUR 13,740).

Selling expenses include research costs of TEUR 4,657 (2017/18: TEUR 3,927).

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2018/19:

In TEUR	2018/19	2017/18
Total fees	**431**	**568**
thereof audit and related activities	*228*	*228*
thereof other services	*203*	*340*

The fees for other services involve audit-related consulting. The fees agreed with the member companies of the KPMG network for auditing services in the Zumtobel Group totalled TEUR 1,127 (2017/18: TEUR 1,300).

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

in TEUR	2018/19	2017/18
Wages	(57,130)	(62,383)
Salaries	(236,557)	(249,141)
Expenses for severance compensation	(4,742)	(4,346)
Expenses for pensions	(4,766)	(4,668)
Expenses for legally required social security and payroll-related duties and mandatory contributions	(59,719)	(62,895)
Other employee benefits	(10,390)	(11,596)
Contract workers	(14,260)	(13,478)
Expenses from restructuring	(11,682)	(5,045)
Personnel expenses	**(399,246)**	**(413,552)**

2.6.4.3 Other operating results

in TEUR	2018/19	2017/18
Government grants	*5,171*	*5,321*
License revenues	*3,270*	*3,263*
Gains on sale	*0*	*0*
Changes in the scope of consolidation	*175*	*284*
Other income	601	*1,046*
Other operating income	**9,217**	**9,914**
Impairment charges to non-current assets	(3,581)	(11,702)
Restructuring	(19,037)	(15,068)
Losses on sale	0	(19)
Impairment charges to current assets	(40)	(447)
UK GMP equalisation - past service cost adjustment	(2,485)	
Other expenses	(18)	*(534)*
Other operating expenses	**(25,162)**	**(27,769)**

As in the prior year, the government grants received in 2018/19 represent subsidies that were recognised to profit or loss.

License revenues were generated chiefly by the LED business, as was the case in the previous year.

The line items "other income" and "other expenses" represent income and expenses arising from ordinary business operations, which cannot be clearly allocated to other functional areas.

The special effects are classified as follows:

in TEUR	2018/19	2017/18
Reorganisation management and sales	(6,488)	(3,132)
Impairment capitalized R&D	(3,417)	0
Expenses related to sale of facility Les Andelys (FR)	(2,355)	(7,144)
Restructuring operations - Lighting Segment	(2,008)	(1,487)
UK GMP equalisation - past service cost adjustment	(2,485)	0
Restructuring other facilities	(376)	(2,178)
Closing facility Usiningen (DE)	0	(797)
Impairment in subsidiary in UK	0	(6,863)
Restructuring facility Landskrona (SE)	175	0
Lighting Segment	**(16,954)**	**(21,602)**
Restructuring facility Jennersdorf (AT)	(6,978)	(539)
Restructuring other facilities	(522)	(1,315)
Restructuring operations - Components Segment	0	(193)
Impairment capitalized R&D	0	(1,009)
Components Segment	**(7,500)**	**(3,057)**
Restructuring management board	(516)	(1,214)
Reorganisation management and sales	0	(970)
Expenses related to sale of facility Les Andelys (FR)	0	(108)
Central Functions	**(516)**	**(2,292)**
Total	**(24,969)**	**(26,951)**

The special effects reported in 2018/19 include TEUR 40 for the cost of materials, TEUR 11,682 for personnel expenses, TEUR 3,581 for impairment charges and TEUR 9,665 for other expenses.

2.6.4.4 Interest income and expenses

Interest expense consists mainly of interest and fees for the current consortium credit agreement as well as the interest component of the lease for the plant in Great Britain (TEUR 1,642; 2017/18: TEUR 1,674).

2.6.4.5 Other financial income and expenses

in TEUR	2018/19	2017/18
Interest component as per IAS 19 less income on plan assets	(3,178)	(3,314)
Foreign exchange gains and losses	(1,977)	(7,081)
Market valuation of financial instruments	(1,151)	3,919
Losses on sale/Impairment	(25)	(3,190)
Total	**(6,331)**	**(9,666)**

Foreign exchange gains and losses consist mainly of realised and unrealised gains and losses on foreign currency receivables and liabilities as well as realised foreign exchange gains and 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. The negative valuation results 2018/19 are attributable to the valuation of forward exchange contracts in US dollars and British pounds).

The main components of the position "losses on sale/impairment" in the previous year include TEUR 699 from the sale of an equity-accounted company and impairment charges of TEUR 2,000 to a financial receivable due from an associated company.

2.6.4.6 Income taxes

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

in TEUR	2018/19	2017/18
Current taxes	(4,867)	(4,869)
thereof current year	*(4,901)*	*(4,858)*
thereof prior years	*34*	*(11)*
Deferred taxes	(290)	(18,169)
Income taxes	**(5,157)**	**(23,038)**

The actual tax rate represents a weighted average of all companies included in the consolidation range and amounted to -51.0% in 2018/19 (2017/18: -97.3%).

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 income tax expense

in TEUR	2018/19	2017/18
Profit/loss before tax	**(10,088)**	**(23,670)**
Theoretical tax income (expense) resulting from application of 25% domestic tax rate	**2,522**	**5,918**
Difference between calculated/actual tax expense	**(7,679)**	**(28,956)**
Non-deductible expenses	(5,134)	(6,821)
Foreign tax rates	(715)	(116)
Adjustments to valuation discounts for deferred taxes	(3,508)	(52,628)
Tax-free income	1,602	1,957
Effects from changes in loss carryforwards	5,869	26,271
Other items	(5,793)	2,381
Total tax expense	**(5,157)**	**(23,038)**

Deferred taxes of TEUR 13,176 (2017/18:TEUR 16,149) were recognised on tax deductible impairment charges to investments at the level of the head company and member companies of the Austrian tax group. This represents deferred taxes on 100% of the outstanding partial write-downs 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, Zumtobel Holding GmbH, Zumtobel Insurance Management GmbH, Zumtobel Pool GmbH, Tridonic GmbH (participating corporation), Tridonic Jennersdorf GmbH, Tridonic Holding GmbH, LEDON Lighting GmbH, RFZ Holding GmbH (formerly Zumtobel LED Holding GmbH; participating corporation), Zumtobel LED GmbH (participating corporation) and Furie Immobilien 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 owed 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. The obligation of the group member to pay a tax charge is waived to the extent previous tax losses can be offset against taxable profit. 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 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 – reduced by the deferred taxes which are excluded from distribution – reported on the individual financial statements of Zumtobel Group AG, which are prepared in accordance with Austrian corporate law.

2.6.5 Notes to the Statement of Comprehensive Income

2.6.5.1 Foreign exchange differences

Foreign exchange differences occur when companies do not report in the euro and, in this connection, when the historical exchange rate applied on the date of initial consolidation differs from the rate in effect on the balance sheet date. In addition, foreign exchange differences result from the translation of income statement items at the average monthly exchange rate and the rate on the balance sheet date. This position also includes TEUR 2,404 (2017/18: TEUR -5,884) of currency-related adjustments to goodwill. The currency reserve under equity also includes a foreign exchange-related effect of TEUR 161 (2017/18: TEUR -282) from non-controlling interests. The deconsolidation of a Group company whose functional currency is not the euro involves the reclassification of the related amounts from the currency reserve to the income statement and the inclusion of these amounts in deconsolidation results.

2.6.5.2 Foreign exchange differences arising from loans

Foreign exchange differences of TEUR 2,075 (2017/18: TEUR -3,478) from loans result from long-term loans granted by the Group in GBP, USD and AUD, 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 gain/loss

The actuarial gains of TEUR 3,814 recognised in 2018/19 (2017/18: gains of TEUR 7,033) include gains of TEUR 4,372 (2017/18: gains of TEUR 2,507) for pension plans which consist primarily of the following: a gain of TEUR 7,000 (2017/18: gain of TEUR 1,000) in Great Britain as well as losses of TEUR -989 (2017/18: gain of TEUR 968) in Switzerland and TEUR -1,592 (2017/18: gain of TEUR 459) in Germany.

2.6.5.4 Hedge accounting

The amount of TEUR 370 (2017/18: TEUR 753) reported under hedge accounting resulted from a change in the market value of the derivatives which qualify for hedge accounting and were concluded to hedge interest rate risks.

2.6.5.5 Deferred taxes

The deferred taxes of TEUR 661 (2017/18: TEUR -394) reported on the statement of comprehensive income in 2018/19 include TEUR 859 (2017/18: TEUR -249) related to the provisions for pension and severance compensation, which resulted from actuarial gains/losses as defined in IAS 19 "Employee Benefits", and TEUR -198 (2017/18: TEUR -145) related to the hedge accounting reserve.

2.6.6 Notes to the Balance Sheet

2.6.6.1 Goodwill

The goodwill arising from the acquisition of the Thorn Lighting Group is allocated to the CGU Lighting to reflect the organisational structure and tested for impairment at the level of 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 2017	**195,753**	**2,057**	**197,810**
FX effects	(5,884)	0	(5,884)
Impairment of goodwill	(4,031)	0	(4,031)
30 April 2018	**185,838**	**2,057**	**187,895**
FX effects	2,404	0	2,404
30 April 2019	**188,242**	**2,057**	**190,299**

The application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" led to a foreign exchange-based adjustment of TEUR 2,404 in 2018/19 (2017/18: TEUR -5,884) which was not recognised through profit or loss. These foreign exchange effects are allocated to the assets in the Lighting Segment for segment reporting.

Additional details on the impairment charges are provided in note 2.6.3.2.

2.6.6.2 Other intangible assets

2018/19 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2018	**58,095**	**171,894**	**229,989**
Foreign currency translation	142	352	494
Changes in the scope of consolidation	0	(133)	(133)
Additions	1,687	18,138	19,825
Disposals	(7,747)	(4,554)	(12,301)
Transfers	266	0	266
30 April 2019	**52,443**	**185,697**	**238,140**
Accumulated amortisation			
30 April 2018	**(48,540)**	**(133,625)**	**(182,165)**
Foreign currency translation	(91)	(339)	(430)
Changes in the scope of consolidation	0	133	133
Scheduled depreciation	(2,999)	(10,621)	(13,620)
Impairment	0	(3,417)	(3,417)
Disposals	7,715	3,831	11,546
Transfers	(8)	0	(8)
30 April 2019	**(43,923)**	**(144,038)**	**(187,961)**
Net carrying amount 30 April 2018	**9,555**	**38,269**	**47,824**
Net carrying amount 30 April 2019	**8,520**	**41,659**	**50,179**

2017/18 Financial Year

in TEUR	Patents, licenses and similar items	Development and similar costs	Total
Acquisition costs			
30 April 2017	**54,578**	**162,473**	**217,051**
Foreign currency translation	(377)	(780)	(1,157)
Additions	3,825	11,136	14,961
Disposals	(32)	(935)	(967)
Transfers	101	0	101
30 April 2018	**58,095**	**171,894**	**229,989**
Accumulated amortisation			
30 April 2017	**(42,607)**	**(121,496)**	**(164,103)**
Foreign currency translation	83	676	759
Scheduled depreciation	(3,910)	(12,575)	(16,485)
Impairment	(2,136)	(1,165)	(3,301)
Disposals	30	935	965
30 April 2018	**(48,540)**	**(133,625)**	**(182,165)**
Net carrying amount 30 April 2017	**11,971**	**40,977**	**52,948**
Net carrying amount 30 April 2018	**9,555**	**38,269**	**47,824**

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, contain capitalised development expenses of TEUR 18,172 (2017/18: TEUR 11,136). Most of these additions involve product developments in the lighting and lighting components areas, whereby TEUR 14,023 (2017/18: TEUR 8,386) were not yet available for use as of 30 April 2019.

2.6.6.3 Property, plant and equipment

2018/19 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2018	**221,870**	**343,452**	**107,599**	**32,088**	**705,009**
Foreign currency translation	1,100	1,733	772	103	3,708
Changes in the scope of consolidation	(1,307)	(184)	(161)	0	(1,652)
Additions	4,327	6,751	4,691	31,532	47,301
Disposals	(8,308)	(49,733)	(15,360)	0	(73,401)
Transfers	26,282	16,714	6,356	(49,618)	(266)
30 April 2019	**243,964**	**318,733**	**103,897**	**14,105**	**680,699**
Accumulated amortisation					
30 April 2018	**(118,168)**	**(276,655)**	**(88,002)**	**(25)**	**(482,850)**
Foreign currency translation	(650)	(1,377)	(407)	0	(2,434)
Changes in the scope of consolidation	1,307	184	161	0	1,652
Scheduled depreciation	(7,406)	(21,489)	(7,229)	0	(36,124)
Disposals	8,310	48,724	14,705	0	71,739
Transfers	14	(527)	521	0	8
30 April 2019	**(116,593)**	**(251,140)**	**(80,251)**	**(25)**	**(448,009)**
Net carrying amount 30 April 2018	**103,702**	**66,797**	**19,597**	**32,063**	**222,159**
Net carrying amount 30 April 2019	**127,371**	**67,593**	**23,646**	**14,080**	**232,690**

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 1,329 (2017/18: TEUR 5,728) for the purchase of property, plant and equipment. These obligations are classified as follows: land and buildings at TEUR 274 (2017/18: TEUR 682), plant and machinery at TEUR 667 (2017/18: TEUR 4,490) and other non-current assets at TEUR 388 (2017/18: TEUR 556).

Construction in progress and prepayments made are classified as follows: land and buildings at TEUR 3,410 (2017/18: TEUR 18,943), plant and machinery at TEUR 9,937 (2017/18: TEUR 13,016) and other non-current assets at TEUR 758 (2017/18: TEUR 128).

2017/18 Financial Year

in TEUR	Land & buildings	Plant & machinery	Other equipment	Construction in progress	Total
Acquisition costs					
30 April 2017	**225,203**	**337,681**	**108,064**	**8,329**	**679,277**
Foreign currency translation	(2,963)	(3,635)	(1,628)	(139)	(8,365)
Additions	10,966	8,247	6,326	36,603	62,142
Disposals	(11,384)	(9,844)	(6,891)	0	(28,119)
Transfers	48	11,003	1,728	(12,705)	74
30 April 2018	**221,870**	**343,452**	**107,599**	**32,088**	**705,009**
Accumulated amortisation					
30 April 2017	**(118,683)**	**(268,809)**	**(88,259)**	**0**	**(475,751)**
Foreign currency translation	1,768	2,907	1,325	0	6,000
Scheduled depreciation	(7,836)	(18,733)	(6,700)	0	(33,269)
Impairment	(3,219)	(1,019)	(107)	(25)	(4,370)
Disposals	9,845	8,999	5,739	0	24,583
Transfers	(43)	0	0	0	(43)
30 April 2018	**(118,168)**	**(276,655)**	**(88,002)**	**(25)**	**(482,850)**
Net carrying amount 30 April 2017	**106,520**	**68,872**	**19,805**	**8,329**	**203,526**
Net carrying amount 30 April 2018	**103,702**	**66,797**	**19,597**	**32,063**	**222,159**

2.6.6.4 Financial assets accounted for at equity

The Zumtobel Group holds investments in two (2017/18: three) 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 2019.

LEXEDIS Lighting GmbH, Austria, is classified at equity in accordance with IAS 28 "Investments in Associates". 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 2018/19 was offset against previous losses. Valuation will be resumed when profits exceed the accumulated losses of TEUR 4,129. A participation right (risk capital) was granted in the past to finance the company, but this right was written off because of the accumulated losses.

Inventron AG, Switzerland, in which the Zumtobel Group holds an investment of 48%, is an associate in the sense of IAS 28 "Investments in Associates" and is accounted for at equity. This company is active in the development and production of lighting and electronics in customer-specific small series.

Key data on the associated companies is shown in the following table:

in TEUR	LEXEDIS Lighting GmbH	Inventron AG
30 April 2019		
Assets	**2,116**	**9,071**
Non-current assets	*0*	*5,527*
Current assets	*2,116*	*3,544*
Liabilities	**3,646**	**956**
Non-current liabilities	*3,500*	*35*
Current liabilities	*146*	*921*
Equity	**(1,530)**	**8,115**
thereof group share	*0*	*3,863*
Revenues	**5,435**	**7,628**
Net profit/loss for the year	**60**	**131**

in TEUR	LEXEDIS Lighting GmbH	Inventron AG
30 April 2018		
Assets	**2,626**	**8,574**
Non-current assets	*0*	*5,110*
Current assets	*2,626*	*3,464*
Liabilities	**4,216**	**642**
Non-current liabilities	*3,500*	*0*
Current liabilities	*716*	*642*
Equity	**(1,589)**	**7,932**
thereof group share	*0*	*3,807*
Revenues	**11,580**	**5,618**
Net profit/loss for the year	**144**	**740**

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

Detailed information on receivables and liabilities due from/to associated companies is provided in note 2.6.15.

Deferred taxes related to investments in associates were not recognised in accordance with IAS 12.39 "Income Taxes".

2.6.6.5 Non-controlling interests

The following companies have non-controlling interests:

Company	Country	Operating Segment	30 April 2019	30 April 2018
Thorn Gulf LCC	UAE	Lighting Segment	51%	51%
ZG Lighting Trading LLC	Qatar	Lighting Segment	51%	51%

Additional contractual agreements give the Zumtobel Group control over Thorn Gulf LCC, UAE, and ZG Lighting Trading LLC, Qatar, in the sense of IFRS 10 "Consolidated Financial Statements". These two companies are therefore included through full consolidation.

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

Balance Sheet	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
in TEUR	30 April 2019			30 April 2018		
Non-current assets	109	42	151	177	75	252
Current assets	6,222	4,645	10,867	6,141	4,255	10,396
Assets	**6,331**	**4,687**	**11,018**	**6,318**	**4,330**	**10,648**
Non-current liabilities	0	2	2	25	0	25
Current liabilities	4,032	3,193	7,225	2,758	2,849	5,607
Equity	2,299	1,492	3,791	3,535	1,481	5,015
Equity and Liabilities	**6,331**	**4,687**	**11,018**	**6,318**	**4,330**	**10,648**
Dividends	(1,678)		(1,678)	(1,392)		(1,392)

Statement of Comprehensive Income	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
in TEUR	2018/19			2017/18		
Revenues	14,350	7,543	21,893	11,483	4,827	16,310
Net profit/loss for the year	168	(91)	77	49	(74)	(25)
thereof due to non-controlling interests	*67*	*(45)*	*22*	*19*	*(37)*	*(18)*
Subtotal other comprehensive income	275	103	378	(505)	(159)	(664)
thereof due to non-controlling interests	*110*	*51*	*161*	*(202)*	*(80)*	*(282)*
Dividends paid to non-controlling interests	(670)		(670)	(557)		(557)

Cash Flow Statement	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total	Thorn Gulf LCC, UAE	ZG Lighting Trading LLC, Qatar	Total
in TEUR	2018/19			2017/18		
Cash flow from operating activities	105	(279)	(174)	(44)	(783)	(827)
Cash flow from investing activities	(4)	0	(4)	(14)	0	(14)
Cash flow from financing activities	(1,682)	0	(1,682)	(1,473)	(71)	(1,544)
Net increase/decrease in cash and cash equivalents	**(1,581)**	**(279)**	**(1,860)**	**(1,531)**	**(854)**	**(2,385)**

2.6.6.6 Financial assets

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

Current financial assets consist primarily of positive market values from hedged positions (TEUR 662; 2017/18: TEUR 1,628).

Detailed information is presented in note 2.6.10.1.

2.6.6.7 Other assets

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

in TEUR	30 April 2019	30 April 2018
Coverage capital for Group life insurance	3,008	3,344
Other	1,137	1,124
Other non-current assets	**4,145**	**4,468**
Prepaid expenses and deferred charges	9,931	10,412
Amounts due from tax authorities	14,229	26,469
Prepayments made	1,308	862
Other	12,098	12,418
Other current assets	**37,566**	**50,161**

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 3,785 (2017/18: TEUR 4,419), receivables of TEUR 676 (2017/18: TEUR 532) from partial retirement in Germany, advance contributions of TEUR 1,284 (2017/18: TEUR 1,188) to pension plans in Switzerland and amounts receivable of TEUR 542 from insurance companies in Austria.

2.6.6.8 Deferred taxes

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

	30 April 2019		30 April 2018	
in TEUR	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Other intangible assets	327	10,480	115	9,517
Property, plant and equipment	5,402	1,720	4,623	1,745
Financial assets	0	16,176	0	26,125
Inventories	2,942	31	2,744	45
Trade receivables	541	704	518	645
Other receivables	17	14,020	10	3,124
Non-current provisions	19,134	3	19,180	3
Other provisions	1,023	583	1,281	600
Trade payables	1,552	97	1,789	133
Loss carryforwards	228,478	0	170,209	0
Deferred tax credits or liabilities	**259,415**	**43,814**	**200,469**	**41,937**
Adjustments to valuation discounts for deferred taxes	(192,697)	0	(136,022)	0
Offset of tax credits and liabilities due from/to the same taxation authority	(41,231)	(41,231)	(38,850)	(38,850)
Deferred taxes	**25,487**	**2,583**	**25,597**	**3,087**

Deferred taxes were not capitalised on loss carryforwards and other temporary differences of TEUR 770,788 (2017/18: TEUR 544,383) because their utilisation is not sufficiently certain. Tax loss carryforwards of TEUR 7,024 (2017/18: TEUR 4,869) will expire within ten years. In agreement with IAS 12.39 "Income Taxes", deferred tax liabilities were not recognised on timing differences related to shares in subsidiaries. The taxes on the difference between the book value for tax purposes and IFRS equity equal TEUR 18,672 (2017/18: TEUR 18,385). 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.

Details on the deferred taxes recorded under other comprehensive income in 2018/19 is provided in note 2.6.5.5.

2.6.6.9 Inventories

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

in TEUR	30 April 2019	30 April 2018
Raw materials	**60,955**	**66,138**
Gross value	*76,236*	*78,916*
Impairment charges	*(15,281)*	*(12,778)*
Work in process	**3,098**	**2,739**
Semi-finished goods	**7,146**	**9,885**
Gross value	*7,990*	*11,081*
Impairment charges	*(845)*	*(1,196)*
Merchandise	**24,540**	**30,915**
Gross value	*30,388*	*36,928*
Impairment charges	*(5,848)*	*(6,013)*
Finished goods	**79,088**	**89,058**
Gross value	*95,916*	*105,880*
Impairment charges	*(16,827)*	*(16,822)*
Inventories	**174,827**	**198,735**

The changes in the valuation adjustments to inventories totalled TEUR -1,990 in 2018/19 (2017/18: TEUR -2,997). The TEUR 1,902 involved valuation adjustments to inventories at the plant in Dornbirn, Austria.

2.6.6.10 Trade receivables

in TEUR	30 April 2019	30 April 2018
Trade receivables gross	**189,261**	**184,608**
Valuation adjustments to receivables	(9,684)	(9,839)
Provision for customer bonuses and discounts	(16,748)	(17,075)
Trade receivables	**162,829**	**157,694**

Details on valuation adjustments are provided in note 2.6.11.1.

The receivables sold through a factoring contract by several Group companies totalled TEUR 72,891 as of 30 April 2019 (2017/18: TEUR 57,938). The amounts received from factoring were deducted from the gross receivables shown in the above table. These receivables were derecognised, since the requirements of IFRS 9.3.2.4 (a) in connection with IFRS 9.3.26 (c) ii were met.

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 869 (2017/18: TEUR 260) are not available for discretionary use. The carrying amount of cash and cash equivalents corresponds to the market value because of the terms of these funds.

2.6.6.12 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 of the present values is as follows:

	Post-employment benefits				Other	
Defined benefit plans as per IAS 19	**Pensions**		**Severance compensation**			
in TEUR	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Beginning balance, net liability	**83,313**	**93,805**	**49,330**	**47,801**	**9,534**	**10,266**
Foreign currency translation & reclassification	1,279	(3,269)	0	0	44	(98)
Reclassifications	0	0	0	0	116	0
Changes recognised through profit or loss	6,597	3,614	2,127	2,196	754	766
thereof service cost	*1,746*	*1,146*	*1,390*	*1,403*	*636*	*684*
thereof past service cost	*2,485*	*0*	*0*	*0*	*0*	*0*
thereof plan reductions and settlements	*0*	*0*	*0*	*54*	*0*	*0*
thereof interest expense	*6,497*	*6,313*	*737*	*739*	*75*	*109*
thereof expected income from plan assets	*(4,131)*	*(3,845)*	*0*	*0*	*0*	*0*
thereof actuarial gain/loss	*0*	*0*	*0*	*0*	*43*	*(27)*
Actuarial gain/loss recognised to other comprehensive income	(4,372)	(2,507)	(1,850)	680	0	0
thereof demographic adjustments	*(6,969)*	*(16)*	*1,591*	*18*	*0*	*0*
thereof financial adjustments	*13,898*	*(11,794)*	*(2,042)*	*(142)*	*0*	*0*
thereof experience-related adjustments	*(11,301)*	*9,303*	*(1,399)*	*804*	*0*	*0*
Payments	(5,065)	(8,330)	(2,128)	(1,347)	(777)	(1,400)
thereof to salaried employees	*(5,065)*	*(8,330)*	*(2,128)*	*(1,347)*	*(777)*	*(1,343)*
Ending balance, net liability	**81,752**	**83,313**	**47,479**	**49,330**	**9,671**	**9,534**

The changes recognised through profit or loss are recorded on the income statement. Interest expense and the expected income from plan assets are reported under "other financial income and expenses", while the remainder is included under operating results. The column "Other" consists mainly of provisions for service anniversary bonuses, partial retirement 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, terminations and the development of the return on plan assets.

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)	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Germany	1.4%	1.8%	-	-	3.0%	3.0%	1.7%	1.6%	1)	1)
Great Britain	2.4%	2.6%	2.4%	2.6%	-	-	3.2%	3.1%	65/65	65/65
Switzerland	0.6%	0.9%	0.6%	0.9%	1.5%	1.5%	-	-	64/65	64/65
Sweden	1.5%	1.8%	-	-	-	-	1.8%	1.8%	65/65	65/65
Austria	1.4%	1.5%	-	-	2.5%	3.0%	-	-	2)	2)
France	1.6%	1.4%	-	-	1.8%	1.5%	-	-	3)	3)
Italy	1.2%	1.7%	-	-	1.5%	1.0%	-	-	60/65	60/65
Serbia	4.8%	5.0%	-	-	3.0%	3.0%	-	-	4)	4)

The interest rates applied to Austria and Germany in 2018/19 were based on the interest curve issued by Mercer (Austria) GmbH.

Furthermore these calculations reflect the mortality and invalidity tables as well as the employee turnover rates applicable to each country. In Austria and Germany, the calculation basis was changed to reflect recently published mortality and invalidity tables (Austria: 2018/19 AVÖ-2018 gem., 2017/18 AVÖ-2008 gem.; Germany: 2018/19 Heubeck Richttafeln 2018 G., 2017/18 Heubeck Richttafeln 2005 G.).

Note 1): Pension obligations 60/65 years and obligations arising from partial retirement 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.

Note 4): The retirement age in Serbia currently equals 65 years for men and 62 years for women. The retirement age for women will be gradually raised to 65 years by 2032.

Pension obligations

The Group companies in Germany, Great Britain, Sweden, 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 obligations remaining after the deduction of plan assets are 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 primarily 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 2046 at the latest 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.

In addition, an adjustment to the pension obligations in Great Britain was required following a decision by the High Court in Great Britain on 26 October 2018 concerning the gender-neutral equalisation of claims from certain pension commitments. The resulting adjustment of TEUR -2,485 to the pension obligations was recognised to profit or loss as a past service cost.

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 is 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 it as 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 584 in 2018/19 (2017/18: TEUR 614). The asset coverage calculated in accordance with Swedish law equalled 144% (2017/18: 152%) 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 carrying amount of the net obligations and net assets is shown below:

in TEUR	30 April 2019	30 April 2018
Obligations not financed through funds	29,989	29,343
Obligations financed through funds	262,893	253,416
Present value of defined benefit obligation (DBO)	**292,882**	**282,759**
Fair value of plan assets	(211,130)	(199,446)
Net liability as per balance sheet	**81,752**	**83,313**

The provision for pensions is classified by country as follows:

in TEUR	30 April 2019	30 April 2018
Germany	28,040	27,369
Great Britain	41,010	45,204
Switzerland	10,754	8,767
Other	1,948	1,973
Net liability as per balance sheet	**81,752**	**83,313**

The change in the present value of the defined benefit obligation (DBO) and the change in plan assets from the beginning to the end of the financial year are as follows:

	2018/19		2017/18	
in TEUR	DBO	Plan assets	DBO	Plan assets
30 April 2018	**282,759**	**199,446**	**309,706**	**215,901**
Foreign currency translation	6,062	4,783	(13,633)	(10,364)
Service cost	1,746	0	1,146	0
Plan reductions and settlements	0	0	0	0
Past service cost	2,485	0	0	0
Interest expense / income	6,497	4,131	6,313	3,845
Actuarial gain/loss recognised to other comprehensive income	2,887	7,259	(11,498)	(8,991)
thereof demographic adjustments	*(6,969)*	*0*	*(16)*	*0*
thereof financial adjustments	*13,898*	*0*	*(11,794)*	*0*
thereof experience-related adjustments	*(4,042)*	*7,259*	*312*	*(8,991)*
Payments	(9,554)	(4,489)	(9,275)	(945)
thereof payments	*(9,554)*	*(4,489)*	*(9,275)*	*(945)*
thereof payments due to settlements	*0*	*0*	*0*	*0*
30 April 2019	**292,882**	**211,130**	**282,759**	**199,446**

The actual payments from the pension plans totalled TEUR 9,554 in 2018/19 (2017/18: TEUR 9,275).

Plan assets comprised the following as of 30 April 2019:

in TEUR	30 April 2019	thereof quoted on an active market
Liquid funds	937	872
Equity instruments	53,798	50,195
Debt instruments	83,016	82,441
Assets held by insurance companies	33,727	0
Other	39,652	37,625
Plan assets	**211,130**	**171,133**

The plan assets resulted in income of TEUR 11,390 (2017/18: expenses of TEUR 5,147).

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

in TEUR	30 April 2019	30 April 2018
Present value	292,882	282,759
Plan assets	(211,130)	(199,446)
Deficit	**81,752**	**83,313**

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 when 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 2019	30 April 2018
Austria	43,537	45,581
France	1,583	1,680
Italy	2,359	2,069
Severance compensation obligation	**47,479**	**49,330**

IAS 19 Reserve

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

in TEUR	Pensions	Severance compensation	Total
30 April 2017	**118,528**	**13,462**	**131,990**
Actuarial gain/loss	(2,507)	680	(1,826)
Foreign currency translation	(5,207)	0	(5,207)
Deferred taxes	418	(169)	249
30 April 2018	**111,233**	**13,973**	**125,205**
Actuarial gain/loss	(4,372)	(1,850)	(6,221)
Foreign currency translation	2,408	0	2,408
Deferred taxes	(607)	(252)	(859)
30 April 2019	**108,662**	**11,871**	**120,533**

Deferred taxes of TEUR -859 (2017/18: TEUR -249) were recorded directly in equity in 2018/19. Deferred taxes were not recognised for IAS 19 differences in Great Britain because their utilisation is not sufficiently certain.

The actuarial gains of TEUR 3,814 recognised in 2018/19 (2017/18: gains of TEUR 7,033) include gains of TEUR 4,372 (2017/18: gains of TEUR 2,507) for pension plans which consist primarily of the following: a gain of TEUR 7,000 (2017/18: gain of TEUR 1,000) in Great Britain as well as losses of TEUR -989 (2017/18: gain of TEUR 968) in Switzerland and TEUR -1,592 (2017/18: gain of TEUR 459) in Germany.

Sensitivity analysis

Effects on the DBO as of 30 April 2019:

	Discount rate		Salary trend		Pension trend	
	0.5%	(0.5)%	0.5%	(0.5)%	0.5%	(0.5)%
Pension plans	(23,509)	25,845	100	(116)	18,663	(16,734)
Severance compensation	(2,758)	3,023	2,875	(2,655)	0	0

Effects on the DBO as of 30 April 2018:

	Discount rate		Salary trend		Pension trend	
	0.5%	(0.5)%	0.5%	(0.5)%	0.5%	(0.5)%
Pension plans	(22,831)	24,059	151	(180)	16,467	(14,367)
Severance compensation	(3,015)	3,204	2,366	(2,221)	0	0

Weighted average term of the obligation in years

	30 April 2019	30 April 2018
Pension plans	14	15
Severance compensation	14	13

In 2019/20 the contributions to pension plans are expected to total TEUR 5,246 and severance compensation payments are expected to equal TEUR 1,152.

Other long-term employee benefits

These obligations totalled TEUR 9,671 in 2018/19 (2017/18: TEUR 9,534) and consisted mainly of the following provisions: TEUR 7,559 (2017/18: TEUR 6,991) for service anniversary bonuses in Austria, TEUR 657 (2017/18: TEUR 1,052) for partial retirement in Germany, TEUR 943 (2017/18: TEUR 1,057) for special leave in Australia and TEUR 512 (2017/18: TEUR 434) for legally required profit sharing and bonus payments for long-standing service in France.

2.6.6.13 Defined contribution obligations

Defined contribution payments of TEUR 4,579 to various pension plans were made by various group companies in 2018/19 (2017/18: TEUR 5,692). This amount also includes payments made in Austria based on the amended severance compensation regulations ("Abfertigung neu").

2.6.6.14 Other provisions

2018/19 Financial Year

in TEUR	Guarantees	Restructuring	Legal proceedings	Onerous contracts	Other	Total
30 April 2018	**23,741**	**10,519**	**993**	**97**	**13,363**	**48,713**
Addition	8,144	7,138	1,027	73	15,767	32,149
Utilisation	(3,487)	(9,441)	(371)	(69)	(7,629)	(20,997)
Reversal	(5,926)	(533)	(18)	0	(1,267)	(7,744)
Transfer	0	(9)	400	9	(400)	0
Foreign currency translation	190	54	3	2	49	298
30 April 2019	**22,662**	**7,728**	**2,034**	**112**	**19,883**	**52,419**
thereof current	*13,094*	*7,728*	*2,034*	*112*	*18,871*	*41,839*
thereof non-current	*9,568*	*0*	*0*	*0*	*1,012*	*10,580*

Other current provisions include, among others, 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 10,482 (2017/18: TEUR 13,183) for individual items as well as experience-based provisions of TEUR 2,612 (2017/18: TEUR 2,859) for cases not recognised individually or not known. These provisions are created for cases not recognised individually or not known in connection with the voluntary extension of the guarantee to five years for Zumtobel products sold in the EU or EFTA countries. The respective calculations include the application of separate percentage rates for the various product groups to product revenues for the respective period. In addition, provisions of TEUR 9,568 (2017/18: TEUR 7,698) were recognised for guarantee commitments in connection with road lighting projects in Great Britain.

Provisions for restructuring
The decline in the provisions for restructuring resulted from the restructuring measures which are described in note 2.6.4.3 and were still in progress as of 30 April 2019.

Provisions for legal proceedings
As of 30 April 2019, the provisions for legal disputes were related primarily to legal expenses for ZG Lighting France S.A., France.

Onerous contracts
This provision is related to leases for buildings which are no longer used as a result of the restructuring.

2.6.6.15 Financial liabilities

in TEUR	30 April 2019	30 April 2018
Loans from financial institutions	40,111	40,415
Finance leases	1,019	946
Loans from public authorities	122	812
Loans from other third parties	1,767	1,207
Working capital credits	16,858	12,384
Current borrowings	**59,877**	**55,763**
Loans from financial institutions	105,604	155,605
Finance leases	16,063	16,736
Loans from public authorities	3,868	2,697
Loans from other third parties	632	618
Non-current borrowings	**126,167**	**175,656**
Borrowings	**186,044**	**231,419**

The consortium credit agreement concluded on 1 December 2015 with seven banks represents a major financing agreement for the Zumtobel Group. It has a term ending in November 2022 and a maximum line which currently equals EUR 200 million. As of the balance sheet date on 30 April 2019, the amount drawn under this credit agreement totalled EUR 25 million.

In addition to the consortium credit agreement, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025. A short-term bilateral credit agreement with a volume of EUR 40 million and a term ending in January 2020 was also concluded. All of these facilities were fully drawn as of 30 April 2019 (also see note 2.6.9 Capital management).

2.6.6.16 Finance leases

2018/19 Financial Year

in TEUR	Minimum lease payments Future payments < 1 year	1 - 5 years	> 5 years	Total Liability	Net carrying amount assets
Total minimum lease payments	**2,623**	**10,545**	**14,468**	**27,636**	**6,853**
Less: finance charge = Interest expense	1,600	5,491	3,459	10,550	
Present value of net minimum lease payments	**1,023**	**5,054**	**11,009**	**17,086**	

2017/18 Financial Year

in TEUR	Minimum lease payments Future payments < 1 year	1 - 5 years	> 5 years	Total Liability	Net carrying amount assets
Total minimum lease payments	2,590	10,063	17,019	29,672	7,561
Less: finance charge = Interest expense	1,644	5,758	4,588	11,990	
Present value of net minimum lease payments	**946**	**4,305**	**12,431**	**17,682**	

There are no conditional lease payments for finance leases.

A GBP 15.7 million finance lease was concluded for the plant building in Spennymoor, Great Britain, during 2008/09. 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 17,081 as of 30 April 2019 auf (2017/18: TEUR 17,682). The year-on-year change in the net present value of the minimum lease payments resulted primarily from foreign exchange translation effects.

In 2018/19, the Zumtobel Group made lease payments of TEUR 2,494 (2017/18: TEUR 2,161) with a net present value of TEUR 852 (2017/18: TEUR 487).

2.6.6.17 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 subleases and payments from leases and sub-leases that were recognised to profit or loss:

in TEUR	30 April 2019	30 April 2018
not exceeding 1 year	15,430	14,773
1 to 5 years	25,714	30,088
more than 5 years	3,143	1,697
Future net minimum lease payments to third parties	**44,287**	**46,558**

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 item and contract.

Minimum lease payments of TEUR 22,412 were made in 2018/19 (2017/18: TEUR 17,636).

The Zumtobel Group concluded an operating lease with an external lessee for the discontinued lighting plant in Romania, which began on 1 May 2010. This lease has a term ending on 31 December 2021 and an extension option for a further five years.

in TEUR	30 April 2019	30 April 2018
not exceeding 1 year	492	492
1 to 5 years	820	1,312
more than 5 years	0	0
Future minimum lease payments from third parties	**1,312**	**1,804**

2.6.6.18 Other liabilities

The components of other current liabilities are as follows:

in TEUR	30 April 2019	30 April 2018
Vacations, comp. in free time, special payments to employees	41,979	38,764
Amounts due to employees	8,163	8,430
Miscellaneous taxes	15,618	29,017
Social security	5,571	5,749
Prepayments received	27,434	14,615
Accrued interest	93	97
Deferred income	3,613	3,748
Derivatives (hedge accounting)	3,992	3,825
Derivatives held for trading	175	221
Customs	2,696	2,082
Other liabilities	7,398	7,421
Other current liabilities	**116,732**	**113,969**

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

The Zumtobel Group received a government grant of TEUR 1,500 for the new plant in Serbia during the previous financial year. This grant is included under deferred income.

The decrease in other non-current liabilities from TEUR 2,544 to TEUR 634 resulted chiefly from the reduction of the incentive programme.

2.6.7 Notes to the Cash Flow Statement

Cash flow was determined on a monthly basis in accordance with the indirect method. The resulting monthly cash flows are translated at the average monthly exchange rate and then aggregated, while the balance sheet positions are translated at the exchange rate in effect on the closing date. This procedure leads to currency translation differences, above all in individual positions under cash flow from operating activities, and thereby also to significant differences in comparison with the change in the respective balance sheet positions.

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.

Cash flow from operating results rose from TEUR 53,535 in the previous financial year to TEUR 56,753 in 2018/19, above all due to the improvement in profitability.

Working capital was further optimised during the reporting year based on strict inventory management as well as an increase in advance payments received. Trade receivables were broadly stable at the prior year level due to consistent receivables management, compared with a reduction in 2017/18 that resulted from the decline in revenues and the expansion of factoring. The receivables sold through factoring agreements totalled TEUR 72,891 as of 30 April 2019 (2017/18: TEUR 57,938). Working capital amounted to TEUR 172,824 as of 30 April 2019, which represents a reduction of TEUR 15,323 compared with the balance on 30 April 2018. As a per cent of rolling 12-month revenues, working capital fell from 15.7% in the previous year to 14.9%. The change in other operating positions equalled TEUR 6,670 (2017/18: TEUR -16,848). The high cash outflows reported under this position in the previous year resulted, above all, from the use of provisions for restructuring and bonuses. Similarly high payments were not made in 2018/19. Cash flow from operating activities increased from TEUR 49,706 to TEUR 72,704 during the reporting year.

Cash flow from investing activities consists mainly of investments in various production facilities and also includes investments in tools for new products, expansion projects, maintenance and capitalised research and development costs. Investments in non-current assets reflected the previous year at TEUR 66,240 in 2018/19 and included investments of TEUR 21,663 (2017/18: TEUR 17,386) for the new plant in Serbia and TEUR 26,988 for the facilities in Dornbirn (including capitalised research and development costs). The cash flow effects reported under the "changes in non-current and current financial assets" resulted from chiefly from gains and losses realised on interest rate hedges. The increase in cash flow from operating activities and the reduction in investment activity were reflected in an improvement in free cash flow to TEUR 3,414 (2017/18: TEUR -23,897).

Cash flow from financing activities consists primarily of the replacement and refinancing of a TEUR 40,000 fixed-interest loan with a term ending in 2024 as well as a reduction in the draw-down from the consortium credit agreement. In view of the substantial deterioration in operating results during 2017/18 and the balance sheet profit of EUR 0 as of 30 April 2018, no dividends were paid to shareholders in 2018/19 – in contrast to the previous year.

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 cash and cash equivalents.

2.6.7.1 Reconciliation to cash and cash equivalents

in TEUR	30 April 2019	30 April 2018
Liquid funds	37,332	85,090
Not available for disposal	(869)	(260)
Overdrafts	(16,858)	(12,384)
Cash and cash equivalents	**19,605**	**72,446**

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

2.6.7.2 Reconciliation to financial liabilities

in TEUR	Loans received (non-current and current)	Overdrafts	Total	Finance leases (non-current and current)	Total Borrowings
30 April 2018	**213,737**	**(12,384)**	**201,353**	**17,682**	**219,035**
Cash proceeds from non-current and current borrowings			81,525		81,525
Cash repayments of non-current and current borrowings			(131,064)	(1,083)	(132,147)
Effect of changes in foreign exchange rates			(120)	482	364
Other changes			410		410
30 April 2019	**168,962**	**(16,858)**	**152,104**	**17,082**	**169,186**

in TEUR	Loans received (non-current and current)	Overdrafts	Total	Finance leases (non-current and current)	Total Borrowings
30 April 2017	**153,875**	**(3,772)**	**150,103**	**18,931**	**169,034**
Cash proceeds from non-current and current borrowings			56,262		56,262
Cash repayments of non-current and current borrowings			(15,865)	(137)	(16,002)
effect of changes in foreign exchange rates			10,750	(1,112)	9,638
Other changes			103		103
30 April 2018	**213,737**	**(12,384)**	**201,353**	**17,682**	**219,035**

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 AT0000837307. 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% 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, i.e. up to 30 August 2019. 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 43,146,657 shares were outstanding as of 30 April 2019 (2017/18: 43,146,657). The company holds 353,343 treasury shares (2017/18: 353,343).

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.

2.6.8.3 Reserves

Other reserves
This position includes profit carried forward, profit for the year and the reserve from the expired stock option programme.

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 GBP, USD and AUD, which are classified as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (also see notes 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.

IAS 19 reserve

Additional information on the IAS 19 reserve is provided in note 2.6.6.12.

2.6.8.4 Dividend

The annual general meeting on 27 July 2018 waived the payment of a dividend for the 2017/18 financial year. Consequently, there was no distribution of profit based on 2 August 2018 to the 43,146,657 shares (43,500,000 shares less 353,343 treasury shares) outstanding as of 31 July 2018.

In view of the weak operating development a dividend is not planned for the 2018/19 financial year.

2.6.9 Capital Management

The goals of capital management in the Zumtobel Group are to protect the continued existence of its member companies ("going concern") and to optimise the return for shareholders by creating the best possible balance between 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 in or reduction of financial liabilities as well as dividend payments, new issues and share buybacks.

The financial framework for the Group's actions is defined, above all, by the consortium credit agreement concluded on 1 December 2015 with seven banks, which has a term extending to November 2022 and a maximum line of EUR 200 million. As of 30 April 2019, the amount drawn by the Zumtobel Group under this credit agreement totalled EUR 25 million. The consortium credit agreement also contains a clause for an increase in the volume by up to EUR 200 million, which can be drawn under certain circumstances. In addition, the Zumtobel Group concluded two long-term credit agreements of EUR 40 million each with the European Investment Bank (EIB). The related contracts call for bullet repayment and have terms ending in September 2024, respectively February 2025; both credits were fully drawn as of 30 April 2019. The consortium credit agreement as well as the credit agreements with the European Investment Bank (EIB) include change of control clauses that would take effect if there were a change in the absolute majority of voting rights. The Zumtobel Group concluded a further short-term bilateral credit agreement with a bank, which has a volume of EUR 40 million and a term ending in January 2020; this credit is also fully drawn. The consortium credit agreement 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 2019 with a debt coverage ratio of 2.66 (2017/18: 2.70) and an equity ratio of 28.5% (2017/18: 27.2%). 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.

2.6.10 Financial Instruments

2.6.10.1 Categories of financial instruments as defined in IFRS 9

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as well as their classification in the fair value hierarchy.

2018/19 Financial Year

Assets

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current financial assets	993	577	416				
Securities and similar rights	*577*	*577*	*-*	*577*			577
Loans originated and other receivables	*416*	*-*	*416*				
Current financial assets	700	662	38				
Loans originated and other receivables	*38*	*-*	*38*				
Positive market values of derivatives held for trading	*662*	*662*	*-*	662		662	
Trade receivables	162,829	-	162,829				
Liquid funds	37,332	-	37,332				
Total	**201,854**	**1,239**	**200,615**				

Liabilities

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current borrowings	126,167	-	126,167				
Loans received	*110,104*	*-*	*110,104*	*111,326*			
Finance leases	*16,063*	*-*	*16,063*				
Other non-current liabilities	338	338	-	*338*			338
Current borrowings	59,877	-	59,877				
Loans received	*58,858*	*-*	*58,858*	*59,332*			
Finance leases	*1,019*	*-*	*1,019*				
Trade payables	137,397	-	137,397				
Other current liabilities	4,260	4,167	93				
Negative market values of derivatives held for trading	*175*	*175*	*-*	*175*		*175*	
Negative market values of derivatives (hedge accounting)	*3,992*	*3,992*		*3,992*		*3,992*	
Other	*93*	*-*	*93*				
Total	**328,039**	**4,505**	**323,534**				

The table does not include any information on the fair value of financial assets and financial liabilities that are not carried at fair value when the carrying amount represents an approximation of fair value.

Financial liabilities are carried at amortised cost, with the exception of derivatives and the obligation arising from the call/put option for the acquisition of the 40% minority interest in acdc (other non-current liabilities).

In the Zumtobel Group, the calculation of fair value is based primarily on input factors which, for the most part, are observable on the market (Level 2). The fair value 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 observable market-based input factors. These valuations reflect the Level 2 criteria. The Level 2 financial instruments comprise the derivatives reported under financial assets and financial liabilities (positive market values: TEUR 662; 2017/18: TEUR 1,628; negative market values: TEUR -4,167; 2017/18: TEUR -4,046). 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 other non-current liabilities of TEUR 338 (2017/18: TEUR 355) represent obligations arising from the call/put option for the purchase of the remaining 40% of acdc in 2020. The purchase price for the remaining interest is linked to the future development of acdc's revenues, whereby the valuation of the obligation is based on acdc's forecasted revenues.

The consolidated financial statements also include an immaterial amount of financial instruments whose valuation is not based on quoted prices or input factors that can be observed on the market (Level 3). Most of these financial instruments represent smaller investments in various companies. There were no major year-on-year changes in the composition of these financial instruments. Dividends of TEUR 16 were received during the reporting year (2017/18: TEUR 22).

2017/18 Financial Year

Assets

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current financial assets	1,012	577	435				
Securities and similar rights	*577*	*577*	*-*	*577*			*577*
Loans originated and other receivables	*435*	*-*	*435*				
Current financial assets	1,664	1,628	36				
Loans originated and other receivables	*36*	*-*	*36*				
Positive market values of derivatives held for trading	*1,628*	*1,628*	*-*	1,628		*1,628*	
Trade receivables	157,694	-	157,694				
Liquid funds	85,090	-	85,090				
Total	**245,460**	**2,205**	**158,165**				

Liabilities

in TEUR	Carrying amount	Accounting at fair value	Accounting at amortized cost	Fair value	Level 1	Level 2	Level 3
Non-current borrowings	175,656	-	175,656				
Loans received	158,920	*-*	*158,920*	*160,093*			
Finance leases	16,736	*-*	*16,736*				
Other non-current liabilities	355	355	-	355			355
Current borrowings	55,763	-	55,763	-			
Loans received	54,817	*-*	*54,817*	*55,085*			
Finance leases	946	*-*	*946*	*-*			
Trade payables	153,758	-	153,758	-			
Other current liabilities	4,143	4,046	97				
Negative market values of derivatives held for trading	221	*221*	*-*	*221*		*221*	
Negative market values of derivatives (hedge accounting)	3,825	*3,825*	*-*	*3,825*		*3,825*	
Other	*97*	*-*	*97*				
Total	**389,675**	**4,401**	**385,274**				

2.6.10.2 Income / expense on financial instruments (IFRS 9 categories)

in TEUR	2018/19	2017/18
Net gains or net losses	**(3,153)**	**(6,352)**
Financial instruments measured at amortised cost	*(1,977)*	*(7,081)*
Financial instruments at fair value through P&L	*(618)*	*3,129*
Net investment hedge – ineffective portion of changes in fair value	*(230)*	*1,080*
Realised gains/losses from the hedge of a net position	*(303)*	*(290)*
Losses on sale/Impairment	*(25)*	*(3,190)*
Interest expense	**(6,879)**	**(6,855)**
Interest expense for financial assets measured at amortised cost	*(6,379)*	*(5,959)*
Interest expense hedge accounting	*(500)*	*(896)*
Interest income	**396**	**420**
Interest income at amortised cost	*396*	*420*
Interest income hedge accounting	*0*	*0*
Valuation adjustments to trade receivables	**(257)**	**175**

Other financial income and expenses (TEUR -6,331; 2017/18: TEUR -9,666) includes the net income or expense from these instruments (TEUR -3,153; 2017/18: TEUR -6,352) as well as the interest component as defined in IAS 19 "Employee Benefits" after the deduction of income on plan assets (TEUR -3,178; 2017/18: TEUR -3,314).

The main components of the position "losses on sale/impairment" in 2017/18 include the results of TEUR 699 from the sale of an equity-accounted company and an impairment loss of TEUR 2,000 to a financial receivable due from an formerly associated company.

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

2.6.11 Information on Risk Management

The use of financial instruments exposes the Zumtobel Group, in particular, 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. Losses on receivables, i.e. derecognised receivables, totalled 0.12% of Group revenues in 2018/19 (2017/18: 0.07%). In 2018/19, no individual external customer was responsible for more than 10% of Group revenues.

The Group has arranged for credit insurance to cover the default risk on specific trade receivables, and an application for coverage is required for 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 2019. 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 developed as follows:

in TEUR	30 April 2019	30 April 2018
Beginning balance	**9,839**	**10,764**
IFRS 9 first time adoption	(377)	0
Foreign currency translation	253	(240)
Addition	2,233	2,357
Utilisation	(1,028)	(1,563)
Reversal	(1,236)	(1,479)
Ending balance	**9,684**	**9,839**

Individual valuation adjustments were recognised in connection with possible default cases. These individual charges are based on the classification of receivables into doubtful and non-doubtful. The allowances for non-doubtful receivables are calculated on the basis of a six-step risk class model which includes empirically developed default probabilities. Insured receivables are deducted from the basis for the calculation of impairment allowances, whereby the deductible from the credit insurance is taken into account.

Probability of default per risk class in %		Trade receivables gross	insured	uninsured & retention	Impairment
Debtor risk class 1	0.12%	25,646	23,015	8,383	(10)
Debtor risk class 2	0.33%	49,349	45,591	15,156	(50)
Debtor risk class 3	0.73%	57,010	45,547	22,850	(166)
Debtor risk class 4	1.67%	36,344	20,953	20,691	(346)
Debtor risk class 5	7.31%	3,805	1,572	3,019	(221)
Debtor risk class 6	15.00%	7,382	4,689	4,028	(604)
Public authority	0.00%	9,725	219	0	0
Total		**189,261**	**141,586**	**74,127**	**(1,397)**

The age structure of trade receivables is shown below:

in TEUR	30 April 2019	30 April 2018
Not yet due	171,127	159,557
Overdue 1-60 days	9,346	15,232
Overdue 61-90 days	500	1,679
Overdue 91-120 days	416	1,005
Overdue 121-180 days	756	610
Overdue > 180 days	7,116	6,525
Total	**189,261**	**184,608**

The nominal value of trade receivables included TEUR 7,794 (2017/18: TEUR 7,839) that were classified as doubtful. These doubtful receivables were written off in full.

>> Liquid funds, securities, derivatives and other financial assets
The Zumtobel 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 201,854 as of 30 April 2019 (2017/18: TEUR 245,460). This amount consists primarily of trade receivables and liquid funds (also see note 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 credit lines 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 2019 liquidity was secured by the consortium credit agreement and three other credit agreements (see note 2.6.6.15) as well as short-term unsecured lines of credit totalling TEUR 61,373 (2017/18: TEUR 84,479). 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 2019 will result in the following payments.

30 April 2019

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	186,044	201,902	63,898	123,536	14,468
Loans from financial institutions	*145,715*	*150,927*	*41,358*	*109,569*	*0*
Loans from public authorities	*3,990*	*4,059*	*637*	*3,422*	*0*
Loans from other third parties	*2,399*	*2,422*	*2,422*	*0*	*0*
Finance leases	*17,082*	*27,636*	*2,623*	*10,545*	*14,468*
Working capital credits	*16,858*	*16,858*	*16,858*	*0*	*0*
Trade payables	137,397	137,397	137,397	0	0
Other liabilities	117,366	117,371	116,965	406	0
Derivatives held for trading	*175*	*194*	*194*	*0*	*0*
thereof outflows of forward exchange contracts		*47,669*	*47,669*	*0*	*0*
thereof inflows of forward exchange contracts		*47,475*	*47,475*	*0*	*0*
thereof conditional derivatives (options)		*0*	*0*	*0*	*0*
Derivatives (hedge accounting)	*3,992*	*3,978*	*3,910*	*68*	*0*
Other financial instruments	*431*	*431*	*93*	*338*	*0*
Liabilities Non-FI	*112,768*	*112,768*	*112,768*	*0*	*0*
Liquidity risk	**440,807**	**456,670**	**318,260**	**123,942**	**14,468**

30 April 2018

in TEUR	Carrying amount	Total	Contractual cash flow < 1 year	1 - 5 years	> 5 years
Borrowings	231,419	251,562	59,142	175,401	17,019
Loans from financial institutions	*196,018*	*204,072*	*42,105*	*161,967*	*0*
Loans from public authorities	*3,509*	*3,568*	*836*	*2,732*	*0*
Loans from other third parties	*1,826*	*1,866*	*1,227*	*639*	*0*
Finance leases	*17,682*	*29,672*	*2,590*	*10,063*	*17,019*
Working capital credits	*12,384*	*12,384*	*12,384*	*0*	*0*
Trade payables	153,758	153,758	153,758	0	0
Other liabilities	116,513	120,217	113,627	6,590	0
Derivatives held for trading	*221*	*269*	*269*	*0*	*0*
thereof outflows of forward exchange contracts		*37,112*	*37,112*	*0*	*0*
thereof inflows of forward exchange contracts		*36,851*	*36,851*	*0*	*0*
thereof conditional derivatives (options)		*8*	*8*	*0*	*0*
Derivatives (hedge accounting)	*3,825*	*7,481*	*1,246*	*6,235*	*0*
Other financial instruments	*452*	*452*	*97*	*355*	*0*
Liabilities Non-FI	*112,015*	*112,015*	*112,015*	*0*	*0*
Liquidity risk	**501,689**	**525,537**	**326,527**	**181,991**	**17,019**

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

30 April 2019			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Financial assets	662	662	662	0	0
Derivatives held for trading	*662*	*662*	*662*	*0*	*0*
thereof outflows of forward exchange contracts		*87,497*	*87,497*	*0*	*0*
thereof inflows of forward exchange contracts		*88,159*	*88,159*	*0*	*0*
thereof conditional derivatives (options)		*0*	*0*	*0*	*0*

30 April 2018			Contractual cash flow		
in TEUR	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Financial assets	1,628	1,819	1,819	0	0
Derivatives held for trading	*1,628*	*1,819*	*1,819*	*0*	*0*
thereof outflows of forward exchange contracts		*88,147*	*88,147*	*0*	*0*
thereof inflows of forward exchange contracts		*89,929*	*89,929*	*0*	*0*
thereof conditional derivatives (options)		*37*	*37*	*0*	*0*

No securities were pledged as collateral.

2.6.11.3 Market risk

Market risk represents 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 the 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 a future change in cash flows from variable interest items. 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 25,000) is considered long-term because of its maturity date on 30 November 2022. However, this credit carries a variable interest rate (EURIBOR-based money market rate). The two bilateral long-term loans (TEUR 40,000 each), which have terms ending in September 2024, respectively February 2025, also carry variable interest rates (EURIBOR-based money market rates). A third bilateral loan with a volume of TEUR 40,000 has a fixed interest rate and is therefore not exposed to interest rate risk.

In order to reduce the interest rate risk associated with the variable interest credit agreements, EUR-interest rate swaps were concluded with various banks – under the assumption that the average outstanding balance would equal at least TEUR 80,000 – for a current effective nominal volume of TEUR 40,000. These interest rate instruments are structured over various terms (up to June 2021 at the latest) and convert the variable interest payments on the financing into fixed interest payments with a maximum rate of 1.446%. The EUR-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).

Nominal currency	Nominal value in 1,000 local currency	Fair value in TEUR 2018/19	Fair value in TEUR 2017/18
EUR	40,000	(211)	(580)
CHF	21,228	(3,781)	(3,245)
Negative market values of interest rate hedging instrument (hedge accounting)		**(3,992)**	**(3,825)**

As in the previous year, the nominal amount of the EUR-CHF cross currency swap was amortised by TCHF 2,000 with recognition through profit or loss at the historical exchange rate of 1.4364 (TEUR 1,392).

>> 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 2019	30 April 2018
Borrowings	(63,558)	(103,417)
Fixed rate instruments	**(63,558)**	**(103,417)**
Financial assets	1,693	2,676
Liquid funds	37,332	85,090
Borrowings	(122,486)	(128,002)
Variable rate instruments	**(83,461)**	**(40,236)**
Total	**(147,019)**	**(143,653)**

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 718 (2017/18: TEUR 325) in interest income or interest expense on the income statement.. Since fixed-interest financial liabilities are carried at amortised cost, an increase or decrease in the interest rate would not lead to any valuation effects on the income statement or in equity.

For the derivatives concluded to hedge interest rates, a change of 100 basis points in the interest rate over a period of one year would result in an opposite change of TEUR 119 (2017/18: TEUR 299).

Foreign exchange risk

Foreign exchange risk represents the risk that changes in exchange rates can lead to fluctuations in the value of financial instruments. This risk occurs when business transactions are carried out in a different currency than the functional (local) currency of the involved company.

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 options are also used in selected cases. Translation risks are not hedged.

The Group's main currencies are the EUR, USD, CHF, GBP, AUD, NOK and SEK.

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's point of view. The calculations cover all financial instruments reported on the balance sheet as of 30 April 2019 (including internal financial instruments).

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 respective foreign currency as of 30 April 2019 would have had the following effect on profit after tax and equity based on the most important currency pairs. All other variables (above all interest rates) were held constant for the analysis. The effects on equity are related to long-term Group loans.

	EUR decrease of 10%		EUR increase of 10%	
in TEUR	Profit or loss	Equity	Profit or loss	Equity
EUR - GBP	(5,819)	(6,388)	5,819	6,388
EUR - USD	516	(401)	(516)	401
EUR - CNY	215	(111)	(215)	111

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

in TEUR	Fair value	EUR decrease of 10%	EUR increase of 10%
EUR - USD	72	1,027	(933)
EUR - CHF	372	(1838)	1,671
EUR - GBP	14	(1,851)	1682
EUR - AUD	6	(164)	149
EUR - NOK	13	(360)	327
EUR - SEK	28	(128)	117

Raw material price risk

The most important raw materials used by the Zumtobel Group are aluminium, steel and plastic granulate. Fixed-term supply contracts are concluded wherever possible to minimise the risks arising from unexpected price fluctuations.

2.6.12 Segment Reporting

2.6.12.1 Operating segments

The Zumtobel Group has two operating segments which form the basis for corporate management: the Lighting Segment and the Components Segment. Each segment has its own global product portfolio, sales and production organisation. In the Lighting Segment, the company is one of the European market leaders with its Thorn and Zumtobel brands. The components brand Tridonic forms the basis for the Group's leading role in the production of hardware and software for lighting systems (LED light sources, LED drivers, sensors and lighting systems management).

The focus of both segments, the Lighting Segment and the Components Segment, is clearly based on applications. The Indoor Division includes applications for industry (incl. logistics, halls and car parks), offices, education and health (incl. hospitals, schools and universities) as well as the retail trade, supermarkets, art & culture and exhibition areas (incl. gastronomy). The Outdoor Division addresses applications for roads, tunnels, sport facilities and exterior lighting for public areas, including facade lighting which is covered by the acdc brand. The Service Division bundles all project and software-oriented services under a single roof. This application-based orientation determines the form of the product portfolio and extends into the sales organisation.

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 56 (2017/18: TEUR -273) for the Lighting Segment. The remaining financial results and taxes are not allocated to a specific segment.

Depreciation for the reporting year includes TEUR -3.417 (2017/18: TEUR -11,702) of impairment losses, whereby TEUR 0 (2017/18: TEUR -2,048) are attributable to the Components Segment and TEUR -3,417 (2017/18: TEUR -9,654) to the Lighting Segment. The elimination of inter-segment revenues is included in the reconciliation column.

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	2018/19	2017/18	2016/17	2018/19	2017/18	2016/17	2018/19	2017/18	2016/17	2018/19	2017/18	2016/17
Net revenues	**873,685**	**908,315**	**999,899**	**348,304**	**352,733**	**377,245**	**(59,972)**	**(64,532)**	**(73,260)**	**1,162,017**	**1,196,516**	**1,303,884**
External revenues	*869,811*	*908,155*	*999,627*	*292,178*	*288,310*	*304,226*	*30*	*51*	*31*	*1,162,017*	*1,196,516*	*1,303,884*
Inter-company revenues	*3,875*	*160*	*272*	*56,126*	*64,423*	*73,019*	*(60,001)*	*(64,583)*	*(73,291)*	*0*	*0*	*0*
Adjusted EBIT	**21,141**	**9,443**	**53,472**	**25,399**	**31,375**	**39,630**	**(18,902)**	**(21,163)**	**(20,698)**	**27,638**	**19,655**	**72,404**
Special effects	(16,954)	(21,602)	(28,904)	(7,500)	(3,056)	2,632	(515)	(2,292)	(341)	(24,969)	(26,951)	(26,613)
Operating profit/loss	**4,543**	**(12,160)**	**24,568**	**17,899**	**28,319**	**42,262**	**(19,772)**	**(23,455)**	**(21,039)**	**2,670**	**(7,296)**	**45,791**
Investments	**35,864**	**49,889**	**26,425**	**26,352**	**12,720**	**13,015**	**4,911**	**14,493**	**5,761**	**67,127**	**77,103**	**45,201**
Depreciation	**(36,331)**	**(41,633)**	**(36,190)**	**(12,557)**	**(12,406)**	**(19,532)**	**(4,273)**	**(7,416)**	**(4,718)**	**(53,161)**	**(61,456)**	**(60,440)**

	Lighting Segment			Components Segment			Reconciliation			Group		
in TEUR	30 April 2019	30 April 2018	30 April 2017	30 April 2019	30 April 2018	30 April 2017	30 April 2019	30 April 2018	30 April 2017	30 April 2019	30 April 2018	30 April 2017
Assets	634,848	646,377	690,327	182,295	173,640	172,920	103,767	166,089	156,382	920,910	986,106	1,019,629

	Lighting Segment			Components Segment			Reconciliation			Group		
	30 April 2019	30 April 2018	30 April 2017	30 April 2019	30 April 2018	30 April 2017	30 April 2019	30 April 2018	30 April 2017	30 April 2019	30 April 2018	30 April 2017
Headcount (full-time equivalent)	3,933	4,325	4,767	1,778	1,690	1,590	167	209	205	5,878	6,224	6,562

The reconciliation column comprises the following:

in TEUR	2018/19	2017/18
Group parent companies	(20,272)	(23,852)
Group entries	500	397
Operating profit/loss	**(19,772)**	**(23,455)**

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 2019	30 April 2018
Assets used by more than one segment	86,754	148,108
Group parent companies	43,399	48,664
Group entries	(26,386)	(30,683)
Assets	**103,767**	**166,089**

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

2.6.12.2 Regional segments

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

	External revenues		Assets	
in TEUR	2018/19	2017/18	30 April 2019	30 April 2018
D/A/CH	355,861	357,698	451,820	466,398
thereof Austria	*93,918*	*94,403*	*364,819*	*401,380*
Northern Europe	250,687	271,796	92,854	104,385
Southern Europe	178,239	178,885	40,387	39,978
Benelux & Eastern Europe	173,639	182,839	75,393	55,032
Middle East & Africa	58,479	55,282	15,332	14,362
Asia & Pacific	120,856	120,365	61,222	56,881
Americas	24,256	29,650	10,124	10,297
Reconciliation		0	173,778	238,772
Total	**1,162,017**	**1,196,516**	**920,910**	**986,106**

Reconciliation of regions:

in TEUR	30 April 2019	30 April 2018
Assets used by more than one segment	171,492	234,817
Group entries	2,286	3,955
Assets	**173,778**	**238,772**

2.6.13 Contingent Liabilities and Guarantees

The Zumtobel Group has issued bank guarantees totalling TEUR 7,233 (30 April 2018: TEUR 7,331) for various liabilities.

A contingent liability was recorded in connection with the sale of the Les Andeleys plant in France during the previous financial year, which led to the establishment of Europhane SAS, France. The liability risk is not considered probable at the present time. A reliable estimate of a possible liability is not possible based on the currently available information.

2.6.14 Subsequent Events

No subsequent events occurred after the balance sheet date on 30 April 2019.

2.6.15 Related Party Transactions

Closely related persons are persons in key positions at Zumtobel Group AG (active members of the Management Board and Supervisory Board of Zumtobel Group AG) and their close family relatives. In 2018/19, the fees for consulting services provided by management in key positions totalled TEUR 90. The sale of goods to management in key positions resulted in revenues of TEUR 5. The members of the Supervisory Board received remuneration totalling TEUR 420. No loans or advances were granted to management in key positions. The members of management in key positions take on functions in other companies which allow them to exercise control or significant influence over the respective company's financial and business policies. Transactions with these companies amounted to TEUR 738 in 2018/19. No transactions were carried out with unconsolidated companies or owners.

The Group has concluded supply and delivery agreements with associated companies (also see note 2.6.6.4), which reflect third party conditions. Revenues from the sale of materials and services to associated companies totalled TEUR 5,960 in 2018/19 (2017/18: TEUR 10,446), and the expenses for products purchased from associated companies equalled TEUR 16,390 (2017/18: TEUR 39,715). Trade receivables due from associated companies amounted to TEUR 592 as of 30 April 2019 (2017/18: TEUR 1,182) and trade payables equalled TEUR 130 (2017/18: TEUR 3,627). No trade receivables due from associated companies were derecognised due to failed collection in 2018/19, and no receivables due from associated companies were classified as uncollectible as of 30 April 2019.

As of 30 April 2019 a financial liability of TEUR 1,770 (2017/18: financial liability of TEUR 1,207) was due to an associated company.

Remuneration for the corporate bodies of Zumtobel Group AG

in TEUR	2018/19	2017/18
Total remuneration for the Management Board	**2.095**	**2.014**
thereof fixed component	*1.995*	*1.926*
thereof short-term variable component	*100*	*26*
thereof long-term variable component	*0*	*61*
Settlement payment	1.500	235

in TEUR	2018/19	2017/18
Alfred Felder (as of 1 April 2016)	**750**	**515**
thereof fixed component	*750*	*515*
thereof short-term variable component	*0*	*0*
thereof long-term variable component	*0*	*0*
Bernhard Motzko (as of 1 February 2018)	**608**	**343**
thereof fixed component	*608*	*255*
thereof short-term variable component	*0*	*26*
thereof long-term variable component	*0*	*61*
Thomas Tschol (as of 1 April 2018)*	**738**	**50**
thereof fixed component	*638*	*50*
thereof short-term variable component	*100*	*0*
thereof long-term variable component	*0*	*0*
* Remuneration is provided as part of a management service agreement		
Ulrich Schumacher (until 1 February 2018)	**0**	**703**
thereof fixed component	*0*	*703*
thereof short-term variable component	*0*	*0*
thereof long-term variable component	*0*	*0*
Settlement payment	1.500	0
Karin Sonnenmoser (until 9 March 2018)	**0**	**403**
thereof fixed component	*0*	*403*
thereof short-term variable component	*0*	*0*
thereof long-term variable component	*0*	*0*
Settlement payment	0	235

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	2018/19	2017/18
Total Supervisory Board remuneration	**421**	**453**
thereof fixed remuneration	*300*	*382*
thereof variable remuneration	*120*	*50*
thereof expense allowances and reimbursements	*1*	*21*

2.6.16 Information on Employees and Corporate Bodies

2.6.16.1 Personnel structure

	30 April 2019		30 April 2018	
	Average	Balance sheet date	Average	Balance sheet date
Production	2,812	2,779	2,836	2,879
R&D	519	515	546	542
Sales	1,863	1,837	1,942	1,934
Administration	493	471	543	540
Miscellaneous	359	277	346	329
Total	**6,046**	**5,878**	**6,214**	**6,224**

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

2.6.16.2 Corporate bodies

The following persons served as members of the Supervisory Board in 2018/19:

Name		Initially appointed/ Delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	16 years
Johannes Burtscher	Vice-Chairman	2010	2020	9 years
Fritz Zumtobel	Member	1996	2020	23 years
Volkhard Hofmann	Vice-Chairman	2017	2020	2 years
Dietmar Dünser	Delegated by the Employees' Council	2015		4 years
Richard Apnar	Delegated by the Employees' Council	2012		7 years
Kai Arbinger	Delegated by the Employees' Council	2016		3 years

The following persons served as members of the Management Board in 2018/19:

Name	Function	Initially appointed on	Term ends on	Service time to date
Alfred Felder	CEO (Chief Executive Officer)	1 April 2016	30 April 2022	3 years
Bernard Motzko	COO (Chief Operating Officer)	1 February 2018	30 April 2021	1 year
Thomas Tschol	CFO (Chief Financial Officer)	1 April 2018	30 April 2020	1 year

2.7 Scope of Consolidation

No.	Total	Country	Share in %	Consolidation method	Balance sheet date	Currency
1	Tridonic Finance Pty. Ltd.	Australia	100	full	30 April	AUD
2	ZG Operations Australia Pty. Ltd.	Australia	100	full	30 April	AUD
3	Tridonic Australia Pty. Ltd.	Australia	100	full	30 April	AUD
4	Tridonic Oceania Holding Pty. Ltd.	Australia	100	full	30 April	AUD
5	ZG Lighting Australia Pty Ltd	Australia	100	full	30 April	AUD
6	FURIAE Immobilien GmbH	Austria	100	full	30 April	EUR
7	LEDON Lighting GmbH	Austria	100	full	30 April	EUR
8	Tridonic Jennersdorf GmbH	Austria	100	full	30 April	EUR
9	LEXEDIS Lighting GmbH	Austria	50	equity	30 April	EUR
10	ZG Lighting CEE GmbH	Austria	100	full	30 April	EUR
11	Tridonic GmbH	Austria	100	full	30 April	EUR
12	Tridonic GmbH & Co KG	Austria	100	full	30 April	EUR
13	Tridonic Holding GmbH	Austria	100	full	30 April	EUR
14	Zumtobel Group AG	Austria	100	full	30 April	EUR
15	Zumtobel Holding GmbH	Austria	100	full	30 April	EUR
16	Zumtobel Insurance Management GmbH	Austria	100	full	30 April	EUR
17	Zumtobel LED GmbH	Austria	100	full	30 April	EUR
18	RFZ Holding GmbH	Austria	100	full	30 April	EUR
19	ZG Lighting Austria GmbH	Austria	100	full	30 April	EUR
20	Zumtobel Lighting GmbH	Austria	100	full	30 April	EUR
21	Zumtobel Pool GmbH	Austria	100	full	30 April	EUR
22	ZG Lighting Benelux SA	Belgium	100	full	30 April	EUR
23	ZG ILUMINACION LATAM LIMITADA	Chile	100	full	30 April	CLP
24	Thorn Lighting (Guangzhou) Ltd.	China	100	full	31 December	CNY
25	ZG Lighting Hong Kong Limited	Hongkong	100	full	30 April	HKD
26	Tridonic (Shanghai) Co. Ltd.	China	100	full	31 December	CNY
27	TridonicAtco (Shenzhen) Co. Ltd.	China	100	full	31 December	CNY
28	TridonicAtco Hong Kong Ltd.	Hongkong	100	full	30 April	HKD
29	ZG Lighting d.o.o.	Croatia	100	full	30 April	HRK
30	ZG Lighting Czech Republic, s r.o.	Czech Republic	100	full	30 April	CZK
31	ZG Lighting Denmark A/S	Denmark	100	full	30 April	DKK
32	Thorn Lighting OY	Finland	100	full	30 April	EUR
33	ZG Lighting France S.A.	France	99.97	full	30 April	EUR
34	Tridonic France Sarl	France	100	full	30 April	EUR
35	Zumtobel Lumière Sarl	France	100	full	30 April	EUR
36	ZG Innovation France SAS	France	100	full	30 April	EUR
37	Europhane SAS	France	10	equity	30 April	EUR
38	Reiss Lighting GmbH	Germany	100	full	30 April	EUR
39	Tridonic Deutschland GmbH	Germany	100	full	30 April	EUR
40	Zumtobel Holding GmbH	Germany	100	full	30 April	EUR
41	ZG Licht Mitte-Ost GmbH	Germany	100	full	30 April	EUR
42	Zumtobel Lighting GmbH	Germany	100	full	30 April	EUR

43	acdc LED Holdings Limited	Great Britain	40	full	30 April	GBP
44	acdc LED Limited	Great Britain	40	full	30 April	GBP
45	Rewath Ltd.	Great Britain	100	full	30 April	GBP
46	Thorn Lighting Group	Great Britain	100	full	30 April	GBP
47	Thorn Lighting Holdings Ltd.	Great Britain	100	full	30 April	GBP
48	Thorn Lighting International Ltd.	Great Britain	100	full	30 April	GBP
49	Thorn Lighting Ltd.	Great Britain	100	full	30 April	GBP
50	Tridonic UK Ltd.	Great Britain	100	full	30 April	GBP
51	Wengen-One Ltd.	Great Britain	100	full	30 April	GBP
52	Wengen-Two Ltd.	Great Britain	100	full	30 April	GBP
53	Wengen-Three Ltd.	Great Britain	100	full	30 April	GBP
54	Wengen-Four Ltd.	Great Britain	100	full	30 April	GBP
55	Wengen-Five Ltd.	Great Britain	100	full	30 April	GBP
56	ZG Lighting (UK) Limited	Great Britain	100	full	30 April	GBP
57	ZG Lighting Hungary Kft.	Hungary	100	full	30 April	HUF
58	Thorn Lighting India Private Limited	India	100	full	30 April	INR
59	ZG Lighting (Ireland) Ltd.	Ireland	100	full	30 April	EUR
60	Thorn Lighting s.r.l.	Italy	100	full	30 April	EUR
61	Tridonic Italia SRL	Italy	100	full	30 April	EUR
62	ZG Lighting Srl socio unico	Italy	100	full	30 April	EUR
63	Zumtobel LED Illuminazione Holding srl	Italy	100	full	30 April	EUR
64	Tridonic (Malaysia) Sdn, Bhd.	Malaysia	100	full	30 April	MYR
65	ZG Lighting Netherlands B.V.	Netherlands	100	full	30 April	EUR
66	Thorn Lighting Asian Holdings BV	Netherlands	100	full	30 April	EUR
67	ZG Lighting (N.Z.) Limited	New Zealand	100	full	30 April	NZD
68	ZG Lighting Norway AS	Norway	100	full	30 April	NOK
69	ZG Lighting Polska sp.z o.o.	Poland	100	full	30 April	PLN
70	Tridonic Portugal Unipessoa LDA	Portugal	100	full	30 April	EUR
71	ZG Lighting Trading LLC	Qatar	49	full	30 April	QAR
72	R Lux Immobilien Linie SRL	Romania	99	full	31 December	RON
73	Zumtobel Lighting Romania SRL	Romania	100	full	30 April	RON
74	ZG Lighting Russia	Russia	100	full	30 April	RUB
75	ZG Lighting Singapore Pte Limited	Singapur	100	full	30 April	SGD
76	Tridonic (S.E.A.) Pte Ltd.	Singapore	100	full	30 April	SGD
77	ZG Lighting Slovakia s.r.o.	Slovakia	100	full	30 April	EUR
78	ZG Lighting d.o.o.	Slovenia	100	full	30 April	EUR
79	ZG Lighting SRB d.o.o.	Serbia	100	full	30 April	RSD
80	Tridonic SRB d.o.o.	Serbia	100	full	30 April	RSD
81	Tridonic SA (Proprietary) Limited	South Africa	100	full	30 April	ZAR
82	TRIDONIC Korea LLC	South Korea	100	full	30 April	WON
83	ZG Lighting Iberia S.L.	Spain	100	full	30 April	EUR
84	Tridonic Iberia SL	Spain	100	full	30 April	EUR
85	ZG Lighting Nordic AB	Sweden	100	full	30 April	SEK
86	Thorn Lighting Nordic AB	Sweden	100	full	30 April	SEK
87	TLG Sweden Holdings AB	Sweden	100	full	30 April	SEK

88	Tridonic AG	Switzerland	100	full	30 April	CHF
89	Zumtobel Licht AG	Switzerland	100	full	30 April	CHF
90	Inventron AG	Switzerland	48	equity	30 April	CHF
91	ZG Lighting (Thailand) Ltd	Thailand	100	full	30 April	THB
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	Tridonic Inc., US	USA	100	full	30 April	USD
96	Lemgo Realty Corp.	USA	100	full	30 April	USD
97	Zumtobel Lighting Inc.	USA	100	full	30 April	USD

The following companies were deconsolidated in 2018/19:

1	acdc Corp.	USA	100	full	31 December	USD
2	Thorn Lighting (Tianjin) Co. Ltd.	China	100	full	31 December	CNY
3	ZG Licht Nord-West GmbH	Germany	100	full	30 April	EUR
4	ZG Licht Süd GmbH	Germany	100	full	30 April	EUR

The following companies were not included in the consolidation range in 2018/19:

1	Atlas International Limited	Great Britain	30 April	GBP
2	Smart & Brown Limited	Great Britain	30 April	GBP
3	Oriole Emergency & Fire Protection Limited	Great Britain	30 April	GBP
4	Thorn Lighting Pension Trustees Limited	Great Britain	30 April	GBP
5	TLG Supplemental Pension Trustees Limited	Great Britain	30 April	GBP
6	TLG Limited	Great Britain	30 April	GBP
7	British Lighting Industries Limited	Great Britain	30 April	GBP
8	Thorn Lighting Overseas	Great Britain	30 April	GBP
9	ATCO Controls (India) Pvt. Lt.	India	31 March	INR

2.8 Statement by the Management Board in accordance with § 124 (1) No. 3 of the Austrian Stock Exchange 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, 14 June 2019

The Management Board

Alfred Felder	Thomas Tschol	Bernard Motzko
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Zumtobel Group AG,
Dornbirn, Austria,

and its subsidiaries ("the Group"), which comprise the Consolidated Balance Sheet as at 30 April 2019, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flows Statement for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 April 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities*" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

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

Recoverability of goodwill allocated to Lighting Segment

Refer to notes section 2.6.3.2 and 2.6.6.1 / management report chapter 1.9

Risk for the Consolidated Financial Statements

The book value of goodwill recorded in the consolidated financial statements, amounting to EUR 190,299k, mainly relates to the goodwill allocated to and tested for recoverability at the level of the Lighting Segment in the amount of EUR 188,242k. This goodwill arose in particular from the acquisition of Thorn Lighting Group in the fiscal year 1999/2000. In accordance with the internal organization structure, the goodwill has been allocated to the Lighting Segment as cash generating unit and is subject to recoverability testing (impairment test) at least once a year.

The impairment test of goodwill is complex and based on discretionary factors. Those factors include in particular the expected future cash flows of the Lighting Segment for the next four years, a transition year and the terminal value which are primarily based on past experience as well as on the management's assessment of the expected market environment and the effectiveness of measures adopted. Other factors are the assumed long-term growth rate as well as the underlying region-specific costs of capital.

Given that the factors are subject to uncertainty, there is a risk that goodwill is overestimated and therefore the net result for the period is not correctly determined.

Our Response

In cooperation with our valuation experts we have assessed the appropriateness of key assumptions, of discretionary decisions and the valuation method applied for impairment testing. We have reconciled the expected future cash flows used in the calculation with the strategic business planning approved by the management. Additionally we critically dealt with the key planning assumptions and examined these assumptions on the basis of market data provided by the company. We have analyzed the consistency of planning data using information from prior periods.

Given that minor changes in the applied costs of capital rate have significant impact on the recoverable amount of the cash generating unit, we have compared the parameters used to derive the applied costs of capital with those used by a group of comparable companies (Peer-Group).

By means of our own sensitivity analysis we have determined whether the tested book values are still sufficiently covered by the recoverable amounts in case of possible changes in the assumptions within a realistic range.

Additionally, we have assessed whether the disclosures in the notes with respect to the recoverability of goodwill and the retrospective adjustments are appropriate.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

- We obtain an understanding of internal control relevant to the audit 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

—

— We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

— We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

— We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

— From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with the Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements. It is our responsibility to determine whether the consolidated non-financial statement has been prepared as part of the group management report, to read and assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

Management is responsible for the preparation of the group management report in accordance with the Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the (consolidated) financial statements, the (group) management report, and the auditor's reports.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

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

Additional Information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 27 July 2018, we were elected as group auditors. We were appointed by the Supervisory Board on 14 January 2019. We have been the Group's auditors from the year ended 30 April 2007, without interruption.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr. Mag. Thomas Smrekar.

Vienna, 14 June 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag. Thomas Smrekar
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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 group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

3. Corporate Governance Report 2018/19

Contents

3. Corporate Governance Report

3.1 Commitment to the Austrian Corporate Governance Code

The Zumtobel Group is committed to full compliance with the guidelines defined by the Austrian Corporate Governance Code and views this set of rules as a key requirement for responsible corporate management that is based on the sustainable, long-term creation of value and a high degree of transparency towards shareholders and other interest groups. The Austrian Corporate Governance Code is issued by the Austrian Working Group for Corporate Governance and represents a benchmark for good corporate governance and corporate control that exceeds legal requirements and meets international standards. The code applicable to the 2018/19 financial year (version: January 2018) is available for review on the website of the Austrian Working Group for Corporate Governance (*www.corporate-governance.at*). Voluntary commitment gives the code its legitimacy and forms the basis for the explanation of non-compliance with the C-Rules (comply or explain).

The Zumtobel Group complied with nearly all provisions of the code during the 2018/19 financial year. Actions deviated from only one C-Rule of the 83 Rules in the code, and the difference is described below.

3.1.1 Comply or Explain

The following C-Rule of the code was or is currently not met:

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.

3.1.2 External evaluation of compliance with the Corporate Governance Code

The Austrian Corporate Governance Code (Rule 62) requires evaluation of compliance with the C-Rules on a regular basis – at least every three years – by an external institution. This review was last carried out by the Group's auditor during the audit of the separate financial statements for 2016/17. The report on the independent evaluation is available to the general public on the website of Zumtobel Group AG under *www.zumtobelgroup.com*. Following the completion of this assessment, the auditor concluded that the corporate governance report prepared by Zumtobel Group AG meets the applicable legal requirements (§ 243b of the Austrian Commercial Code).

3.1.3 Compliance management by Zumtobel Group AG

The compliance management system is the subject of continuous development, which is intended to protect its ability to meet current and future responsibilities. The related activities are carried out in close cooperation between corporate audit & compliance, the legal department, risk management, the human resources department and corporate IT. The director of corporate audit & compliance reports regularly on current compliance issues as well as planning and progress on the development and expansion of the compliance management system at the meetings of the Audit Committee. Personal meetings with the chairman of the Audit Committee are held twice each year and supplemented by semi-annual reports to the Audit Committee. Additional information can be found in the management report under "Corporate Governance und Compliance".

3.2 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 body that is completely separated from operating management and 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 boards 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*).

3.2.1 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 an annual general meeting or when Zumtobel Group AG collects information on these shareholdings. The available information on the shareholder structure is provided in section 1.3 of the management report under "The Zumtobel Group Share".

The Zumtobel Group places high priority on 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".

3.2.2 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
Alfred Felder	CEO (Chief Executive Officer) since 8 June 2018, formerly Speaker of the Management Board, previously COO	01.04.2016	30.04.2022	3 years
Thomas Tschol	CFO (Chief Financial Officer)	01.04.2018	30.04.2020	1 year
Bernard Motzko	COO (Chief Operating Officer)	01.02.2018	30.04.2021	1 year

Alfred Felder – CEO

Alfred Felder was appointed Chief Executive Officer (CEO) as of 8 June 2018. He previously served as COO of Zumtobel Group AG since April 2016 and as Speaker of the Management Board of Zumtobel Group AG beginning in February 2018. His term of office extends to 30 April 2022. Mr. Felder was born in 1963 in South Tyrol (Italy) and studied electrical engineering at the Vienna University of Technology. He joined the Siemens Group in 1990 where he held various research and development functions in Germany and, starting in 1995, was the technology manager for Siemen's Infineon subsidiary in Japan. In 2003 he transferred to OSRAM, a former Siemens subsidiary, and was responsible for various management functions in the areas of optoelectronic semiconductors and general lighting in the USA and China. Alfred Felder served as the managing director of the Zumtobel Group's Tridonic components subsidiary beginning in November 2012.

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

Bernard Motzko – COO

Bernard Motzko was appointed Chief Operating Officer (COO) of the Zumtobel Group as of 1 February 2018. His term of office extends to 30 April 2021. Bernard Motzko was born in Upper Silesia in 1962 and grew up in Germany; he studied mechanical engineering and business management at Paderborn University, and received his doctorate in 1994. After holding various positions in production, Bernard Motzko joined the former Siemens Nixdorf (now Diebold-Nixdorf) in 1997, a manufacturer of cash register systems, kiosk systems and automatic teller machines. He was initially responsible for the plant in Paderborn and assumed global responsibility for the production and supply chain in 2003. His primary focus was on the introduction of standardised processes and methods as well as the optimisation of the production network through the development of plants in Brazil and China.

Additional functions or inter-company relations outside the Zumtobel Group: member of the Advisory Board of Schwering & Hasse Elektrodraht GmbH (Germany).

Thomas Tschol – CFO

Thomas Tschol was appointed Chief Financial Officer (CFO) of the Zumtobel Group as of 1 April 2018 for a term of office extending to 30 April 2020. Thomas Tschol was born in Lauterach (Austria), in 1970. He studied business administration at the Ecole Supérieure de Commerce de Toulouse and completed a double degree in cooperation with the Technical University of Berlin in 1995. His professional career began at the Danube University in Krems and as a consultant with Cap Gemini Ernst & Young AG. The Management Factory Corporate Advisory GmbH in Vienna, a financial management service company, was founded by Mr. Tschol in 2001. In addition to activities as the managing director of his own company, he can look back on many years of experience as a chief financial officer, among others with Mayr-Melnhof Holz Holding AG.

Additional functions or inter-company relations outside the Zumtobel Group: 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.

The distribution of duties as of 30 April 2019 is as follows:

Alfred Felder CEO	Thomas Tschol CFO	Bernard Motzko COO
- Corporate strategy, M&A, business processes - Business divisions - Sales - Marketing & communication, product marketing - Technology & development - Human resources - Legal	- Accounting and tax - Finance & controlling - Treasury - Risk management - Audit & compliance - Insurance - Investor relations - Facility management, Dornbirn	- Plant network (Operations) - Supply chain & logistics - Quality - IT - Procurement

The Management Board generally meets twice 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).

3.2.3 The Supervisory Board

The members of the Supervisory Board 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	2020	16 years
Volkhard Hofmann	First Vice-Chairman	2017	2020	2 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	9 years
Fritz Zumtobel	Member	1996	2020	23 years
Dietmar Dünser	Delegated by the Employees' Council	2015		4 years
Richard Apnar	Delegated by the Employees' Council	2012		7 years
Kai Arbinger	Delegated by the Employees' Council	2016		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, immaterial 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, significant 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. Two members of the Supervisory Board – Volkhard Hofmann 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.

All contracts with members of the Supervisory Board which involve activities outside the scope of Supervisory Board responsibilities and are connected remuneration exceeding minor value must be submitted to the Supervisory Board for approval in accordance with legal regulations. The related objects and remuneration are disclosed in section 1.6.2 (Contracts with members of the Supervisory Board). L-Rule 48 and C-Rule 49 of the Corporate Governance Code are therefore mete in full.

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.

3.2.4 The Supervisory Board | committees

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

Audit Committee

Members: Johannes Burtscher (Chairman and Financial Expert), Fritz Zumtobel (Vice-Chairman), Jürg Zumtobel, Dietmar Dünser, Kai Arbinger.

Duties: The Audit Committee is responsible for the audit of and preparations for the approval of the separate 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 2018/19 financial year. Among others, the responsible managers report to the committee at each meeting on the current status of these systems and processes. The chairman of the Audit Committee also meets twice each year with the director of corporate audit & compliance.

Committee for Management Board Matters

Members: Jürg Zumtobel (Chairman), Volkhard Hofmann (Vice-Chairman), Fritz Zumtobel, Johannes Burtscher.

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.

Strategy Committee

Members: Volkhard Hofmann (Chairman), Jürg Zumtobel (Vice-Chairman), Fritz Zumtobel, Johannes Burtscher, Dietmar Dünser, Kai Arbinger.

Duties: The Strategy Committee serves as a permanent sounding board for the Management Board on strategic and cultural issues related to Zumtobel Group AG.

3.2.4.1 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 2019/20 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 Kulturhäuser Betriebsgesellschaft mbH, Bregenz (Austria).

Volkhard Hofmann

Volkhard Hofmann has been a member of the Supervisory Board of Zumtobel Group AG since 21 July 2017; his term of office extends until the annual general meeting for the 2019/20 financial year. He was born on 23 October 1952. After receiving his doctorate in political science at Cologne University, he joined the Boston Consulting Group in 1982 and was elected partner and managing director in the minimum period of six years. He established and/or headed several practice groups during his time with the Boston Consulting Group and also held various international management positions. In recent years, Mr. Hofmann has advised the Zumtobel Group on various projects.

Additional functions or inter-company relations outside the Zumtobel Group: vice-chairman of the Supervisory Board of SMP AG Strategy Consulting, Düsseldorf.

Johannes Burtscher

Johannes Burtscher joined the Supervisory Board of Zumtobel Group AG as a member and second vice-chairman on 23 July 2010. His term of office extends up to the annual general meeting for the 2019/20 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: member of the administrative board of Kunststoff Schwanden AG, Schwanden, Switzerland.

Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel Group AG since 1996. He served 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 2019/20 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 Privatstiftung.

3.2.4.2 The Supervisory Board | employee representatives

Dietmar Dünser

Mr. Dünser was delegated to the Supervisory Board of Zumtobel Group AG by the Employees' Council for Salaried Employees in July 2015. He was born in Bludenz (Austria), in 1966. After completing secondary school (HTL) studies in telecommunications and electronics, he joined the Zumtobel Group in 1986 where he held various functions in the areas of development, marketing, product management and technical sales. He followed the completion of career-integrated, master studies in export and international management at the Management Center Innsbruck (MCI) by serving as a quality and risk management engineer at Zumtobel Lighting GmbH. Mr. Dünser joined the Employees' Council in 1999; in April 2015 he was elected chairman and in January 2016 full-time, independent representative of the Employees' Council for Salaried Employees of Zumtobel Group AG, Zumtobel Pool GmbH, Zumtobel Insurance Management GmbH, ZG Lighting Austria GmbH, ZG Lighting CEE GmbH and Zumtobel Lighting GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: substitute member of the Ludesch community council and full member of the "e5 und Umwelt" committee, lay judge on the Labour and Social Court of Feldkirch and councillor of the Chamber of Labour in Feldkirch.

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.

Kai Arbinger

Mr. Arbinger was delegated to the Supervisory Board of Zumtobel Group AG by the Central Employees' Council of Tridonic in May 2016. He was born in Bregenz, Austria, in 1959 and joined the Zumtobel

Group's development department in 1985. In December 2015, Mr. Arbinger was elected chairman of the Employees' Council for Salaried Employees at Tridonic GmbH & Co KG.

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

3.3 Diversity on the Supervisory and Management Boards

The members of the Supervisory and Management Boards are selected on the basis of their professional qualifications and personal expertise in order to achieve a balance of educational and professional backgrounds. Support for diversity with regard to generations and genders are included in selecting new appointments to the Supervisory Board and Management Board. The following table shows the structure of the Management Board and Supervisory Board of Zumtobel Group AG as of 30 April 2019:

	Gender	Education	Age group
Management Board			
	Men (3)	Economics (1)	< 50 (1)
	Women (none)	Electrical engineering (1)	50 to 60 (2)
		Industrial engineering and mechanical engineering (1)	60 to 70
			70 <
Supervisory Board			
Shareholder representatives	Men (4)	Economics (1)	< 50 (1)
	Women (none)	Law (1)	50 to 60
		Engineering (2)	60 to 70 (1)
			70 < (2)
Employee representatives	Men (3)	Telecommunications and electronics (1)	< 50 (1)
	Women (none)	Training as a plastics engineer (1)	50 to 60 (2)
		Training as an industrial electrician (1)	60 to 70
			70 <

The Management Board of the Zumtobel Group does not include any women at the present time. An analysis of the age distribution, internationality and professional background shows a balanced picture. The members of the Management Board are between 48 and 56 years old, come from three different nations and have extensive international management experience in various companies and business areas. The Supervisory Board did not include any women in 2018/19, as in the previous year. The members of the Supervisory Board, as a whole, cover the entire spectrum of areas important to the company, such as engineering, telecommunications and electronics. Business knowledge and many years of management experience complement the profile. The Zumtobel Group is working to increase the share of women in its management and control bodies and gives special attention to the evaluation of female talents in succession planning.

3.4 Diversity Concept and Measures to Support Women

The Zumtobel Group is well aware that increasing the share of women in higher qualified positions requires the continuation of current programmes as well as open attitude towards new initiatives. In order to protect its competitive position and benefit from the diversity of different viewpoints, the Zumtobel Group has set a goal to increase the worldwide representation of women in its member companies each year. In 2018/19 women comprised 35.7% (2017/18: 35.8%) of the Zumtobel Group's workforce. Measures in this area also focus on the achieving a diverse composition with regard to professional qualifications and educational background, nationalities, cultures and a balanced age structure, independent of gender.

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. Detailed position descriptions and function evaluations ensure that compensation reflects the specific job requirements and is also fair and appropriate. This focus on the functional content also limits any gender-specific irregularities.

The Zumtobel Group works to increase its attractiveness as an employer and also implements measures to improve the work-life balance. Part-time employment, educational leave, sabbaticals, parental leave, home office options or other models are arranged where needed. In 2018/19 part-time employees represented 8.5% of the total full-time equivalent workforce (2017/18: 6.9%). Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Additional information is provided in the management report under "Non-Financial Statement".

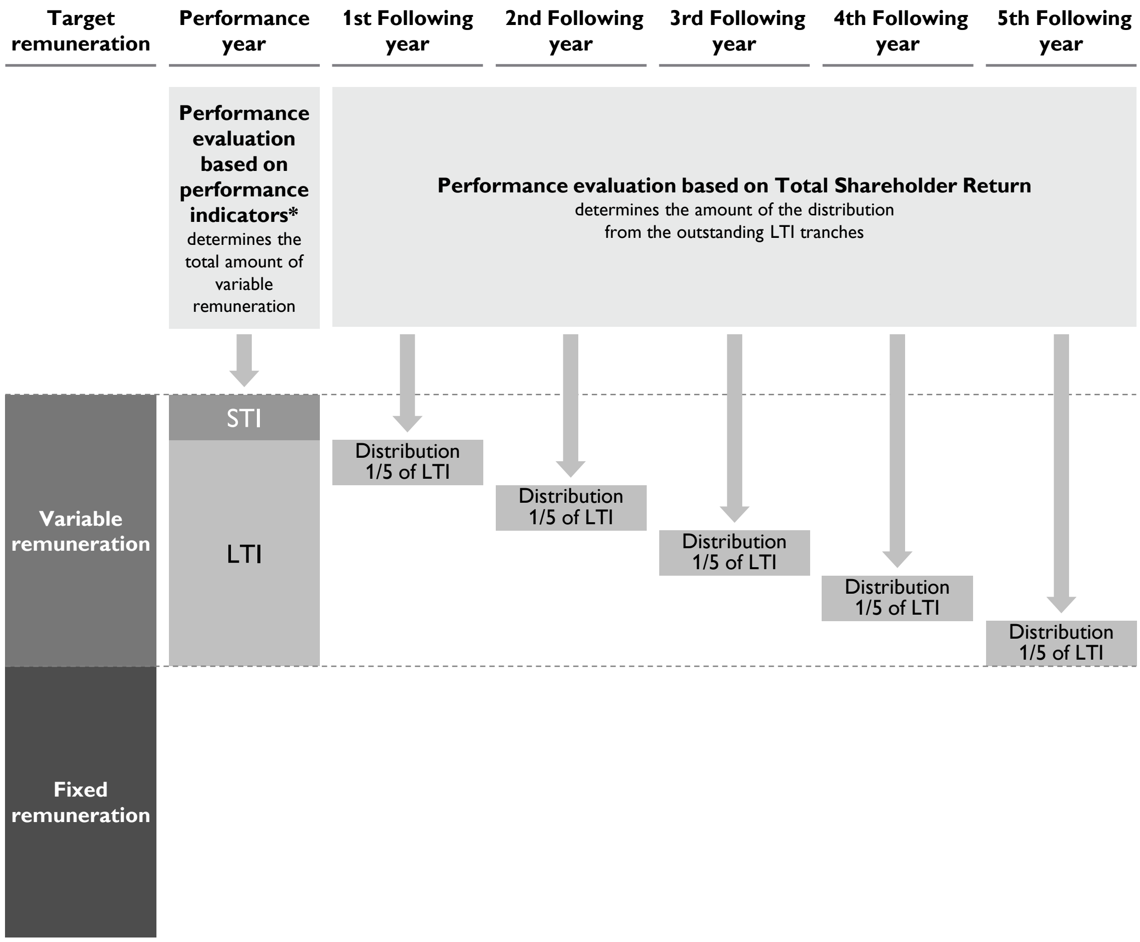
3.5 Remuneration Report

3.5.1 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 effectiveness of the remuneration system was again confirmed in 2018/19. The members of the Management Board and most of the upper-level management did not receive any variable remuneration for the reporting year following a performance evaluation based on the defined indicators.

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.

Structure of the remuneration system for the Management Board:



* EBIT adjusted and Free Cash Flow

The variable remuneration consists of a short-term component (Short-Term Incentive, STI) and a long-term component (Long-Term Incentive, LTI). The STI is paid out in cash during the respective performance year. The cash distribution from the LTI is spread over the five following years, 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 underlying performance indicators for the remuneration system were adjusted in 2018/19. The performance evaluation for the allocation of variable remuneration in the respective distribution year is no longer based on total shareholder return, but on two new indicators – adjusted EBIT and free cash flow. The targets for these indicators are determined before the beginning of the financial year based on budget planning.

The evaluation of the accrued LTI tranches from earlier years is still 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.

Composition of the peer group of Zumtobel Group AG[1]:

Geographic distribution	Share
D/A/CH	38.8%
Northern Europe	18.6%
Benelux & Eastern Europe	0%
America	22.4%
Southern Europe	4.4%
Asia & Pacific	15.7%

Distribution by industrial sector	Share
Lighting	55.7%
Construction, same level of supply	25.8%
Construction, upstream level of supply	13.9%
Manufacturing and Electrics	4.6%

Under both the STI and LTI, discretionary remuneration which exceeds the agreed performance target and reflects non-financial criteria can be granted in justified cases. This discretionary component moves within the upper limits defined in advance. Therefore, all components of the remuneration scheme used by Zumtobel Group AG meet the requirements of the Austrian Corporate Governance Code, above all Rule C-27.

The goals and goal attainment for the performance indicators as well as an individual discretionary bonus component (to be justified) are evaluated and approved each year by the compensation committee (CC). 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 firm[2].

The performance evaluation for the 2018/19 financial year resulted in the following remuneration for the members of the Management Board[3] (*disclosure pursuant to Rules C29, C30 and C31)*:

[1] The peer group was revised and adjusted several times since the introduction of the relative performance indicator based on total shareholder return in 2014/15, most recently in 2017/18.
[2] FehrAdvice & Partners AG
[3] Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2018/19 irrespective of the payment date.

In TEUR	Total: Target remuneration[4]	Total: Remuneration[5]	Fixed: Basic salary	Variable: STI	Variable: LTI[6]	LTI payments from prior periods	Severance compensation
Total Management Board remuneration							
2018/19	3,208	2,095	1,995	100	0	175	1,500
2017/18	3,490	2,014	1,926	26	61	0	235
Alfred Felder, CEO (since 1 April 2016 on the Management Board, since 8 June 2018 as CEO)							
2018/19[7]	1,400	750	750	0	0	45	0
2017/18[8]	963	515	515	0	0	0	0
Bernard Motzko, COO (since 1 February 2018)							
2018/19[9]	958	608	608	0	0	12	0
2017/18[10]	343	343	255	26	61	0	0
Thomas Tschol, CFO (since 1 April 2018)							
2018/19[11]	850	738	638	100	0	0	0
2017/18[12]	50	50	50	0	0	0	0
Ulrich Schumacher, CEO (until 1 February 2018)							
2018/19[13]	0	0	0	0	0	0	1,500
2017/18[14]	1,407	703	703	0	0	0	0
Karin Sonnenmoser, CFO (until 9 March 2018)							
2018/19	0	0	0	0	0	118	0
2017/18[15]	729	403	403	0	0	0	235

[4] The column "target remuneration" covers all contractually defined remuneration components, excluding contractually defined severance compensation.

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

[6] The ratio of LTI to STI for the Management Board members equals 70:30, respectively 80:20 (CEO); the LTI payout period for the Management Board covers five years for all of the current board members.

[7] The target remuneration and actual remuneration for Alfred Felder in 2018/19 include a contractually defined, one-time bonus of EUR 100,000.

[8] The target remuneration and actual remuneration for Alfred Felder in 2017/18 include the contractually agreed compensation for the function of COO (up to 31 January 2018) and for the interim function of CEO (as of 1 February 2018). Mr. Felder receives LTI payments from prior periods for his activities as the Tridonic business unit leader (these payments are not included here).

[9] The target remuneration and actual remuneration for Bernard Motzko in 2018/19 include the contractually defined second tranche of the sign-up bonus of EUR 137,500.

[10] The target remuneration and actual remuneration for Bernard Motzko in 2017/18 include the contractually agreed compensation for the function of COO as of 1 February 2018. The contractual agreement provides for a payment of at least 100% of the variable remuneration in 2017/18. The first tranche of the signing bonus of EUR 137,500 was paid at the end of 2017/18.

[11] The target remuneration and actual remuneration for Thomas Tschol in 2018/19 include a contractually guaranteed bonus of EUR 212,500 for the first contract year. In FY 2018/19 a discretionary bonus of EUR 100,000 was paid.

[12] The remuneration for Thomas Tschol in 2017/18 include the contractually agreed flat-rate payment for the function of CFO during the period from 9 March 2018 to 30 April 2018.

Alfred Felder was appointed Speaker of the Management Board (CEO, ad interim) in 2017/18 as the successor to Ulrich Schumacher and, on 8 June 2018, was appointed Chief Executive Officer (CEO) by the Supervisory Board of Zumtobel Group AG. His contract was extended on 4 December 2018 for three years up to 30 April 2022. On 23 January 2019 a settlement was reached with Ulrich Schumacher at the provincial court in Feldkirch. The payment of the settlement amount represents the final compensation and settlement for all reciprocal claims between the parties and, in particular, also covers all bonus claims independent of the form of termination (bonus bank).

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 maximum payment covering a period of 24 months. The members of the Management Board have no other special claims or entitlements at the end of their function. The activities of Thomas Tschol on the Management Board are made available through a personnel leasing contract concluded with Management Factory Corporate Advisory GmbH. This contract can be terminated at the end of each month in keeping with a three-month notice period.

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

3.5.2 Supervisory Board remuneration

The Supervisory Board remuneration and attendance fees are approved by the annual general meeting and were last amended on 24 July 2015. The fixed remuneration equals EUR 120,000 per financial year for the chairman of the Supervisory Board and EUR 60,000 per financial year for each elected member. No additional attendance fees are paid for Supervisory Board meetings or for the annual general meeting. In addition, the elected members of the Supervisory Board committees receive variable remuneration. Each committee chairman receives remuneration of EUR 15,000 for each meeting up to a maximum of EUR 30,000 per financial year for the activities as committee chairman. Every other committee member receives EUR 5,000 per meeting up to a maximum of EUR 10,000 per financial year and committee. The employee representatives receive no Supervisory Board remuneration. The fixed remuneration is paid out in equal monthly instalments, while the variable remuneration is paid one week after the respective meeting to the members who were personally present.

[13] On 23 January 2019 a settlement was reached with Ulrich Schumacher at the provincial court in Feldkirch. The payment of the settlement amount represents the final compensation and settlement for all reciprocal claims between the parties and, in particular, also covers all bonus claims independent of the form of termination (bonus bank).

[14] The target remuneration and actual remuneration for Ulrich Schumacher in 2017/18 include the contractually agreed compensation for the function of CEO up to 26 February 2018. An additional bonus was not paid in 2017/18.

[15] The target remuneration and actual remuneration for Karin Sonnenmoser in 2017/18 include the contractually agreed compensation for the function of CFO up to 9 March 2018. In connection with the termination of her contract by mutual agreement, a one-time severance payment of EUR 235,000 was agreed. All entitlements from the bonus bank remain intact, i.e. the allocated LTI tranche from 2017/18 will remain in the payment scheme up to 2022/23.

Total Supervisory Board remuneration:[16]

In TEUR	2018/19	2017/18
Total remuneration of the Supervisory Board	421	433
thereof fixed remuneration	300	382
thereof variable remuneration	120	50
thereof expense allowances and reimbursements	1	1

Remuneration of the individual Supervisory Board members[17]
Disclosure in accordance with Rule 51:

In TEUR	2018/19	2017/18
Jürg Zumtobel	140	130
Johannes Burtscher	100	90
Fritz Zumtobel	80	70
Volkhard Hofmann	100	47
Stephan Hutter (up to 31 January 2018)	0	45
Hans-Peter Metzler (up to 31 January 2018)	0	45

3.6 Other Information

3.6.1 Auditor's fees

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed by the annual general meeting on 27 July 2018 to audit the consolidated and separate financial statements of Zumtobel Group AG. 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 during the reporting year:

In TEUR	2018/19	2017/18
Total fees	431	568
thereof audit and audit related services	228	228
thereof other services	203	340

The fees for other services involve audit-related consulting and tax advising. The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including external costs, totalled TEUR 1,127 (2017/18: TEUR 1,300).

[16] 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.
[17] Excl. expense allowances and reimbursements.

3.6.2 Contracts with members of the Supervisory Board

Supervisory Board member Volkhard Hofmann invoiced a total of TEUR 90 (excluding expenses) for consultancy services on behalf of the Zumtobel Group in 2018/19.

3.6.3 Internal Audit

The corporate internal audit department of Zumtobel Group AG (corporate audit & compliance) is a staff department that reports directly to the Management Board. The head of the department provides regular reports to the Audit Committee of the Supervisory Board on the planning for and most important results of its work. The internal audit charter approved by the Management Board creates the foundation for all internal audit activities. This charter and the entire audit process in the Zumtobel Group are based on the international standards defined by the Institute of Internal Auditors (IIA). Compliance with these standards is reviewed and confirmed at least every five years by an external specialist, whereby the last review took place in March 2016.

The standard corporate internal audits are defined in an annual schedule, which is approved by the Management Board and coordinated with the Audit Committee. It is the result of the Group-wide structured identification and analysis of qualitative and quantitative risk factors relating to processes, units and projects. The preparation of the audit schedule is closely coordinated with risk management and covers the content-related review of risk trends and efficiency in operating processes as well as the monitoring of compliance with legal regulations and internal guidelines. The activities of corporate internal audit also include ad hoc audits at the request of the Management Board and, depending on the team's available expertise, consulting projects. In accordance with § 243a (2) of the Austrian Commercial Code and Rules 69 and 70 of the Austrian Corporate Governance Code, the management report must include a description of the key features of the internal control system and the risk management system related to the accounting process.

Dornbirn, 14 June 2019

The Management Board

Alfred Felder	Thomas Tschol	Bernard Motzko
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

3.7 Report of the Supervisory Board

Dear Shareholders,

The 2018/19 financial year was a year of transition for the Zumtobel Group. The new Management Board which was installed in spring 2018 implemented a number of urgently required measures during the past financial year to stabilise the business and worked intensively on the implementation of the new FOCUS strategy. The market-based segments were upgraded, the three core brands were strengthened, and the sales function was reoriented and positioned even closer to customers. At the same time, corporate functions were cut back and administrative costs were substantially reduced. The product portfolio was also streamlined, and operating processes were adjusted to lower production costs. All these steps combined to improve the Zumtobel Group's competitive position and create the basis for additional market and cost savings opportunities. This new strategy reflects the Zumtobel Group's clear goal to generate added value for all stakeholders (shareholders, customers and employees). We are convinced that we have again created a solid foundation for future profitable growth in the Zumtobel Group with this new orientation.

We performed the duties required by law and the articles of association during the 2018/19 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. During the periods 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 four shareholder representatives as of 30 April 2019: Jürg Zumtobel, Fritz Zumtobel, Johannes Burtscher and Volkhard Hofmann. The Supervisory Board, in its current composition, meets the requirements of the Austrian Stock Corporation Act and is not restricted in any way whatsoever in its actions or decision capacity.

Meetings of the Supervisory Board

The Supervisory Board met six times during the 2018/19 financial year, in four scheduled meetings and two unscheduled meetings. One member of the Supervisory Board was excused at each of three meetings and authorised another member or the chairman of the Supervisory Board to vote on his behalf. All members were in attendance at the other Supervisory Board meetings.

The budget for 2018/19, including the medium-term planning, was approved, respectively accepted without objections at an unscheduled meeting on 22 May 2018.

Alfred Felder was appointed Chief Executive Officer of Zumtobel Group AG on 8 June 2018. On 22 November 2018 his contract was extended to 30 April 2022 by way of a resolution in writing.

The Supervisory Board meeting on 26 June 2018 dealt extensively with the separate financial statements of Zumtobel Group AG and the related consolidated financial statements. Discussions at this meeting also covered the corporate governance report and the Supervisory Board report as well as the approval of recommendations by the Supervisory Board to the annual general meeting. Resolutions were also passed on Group financing and restructuring measures (e.g. the founding of an R&D location in Portugal).

The agenda for the meeting on 21 September 2018 included the management report and key financial data on the first quarter of 2018/2019 as well as the development of a global plant network, pending restructuring issue and status reports on the strategy of the Zumtobel Group. In addition, the implementation of the new GRS bonus scheme for key employees and authorisation changes in the Group companies were approved.

Restructuring measures in Jennersdorf and Guangzhou were handled and approved at the unscheduled Supervisory Board meeting on 16/19 November 2018.

The central topics of the Supervisory Board meeting on 25 January 2019 included discussions on the management report as well as the strategy for the global plant network. Among others, financing issues were discussed and the settlement of the proceedings against the former Chief Executive Officer, Ulrich Schumacher, at the provincial court in Feldkirch was approved.

At the Supervisory Board meeting on 26 April 2019, the budget for the 2019/20 financial year and medium-term planning for 2020/21, 2021/22 and 2022/23 were approved. Authorisation changes were also approved and status reports on various projects were discussed.

Audit Committee

The Audit Committee met twice during 2018/19, with full attendance at both meetings. Additional personal meetings were also held between members of the Audit Committee and the Zumtobel Group's auditors.

The meeting on 26 June 2018 concentrated on the annual financial statements for 2017/18. The auditor of the consolidated and separate financial statements and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and separate financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. Other reports (compliance management and data protection, risk management system, internal control system, internal audit, corporate governance, insider compliance and the IT control environment) were discussed and accepted. A resolution for the appointment of the auditor for the 2018/19 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 25 January 2019 dealt with the six-month financial statements as of 31 October 2018, whereby the related reports by the auditor and corporate staff were accepted. The accounting process, the focal points of the review and selected accounting issues – e.g. the effects of IFRS 16 and the new mortality tables for the calculation of the service anniversary and severance provisions in Austria – were examined in detail. The audit approach and focal points for the audits of the 2018/19 separate and consolidated financial statements were presented and explained by the auditor. Status reports on the internal control system, internal audit and compliance management in the Zumtobel Group were also presented and accepted.

Committee for Management Board Matters

The members of the Committee for Management Board Matters held numerous meetings and telephone conferences in 2018/19, which involved discussions and follow-up assessments of key topics. The most important issues handled during the reporting year included the appointment of Alfred Felder as Chief Executive Officer of Zumtobel Group AG up to 30 April 2022.

Other focal points, as in previous years, included the committee's work as a so-called compensation committee, which takes decisions on the remuneration system and includes representatives of the Management Board, Supervisory Board and human resources department. The underlying performance indicators for the remuneration system were adjusted in 2018/19. The performance evaluation for the allocation of variable remuneration in the respective distribution year is no longer based on total shareholder return, but on two new indicators – adjusted EBIT and free cash flow. The evaluation of the accrued LTI tranches from earlier years is still based on the total shareholder return of Zumtobel Group AG, which is compared with the total shareholder return of selected, comparable companies (peer group). Additional information can be found in the remuneration report. The compensation committee was also supported during 2018/19 by FehrAdvice & Partners AG, an independent consulting firm located in Zurich.

The Committee for Management Board Matters also served as a sounding board for the Management Board on a wide range of issues in 2018/19.

Strategy Committee

The members of the Strategy Committee held several meetings and telephone conferences which dealt with a wide range of key strategic and cultural issues involving the Zumtobel Group. The most important issues accompanied by the Strategy Committee in 2018/19 concerned the Zumtobel Group's FOCUS strategy to strengthen customer orientation while, at the same time, reducing complexity and lowering costs. Additional information is provided in section 1.1.6 of the management report.

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 2018/19 financial year, which were prepared by the Management Board, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and given unqualified opinions. After an extensive review and discussion of the separate financial statements of Zumtobel Group AG with the auditor at meetings of the Audit Committee and the Supervisory Board, which provided no grounds for reservation, 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 separate 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 Supervisory Board also approved the consolidated financial statements as well as the consolidated corporate governance report which was reviewed by the Audit Committee.

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 their confidence.

For the Supervisory Board

Jürg Zumtobel
Chairman of the Supervisory Board

Dornbirn, 26 June 2019

4. Service

Contents

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

Financial Calendar

Annual Results 2018/19	27 June 2019
Record Date for the Annual General Meeting	16 July 2019
43rd Annual General Meeting	26 July 2019
Ex-Dividend Day	30 July 2019
Record Date Dividend	31 July 2019
Dividend Payout Day	2 August 2019
Report on the First Quarter 2019/20 (1 May 2019 - 31 July 2019)	3 September 2019
Report on the First Half-year 2019/20 (1 May 2019 - 31 October 2019)	3 December 2019
Report on the First Three Quarters 2019/20 (1 May 2018 - 31 January 2020)	3 March 2020

Contact Information

Investor Relations
Emanuel Hagspiel
Head of Investor Relations
Telephone +43 (0)5572 509-1125
Email *emanuel.hagspiel@zumtobelgroup.com*

Press / Corporate Communications
Marina Konrad-Märk
Head of Corporate Communications
Telephone +43 (0)5572 509-575
E-Mail *marina.konrad-maerk@zumtobelgroup.com*

Financial Reports

Our financial reports are available in English and German for download under: http://www.zumtobelgroup.com. The annual report 2018/19 will be available at our 43rd 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
www.acdclighting.co.uk

Imprint

Publisher: Zumtobel Group AG, Investor Relations, Emanuel Hagspiel
Coordination financials: Bernhard Chromy
Cover design: Prof. Dietmar Eberle, Baumschlager Eberle Architects with Sascha Lötscher, Gottschalk+Ash Int'l
Translation: Donna Schiller-Margolis

Produced in-house with FIRE.sys

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. The 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. They are also 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. Risks may also 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.

Following the publication at the Shareholder´s Meeting on July 26 2019, a PDF version of the report will be available at:

www.zumtobelgroup.com/en/ordering.htm

Front cover design

A collaboration of
Baumschlager Eberle Architects,
Prof. Dietmar Eberle
with Sascha Lötscher from
Gottschalk+Ash Int'l

For this year's artistic annual report, the designers were dedicated on showing the interplay of light and space and making light visible through strong contrasts. They interpret light from an architectural perspective and use model photos to show lighting scenes in spaces. These lighting scenes were realised with students as part of Prof. Dietmar Eberle's work at ETH Zurich.

ZUMTOBEL Group